

NATIONAL TREASURY
**STRATEGIC
PLAN**
2012/16



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



The 2012/16 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 future of the global economy is, at best, uncertain. This uncertainty is likely to continue for some time as key economic regions in the world are unable to resolve crucial issues with the decisiveness that is required.

In addition, the world has yet to come up with solutions to the challenge of unemployment. But doing nothing is not an option as the socio-economic costs of high unemployment, especially among the youth, are simply too high.

This is why our expenditure framework for the next three financial years begins to tilt the balance in our resource allocation more towards economic growth, investment and job creation. The framework also creates the platform for a more sustainable fiscal trajectory.

Shifting the composition of public expenditure towards investment is necessary if we are to raise the level of economic growth and create more job opportunities. The shift in resource allocation will enable South Africa to take advantage of the changing dynamics in the global economic, the most significant of which has been the shift in global growth from industrialised to emerging markets, especially China, Brazil and India. The African continent, home to five of the world's fastest growing economies, also offers growth opportunities, especially in infrastructure, mining, finance and retail development.

Competing in this dynamic global environment requires flexibility, innovation and bold leadership, not only in government but in the private sector too. To make this possible, we must move with a greater sense of urgency towards the building of capable public institutions and the creation of a more compelling environment for business investment. Equally, we need a bolder and more dynamism in the business leadership and from all sections of SA society.

Government's focus on infrastructure investment will go a long way to creating an environment which will enable South African businesses to grab the fruits of the dynamic global economy. Economic infrastructure (electricity, rail, roads, ports, and telecommunications) reduces the cost of doing business in South Africa and enables business to take advantage of the growth opportunities elsewhere in the world. Investments in social infrastructure, on the other hand, contribute to the development of healthy and skilled workers who are much more productive.

Our fiscal framework remains grounded in counter-cyclicality, long-term sustainability and intergenerational fairness. As demonstrated by the performance of our economy since the 2008 crisis hit, this framework has provided a much-needed cushion for the economy while helping us lay strong foundations for faster and more inclusive growth.

By phasing in our fiscal consolidation over the medium term, while supporting economic growth, we avoid the social and economic dislocation associated with more rapid adjustments, while still stabilising the fiscal position without burdening the economy and future generations with excessive debt.

Notwithstanding the shift of resources in favour of growth and job creation, education, health and social assistance will remain the largest categories of expenditure, sustaining and expanding the social wage over the MTEF period. Investment in people remains at the centre of our growth and development strategy.

MINISTER'S STATEMENT OF POLICY AND COMMITMENT - cont

As the global economic and financial crisis reminded us, exposure of individuals and families to economic shocks, including loss of employment, damages not only economic well-being but human development (especially health and education). So, the rise in social expenditure from 49 per cent of government expenditure in 2002/03 to 58 per cent in the 2012/13 Budget has provided a much needed cushion to the majority of our people.

Stripping out the effects of rising prices, the 2012 Budget mobilises R1.1 trillion of resources, double what government spent in 2002/03. Despite this doubling in expenditure, we have yet to see a commensurate increase in the quality of public services. We must therefore redouble our efforts to improve efficiency in public spending, eliminate wastage, improve the alignment between allocations and policy priorities, as well as root out corruption. The financial crisis that hit the US in 2008 and then reverberated around the globe has highlighted the shortcomings of an economic policy approach which minimizes the role the State and pushes to the fore the ability of markets to regulate themselves. Governments have played a very strong, if not dominant role, in the post 2008 period by ensuring that, through fiscal and other measures, they provided a major underpin to economic activity.

The message is that if we want faster and more inclusive economic growth in this country then there is a much larger investment that all the role players in South Africa need to make. Although the medium term expenditure framework is about government's fiscal stance, it also invites the private sector to contribute to this growth trajectory. South African companies are sitting on almost half-a-trillion rands worth of cash, money that should be invested in expanding businesses and thus creating millions of jobs for our people.

To ignite growth, according to Harvard economist Dani Rodrik, a country must fire the animal spirits of its industrialists. If a country's entrepreneurial fires burn dimly, wholesale liberalisation will not light them—it may indeed snuff them out. Policy tinkering, which clears the way for entrepreneurs to do better, without entirely changing the ground beneath them, might be more successful, he has argued.

The uncertain global economic outlook should not paralyse us into doing nothing. Our medium term framework allocates resources towards the creation of an enabling environment for companies, entrepreneurs and workers (current and future) to play their part in creating a bright future for all South Africa.

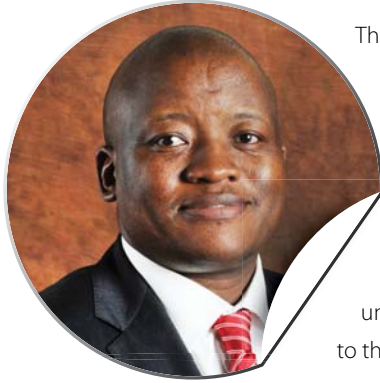
In isiZulu, we say, "Uzothola kanjani uhleli ekhoneni?"; meaning how far will you advance if you sit in a corner. We need a new dynamism among all South Africans.



Pravin J. Gordhan
Minister of Finance



OVERVIEW OF THE ACCOUNTING OFFICER



This is the first time that the National Treasury has produced a five year strategic plan and an Annual Performance Plan which replace the three-year planning horizon. These documents mark the first step towards ensuring that we strike a balance between our short and longer-term goals.

The targets outlined in this Strategic Plan are intended to contribute in raising the level of economic growth and by so doing, reduce unemployment and inequality. These targets are also expected to contribute to the improvement of in the delivery of public services.

We have carefully considered our role within the broader landscape of government, specifically relative to the work of other coordinating departments such as Economic Development and Public Service and Administration as well as the two Ministries in the Presidency, namely National Planning and Performance, Monitoring and Evaluation.

The National Treasury will continue to contribute to the design of social and economic reforms, especially in the areas of transport, energy, telecommunications and health. We will also continue to focus government's financial resources on the stimulation of economic growth and job creation.

We also intend to take a more hands-on approach to ensuring that government realises greater value for public funds spent. In this regard, some of the shortcomings in the management and monitoring of public finances will be addressed. A multi-faceted approach has been adopted, including changes to supply-chain policy, selected expenditure reviews as well as technical support where required.

State-owned entities and development finance institutions will continue to invest and fund infrastructure development that promotes long-term growth. Government will ensure that these institutions remain financially stable by facilitating cost-effective funding and thus enabling them to deliver on their mandates.

As part of its commitment to transparency, the National Treasury will begin publishing yearly reports on the management of public debt. These reports, the first of which is scheduled for publication by the end of June 2012, will complement regular domestic and international road shows as well as the investor relations website.

On the international front, the Treasury will continue to focus on influencing regional and global policies to advance the economic, financial and development objectives of our country and that of Africa more generally. Over the period covered by this strategic plan, SACU member States (Botswana, Lesotho, Namibia, South Africa and Swaziland) are expected to reach agreement on a new revenue sharing arrangement for the customs union. The Treasury will also engage in multilateral efforts to ensure the full implementation of SADC's Finance and Investment Protocol.

In light of current global economic uncertainty, G20 member states have been working to intensify international cooperation, giving particular consideration to the processes and institutions of global governance. The National Treasury will play a leading role in developing, coordinating and negotiating South Africa's positions with respect to this agenda, in close collaboration with the Presidency, DIRCO and other core departments.

OVERVIEW OF THE ACCOUNTING OFFICER - cont

I take this opportunity to thank my predecessor, Lesetja Kganyago, for the excellent team that he left behind. Their energy, commitment, passion and dedication to the organisation, and to the work that they do, have made my acclimatisation to this office as painless as possible. I would also like to thank the Minister and Deputy Minister of Finance for the wisdom, support and inclusive leadership that they have availed from the very first day that I assumed the role of Director-General of the National Treasury. I trust that this Strategic Plan satisfies the requirements of all interested parties.



Lungisa Fuzile
Director-General



OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:
Was developed by the management of the
National Treasury and takes into account
all the relevant policies, legislation and
other mandates for which the department
is responsible. It accurately reflects the
strategic outcome oriented goals and
objectives which the department will
endeavour to achieve over the period.

A handwritten signature in black ink, appearing to read 'Lungisa Fuzile'.

Lungisa Fuzile
Director-General



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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.





SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

VALUE FOR MONEY

Over the period ahead, government will take steps to improve efficiency in public spending, eliminate wastage and improve alignment between allocations, spending and policy priorities. Further steps will also be taken to root out corruption.

Greater focus will also be paid to public sector financial management, with procurement and contract management being prioritised. In this regard, a multi-faceted approach will be applied to improve value-for-money, including greater transparency and public disclosure, more rigorous tender procedures, improved capacity of supply-chain practitioners and changes to factors regulating government's supply-chain architecture.

The National Treasury also recognises the critical importance of competence and capability of financial practitioners to the quality of government's management of finances. In this regard a capacity-building model for public sector financial management has been developed and training of new and existing staff will continue over the period covered in this Strategic Plan.

PROMOTING A MORE COMPETITIVE ECONOMY

In the period ahead, budgeting will accord greater emphasis to infrastructure, employment and economic growth. International experience shows that higher levels of public and private investment in economic and social infrastructure promote more rapid GDP growth, rising per capita incomes, and a broadening of economic activity. The economic competitiveness and support package introduced in the 2012 Budget includes measures to support temporarily distressed manufacturers, build special economic zones, and improve skills and technology in agriculture, mining beneficiation, renewable energy and manufacturing

SOCIAL SECURITY AND HEALTH FINANCING

Alongside measures to boost job creation, contributory social security reforms and a national health insurance framework are now under consideration. This year government will publish a green paper proposing major social security reforms. The key recommendations are that the present fragmented arrangements should be replaced by an integrated contributory social security system that includes provision for basic retirement pension, along with shared death, disability and unemployment insurance for all workers.

Over the period ahead, government will take the first steps to implement national health insurance. Similar to the design of the social security arrangements, the principle of social solidarity lies at the heart of health reforms. National health insurance coverage will extend to everyone, while its funding will be distributed on the basis of the ability to pay.

SITUATIONAL ANALYSIS - cont

ORGANISATIONAL ENVIRONMENT

The working environment of the National Treasury is relatively mature and has remained quite stable despite recent and gradual changes undertaken by the organisation.

A notable structural change is the establishment of the Government Technical Advisory Centre (GTAC), an entity that incorporates the Treasury's externally-oriented professional assistance and management support programmes. GTAC's purpose is to contribute to the improvement in the management of government programmes and the quality of expenditure. This purpose is linked to one of the National Treasury's strategic pillars, namely, improving the capacity of government in respect of the allocation and utilisation of financial resources for service delivery.

Whilst there are some changes expected over the next few years, these will be shaped by the prevailing demands of our economic environment. An example of this is the introduction of a Chief Procurement Officer, as announced by the Minister of Finance in the 2012 Budget Speech.

Additional changes include an initiative to improve organisational performance. This includes the streamlining of processes, strengthening the culture of teamwork and making interventions to enhance coordination with both internal and external stakeholders. In this regard, the Treasury remains committed to being an agile and adaptive organisation.

EXTERNAL FOCUS

The National Treasury will play its part in improving the overall performance of government. This Strategic Plan recognises the National Treasury's role in achieving the Outcomes of Government, and notes each programme's role and planned activity in this regard.

Furthermore, the National Treasury recognises its role in contributing to various processes and initiatives of government and works actively with a range of departments and state-owned entities on matters which promise to exert a significant financial or economic impact in the country. These activities will continue in order to facilitate and enable the reforms necessary to realise government's intended results.



STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

The composition of programmes has changed. What was known as Programme 6 has been split into two programmes, with Economic Policy, Tax, Financial Regulation and Research becoming programme 2 and International Financial Relations becoming a standalone programme 6. Previously reflected as programme 2, Public Finance and Budget Management has now become programme 3. The Fiscal Transfers Programme (previously reflected as programme 9) has been split into two: Revenue Administration (programme 9) and Financial Intelligence and State Security (programme 10).

PROGRAMME 1: ADMINISTRATION

This programme remains the same, and provides strategic management and support to the department.

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

This programme was previously part of programme six. It is now made up of two divisions, namely Economic Policy, and Tax and Financial Sector Policy. It provides policy advice to promote growth, employment and macroeconomic stability. This programme contributes to Outcome 4: Decent employment through inclusive growth, with a specific focus on 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. 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.
- Outcome 12: An efficient, effective and development oriented public service, specifically Output 3 (Business processes, systems, decision rights and accountability).

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

The programme manages government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. This programme also oversees state owned enterprises to ensure they meet government's policy objectives in a financially and fiscally sustainable manner. It also promotes sound corporate governance of SOEs.

PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

This programme is made up of two divisions: the Office of the Accountant-General and the Specialist Functions divisions. The programme facilitates accountability, governance and oversight by promoting transparent, economic, efficient and effective management of revenue, expenditure, assets and liabilities in the public sector. This programme contributes to Outcome 12 (An efficient, effective and development oriented public service), specifically Output 3 (Business processes, systems, decision rights and accountability) and Output 4 (Corruption tackled effectively).

STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION - cont

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

The International and Regional Economic Policy division facilitates the deepening of South Africa's role in regional and international economic integration. Previously, the work of this programme appeared as a subprogramme, International Economic Policy and Financial Relations.

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

Previously referred to as programme eight, 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, which was previously a part of programme 2, provides specialised infrastructure development, planning and implementation support. It also provides technical assistance to aid capacity building in the public sector.

PROGRAMME 9: REVENUE ADMINISTRATION

Previously part of the Fiscal Transfers programme, 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.



RESOURCE PLAN

EXPENDITURE ESTIMATES

NATIONAL TREASURY

Programme	Adjusted appropriation	Medium-term expenditure estimate			
		2011/12	2012/13	2013/14	2014/15
R million					
Administration	281.1	318.3	320.3	332.7	
Economic Policy, Tax, Financial Regulation and Research	228.4	149.0	148.9	155.9	
Public Finance and Budget Management	209.9	227.5	242.1	254.7	
Asset and Liability Management	825.9	286.6	390.3	590.3	
Financial Systems and Accounting	648.2	686.3	749.5	780.6	
International Financial Relations	818.7	1 038.2	1 113.3	1 209.3	
Civil and Military Pensions, Contributions to Funds and Other Benefits	3 776.9	3 348.3	3 517.2	3 728.2	
Technical Support and Development Finance	4 641.9	2 404.8	3 981.8	3 526.6	
Revenue Administration	8 653.6	9 194.4	9 682.2	10 242.6	
Financial Intelligence and State Security	3 755.0	3 897.8	4 170.3	4 391.9	
Subtotal	23 839.5	21 551.1	24 315.9	25 212.7	
Direct charge against the National Revenue Fund	377 172.7	407 485.1	439 340.1	468 580.5	
Provincial Equitable Share	291 735.5	309 057.4	328 920.7	349 351.0	
State Debt Costs	76 864.0	89 388.1	100 806.0	109 039.3	
General Fuel Levy Sharing with Metros	8 573.1	9 039.7	9 613.4	10 190.2	
Total	401 012.1	429 036.3	463 656.0	493 793.2	
Change to 2011 Budget estimate	4 769.3	(5.7)	823.1	(5 579.7)	

RESOURCE PLAN - cont

EXPENDITURE ESTIMATES - cont

ECONOMIC CLASSIFICATION

Programme	Adjusted appropriation	Medium-term expenditure estimate			
		2011/12	2012/13	2013/14	2014/15
R million					
Current payments	78 241.8	90 586.6	102 091.8	110 380.8	
Compensation of employees	602.3	665.9	702.6	744.8	
Goods and services	775.5	532.7	583.1	596.7	
<i>of which:</i>					
<i>Computer services</i>	228.8	83.7	111.9	104.0	
<i>Consultants and professional services: Business and advisory services</i>	230.3	218.1	236.2	246.7	
<i>Lease payments</i>	33.3	36.2	37.8	39.5	
<i>Travel and subsistence</i>	49.9	52.9	56.3	58.8	
Interest and rent on land	76 864.0	89 388.1	100 806.0	109 039.3	
Transfers and subsidies	321 835.1	337 889.4	360 910.4	382 543.3	
Provinces and municipalities	302 572.0	319 153.4	339 656.9	360 687.5	
Departmental agencies and accounts	12 688.0	13 358.3	14 125.9	14 922.3	
Higher education institutions	–	8.0	10.0	12.0	
Foreign governments and international organisations	786.4	1 004.7	1 077.7	1 170.1	
Public corporations and private enterprises	2 060.0	1 063.6	2 569.8	2 073.2	
Non-profit institutions	0.1	0.1	0.1	0.1	
Households	3 728.6	3 301.3	3 470.0	3 678.1	
Payments for capital assets	185.2	360.2	353.8	369.1	
Buildings and other fixed structures	3.6	5.3	3.0	3.1	
Machinery and equipment	17.0	189.1	182.9	188.2	
Software and other intangible assets	164.6	165.8	167.9	177.7	
Payments for financial assets	750.0	200.0	300.0	500.0	
Total	401 012.1	429 036.3	463 656.0	493 793.2	

EXPENDITURE TRENDS

Between 2008/09 and 2011/12, non-statutory expenditure remained stable at around R23.8 billion. The bulk of this spending was on transfers and subsidies, which accounted for 51.6 per cent of total non-statutory spending over this period. The increase in spending on payments for financial assets over this period was mainly due to payments to Eskom of R10 billion in 2008/09, R30 billion in 2009/10 and R20 billion in 2010/11 for the subordinated loan. In addition, the R3.5 billion loan to the Land and Agricultural Development Bank of South Africa, of which R2.5 billion was allocated between 2008/09 and 2011/12, also increased payments for financial assets over this period. Spending on the operational budget increased from R1.1 billion in 2008/09 to R1.6 billion in 2011/12, at an average annual rate of 5.2 per cent, mainly due to the effects of annual adjustments to expenditure on compensation of employees, the enhancement of the infrastructure delivery implementation programme, the integrated financial management system, and the implementation of procurement management reforms and fraud prevention plans.



RESOURCE PLAN - cont

Over the medium term, total non-statutory expenditure is expected to increase to R25.2 billion, at an average annual rate of 1.9 per cent. This increase is largely attributable to continued funding of the Land and Agricultural Development Bank of South Africa and allocations for the Employment Creation Facilitation Fund, which aims to create 100 000 job opportunities by 2015.

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 line with appropriate legislation and best practice. There are four sub-programmes:

- The *Minister* sub-programme comprises the Ministry of Finance, ministerial support services and co-ordinates interaction between the ministry and finance committees in Parliament
- The *Deputy Minister* sub-programme provides support for the Office of the Deputy Minister of Finance and coordinates related activities.
- *Management* sub-programme comprises the Office of the Director-General and related support services.
- *Corporate Services* sub-programme provides the administration and essential services needed for the smooth running of the department.

INSTITUTIONAL DEVELOPMENTS

The *Minister's* and *Deputy Minister's* sub-programmes primarily provide administrative support and report directly to the Minister and Deputy Minister of Finance respectively. The *Parliamentary Office* assists the Minister, the National Treasury and the South African Revenue Service (SARS) with parliamentary engagements, including the co-ordination of interactions between the ministry and finance committees.

Over the next three years, the Parliamentary Office will continue to maintain a professional relationship with Parliament, ensuring that the National Treasury engages with Parliament effectively, regarding the national budget process and relevant legislation.

The *Management* sub-programme is made up of the *Communications, Legal Services, Internal Audit, Enterprise Risk and Security Management* units reporting to the *Office of the Director-General*, which are responsible for providing strategic direction and leadership to the National Treasury.

The *Communications unit* provides media services to the ministry and the department. In the period ahead, the unit will improve its monitoring of media coverage of the National Treasury policies as well as focus on improving the quality of the department's engagements with the media. Outreach and social responsibility drives will also be driven more aggressively. Creating an internal environment conducive to high levels of transparency and cross-cutting coordination requires appropriate and dynamic internal communications methods and approaches. The unit will aim to modernise these in the period ahead. The unit will also continue to coordinate the production of publications, design/branding as well as marketing. With regards to the RSA Retail Savings Bonds, the primary objective will be to drive an educational and awareness campaign aimed at creating awareness on the importance of savings, especially amongst the lower income groups.

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 ensure that the highest quality of legal advice is available to the department. The unit is also responsible for the passage of legislation through Parliament and for providing substantive input on legislation emanating from other ministries.



PROGRAMME 1: ADMINISTRATION - cont

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. The Department will over the next year be implementing as Shared Internal Service with South African Revenue Services (SARS) to maximise economies of scale and to allow sharing of specialist Internal Audit Skills that will benefit the Department and its entities in the long term.

Enterprise Risk and Security Management enhances the Department's governance through the implementation and monitoring of risk management processes. It promotes the Department's zero tolerance stance to corruption and strives to maintain National Treasury's strong ethical culture. The unit also ensures a safe working environment for employees, visitors and contractors, and safeguard the department's assets and information.

The *Corporate Services* 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 maintains strategic internal and external partnerships such that the department continues to achieve service excellence. Over the planning period, the team will focus on promoting good governance and providing integrated solutions whilst continuously meeting the needs of the organisation 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 enhance efficiencies of the services it provides to the department. The critical focus will be on anchoring and maintaining an integrated, progressive and innovative HR Strategy. A sharper focus will be on partnering with business units to ensure operational progress with specific focus on attracting, developing and retaining high-performing and scarce skills.

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 of the department and, in 2011/12, conducted a Supply Chain Management. Proposals emanating from this review are being implemented and scheduled for completion during the 2012/13 year. The implementation process aims to strengthen the effectiveness and efficiency of strategic sourcing with an impact on demand management, logistics and contract management processes. The anticipated outcome of this cost efficient approach will derive savings of approximately 30% on goods and services purchased by the department during the 2012/13 year and beyond.

The Information and Communication Technology unit provides ICT solutions and services that are based on approved National Treasury business requirements and agreements. The focus during the next period will be the formalisation and implementation of ICT Governance, deployment of approved technologies and the development and support of approved business solutions. The implementation of appropriate ICT Governance will ensure the effective management of ICT risks, optimisation of the ICT investment, efficient use and allocation of ICT resources, and the maximisation of the value derived from spending on ICT.

The *Strategic Projects and Support* unit will pursue its focus on the preservation of the department's intellectual capital and institutional memory. The document tracking system will be monitored and user and process-specific training conducted to realise the gains envisaged from the system. As part of records management, a green environment and electronic registry will be implemented. This will provide an accurate system to retain approved

PROGRAMME 1: ADMINISTRATION - cont

official records in an electronic environment. Medium term planning includes the implementation of an off-site storage facility for archival material, implementation of a KM framework and basic KM tools, designing a knowledge and customer relations resource centre, standardisation of the project management toolkit and revision of the PEOU business model.

The *Facilities Management Unit* provides services and support that culminates in the physical working environment for employees and visitors entering the National Treasury. It focuses on ensuring that the organisation's needs continue to be met and that business solutions advance with the ever evolving environment in which we operate.

STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Reputation risk	Misinterpretation by the media of National Treasury policies and statements, resulting in damage to confidence in the economy	Regular media briefings Engagement with media by informed personnel
Scarcity of human resources	Limited availability of human resources with required knowledge and skills	Innovative recruitment processes Talent management strategy Training and staff development programmes Chartered Accountant Academy and internship programmes
Disruption to business systems	Non-availability of systems causing disruption to business processes and loss of information	Business Continuity Plans Alternative system operating sites Back up processes
Inadequate knowledge management	Inadequate access to and sharing of business knowledge	Knowledge sharing portals Record management processes Central registry and filing plan
Security breaches	Security breaches resulting in leakage of sensitive information, loss of assets, safety concerns	Security policies and processes Screening and vetting processes Security awareness programmes
Fraud and corruption	Fraud and corruption resulting in financial losses and reputational implications	Fraud prevention plan aligned to Minimum Anti-Corruption Capacity requirements Integrated Corruption case management framework Screening and vetting processes Delegation of authority and segregation of duties





PROGRAMME 1: ADMINISTRATION - cont

STRATEGIC OBJECTIVES

Strategic Objective 1.1	Provide leadership and institutional management to National Treasury and Entities
Objective statement	Ensuring a quality parliamentary service to the Minister, Deputy Minister and the Director-General
Baseline	The office will continue to build and maintain professional relationships with financial committees in Parliament and to play a leading role in ensuring that the National Treasury engages with Parliament effectively, regarding budgetary processes and related legislation
Justification	The parliamentary support office co-ordinates interactions between the Ministry of Finance and finance related activities and committees in Parliament
Links	National Treasury and Entities

Strategic Objective 1.2	Provide strategic direction and leadership to National Treasury
Objective statement	Tangible leadership, supported by professional communication, fair legal opinion and audited controls
Baseline	Maintaining good governance and promoting exemplary leadership in Government, through highly effective communications, internal audit and legal services
Justification	To maintain high ethical standards that promote public confidence in the department
Links	National Treasury programme 1, SARS, FIC

Strategic Objective 1.3	Provide integrated business solutions.
Objective statement	Consolidate plans and ensure implementation in line with the National Treasury's strategic priorities
Baseline	Business solutions provided by functional areas within Corporate Services.
Justification	Compliance through the application of the relevant Acts, regulations, governance circulars and internal policies
Links	National Treasury Programmes 2 – 10

Strategic Objective 1.4	Ensure good governance and a sound control environment.
Objective statement	To reduce findings by Internal Audit and Auditor General resulting in an unqualified audit report
Baseline	Unqualified Audit Report
Justification	Compliance through the application of the relevant Acts, regulations, governance circulars and internal policies
Links	National Treasury Programmes 2 – 10

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

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

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), and the development of a tax and financial sector policy legislative framework.

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.

There are six subprogrammes:

- Management
- Research
- Financial Sector Policy
- Tax Policy
- Economic Policy
- Cooperative Banking Development Agency

This programme contributes to Outcome 4 (Decent employment through inclusive growth), specifically Output 1 (*Faster and sustainable growth*) including sub-output 3 (*Stable and competitive exchange rate*), sub-output 4 (*Increased private savings*), and sub-output 5 (*Monetary policy approach that supports balanced and sustained growth*); Output 3 (*Multi-pronged strategy to reduce youth unemployment*); Output 6 (*Increased support for cooperatives and small businesses*); and Output 8 (*Social security and retirement reform*).

POLICY DEVELOPMENTS

MANAGEMENT AND RESEARCH

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

Research promotes economic research institutions to fund economic research of public interest, as well as more dedicated research for the department. Most funding is through longer term agreements with institutions like Economic Research Southern Africa (ERSA) through a grant over the MTEF, and thereafter through ad-hoc funding for specific economic research related projects (specific departmental projects, sponsoring of international economic conferences, etc.) and international research organisations like the Centre for Research into Economics and Finance in Southern Africa (CREFSA) based at the London School of Economics.

TAX AND FINANCIAL SECTOR POLICY

Over the reporting period, the financial sector policy unit will devote substantial resources to the implementation of the twin peak regulatory reforms and other proposals contained in a February 2011 policy document, "A Safer Financial Sector to serve South Africa better". The unit is also responsible for the development of policies to broaden access to financial services by all South Africans, as well as for policies aimed at raising the national savings rate, through reforms to the legislative framework governing the savings industry. This includes work being undertaken towards the development of retirement reform proposals (Output 8: *Social security and retirement reform*).





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

Tax Policy is responsible for drafting the annual tax proposals and legislation as part of the National Budget. In addition, the unit will, over the reporting period, be responsible for tax proposals towards improved environmental sustainability. An effective, equitable and efficient tax policy framework and tax administrative system is important to ensure sustainable growth and delivery on government's mandate to address the needs of all South Africans.

ECONOMIC POLICY

Economic Policy unit 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 the Tax and Financial Policy Division to consider proposals on how households and companies can increase savings. As part of its work over the medium term, the unit will also develop proposals to assess and address the competitiveness and volatility of the exchange rate. Other areas of work between 2012 and 2016 include a review of the electricity pricing methodology, advice on economic impacts of alternative models for restructuring the energy sector and freight logistics systems in order to improve economic efficiency.

CO-OPERATIVE BANKING DEVELOPMENT AGENCY (CBDA)

The CBDA provides for the registration and supervision of co-operative banks and the development into co-operative banks of co-operative financial institutions such as savings and credit co-operatives and financial services co-operatives. Such development initiatives include the education and training of co-operative financial institutions. This work is related to Output 6: *Increased support for cooperatives and small businesses.*

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

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Information Security Breach	Security breach resulting in leakage of sensitive budget documentation and other market sensitive information	Encryption of laptop computers and password controls Screening and vetting processes Access to sensitive information using the need to know principle Document classification processes
Misinformed policy decisions	Policy decisions based on incorrect information	Information validation processes Supervisory processes Highly qualified, knowledgeable and experienced policy developers Consultation processes Continuous access to developments in the relevant policy environments
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

STRATEGIC OBJECTIVES

Strategic Objective 1	
Objective statement	Building economic research capacity in academic/research institutions, with the broad objective of promoting economic research relevant to South Africa
Baseline	Publication of research papers and discussion documents
Justification	The Constitution, 1996; the Public Finance Management Act (PFMS), 1999 and the Minister of Finance's Service Delivery Agreement
Links	Programme 3: Public Finance and Budget Management

Strategic Objective 2	
Objective statement	Providing policy advice on the financial sector in relation to the regulatory framework and supporting legislation
Baseline	A functional financial sector regulatory system
Justification	The Constitution, 1996; the Public Finance Management Act (PFMS), 1999 and the Minister of Finance's Service Delivery Agreement
Links	Programme 3: Public Finance and Budget Management; Programme 4 : Asset and Liability Management



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

Strategic Objective 3	
Objective statement	Providing tax policy advice, tax revenue analysis , tax revenue forecasting and the drafting the annual tax legislation
Baseline	An effective, equitable and efficient tax policy and tax administration system
Justification	The Constitution, 1996; the Public Finance Management Act (PFMS), 1999 and the Minister of Finance's Service Delivery Agreement
Links	Programme 3: Public Finance and Budget Management; Programme 4 : Asset and Liability Management; Programme ??: Inter-Governmental Relations

Strategic Objective 4	
Objective statement	Advice on macro and micro economic policy, macroeconomic projections and modelling, monetary policy framework and economic sector strategies
Baseline	Robust and sustainable economic growth, stable consumer price trajectory, increased levels of employment
Justification	The Constitution, 1996; the Public Finance Management Act (PFMS), 1999 and the Minister of Finance's Service Delivery Agreement
Links	Programme 3: Public Finance and Budget Management; Programme 4 : Asset and Liability Management

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.

Strategic 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. Key activities include:

- *Preparation of the National Budget* – Prepare recommendations to the Ministers’ Committee on the Budget that give effect to government’s economic, fiscal, social and development goals.
- *Production and publication of the National Budget* – 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.
- *Public policy and programme development* – Contribute to public policy and programme development, through support for planning, policy and programme analysis, budgeting and project management, including support for public finance reform in provinces and municipalities.
- *Infrastructure investment planning and budgeting* – Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and project analysis, advice on financing alternatives, support for municipal development, and financial assistance for neighbourhood development projects. These activities are complemented by Programme 8 activities (Technical and Management Support and Development Finance).
- *Monitoring and analysis of public expenditure and service delivery* – 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 *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.
- 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.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.

This programme contributes to achievement of all Government’s strategic outcomes, but with special reference 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, and
- 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 - cont

POLICY DEVELOPMENTS

BUDGET OFFICE

The *Budget Office* coordinates the preparation of the budget and advice to the Ministers' Committee on the Budget and the Treasury Committee. It is responsible for fiscal policy advice and alignment of government's medium term spending and revenue plans, consistent with Government's longer term fiscal policy and strategic priorities. 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 has six chief directorates.

FISCAL POLICY

- Monitor economic and fiscal trends and advise the Minister of Finance on policy options and the budget framework
- Development of a long-term fiscal report and fiscal guidelines to enhance the management of fiscal policy in line with the principles of counter-cyclicity, debt sustainability and intergenerational equity.

EXPENDITURE PLANNING

- Design and manage the national expenditure budget process.
- Issue guidelines for the budget process and provide training and support to government departments on expenditure planning.
- Prepare the annual appropriation bill and adjustments appropriations, and coordinate production of the Estimates of National Expenditure and the Adjusted Estimates of National Expenditure, for tabling in Parliament.
- Advise on expenditure planning and priorities, assessment of spending proposals and costing estimates and measures to ensure efficiency, effectiveness and economy on public expenditure.

PUBLIC ENTITIES GOVERNANCE UNIT

- Contribute to a coherent regulatory environment and promote a consistent approach to governance, human resource management and financial management in public entities.
- Promote sound planning, budgeting, governance and financial management and monitoring in government agencies and public entities.

PUBLIC FINANCE STATISTICS

- Produce fiscal data and public finance statistics used for departmental publications and submission to international organisations, aimed at improved transparency and accountability on government revenue and expenditure outcomes and plans.
- Development of a consolidated government budget and public finance statistics record, comprising details of revenue and expenditure of all entities forming part of the general government sector, for planning, budgeting and analysis and in support of a consolidated budget framework.
- Implementation of an accredited training programme on the Standard Chart of Accounts (SCOA), together with PALAMA, which will improve the quality of public finance record-keeping and financial data across the whole of government.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

INTERNATIONAL DEVELOPMENT COOPERATION

- Coordinate and manage official development assistance (ODA) for South Africa.
- Facilitate effective programme delivery in sectors and manages improved compliance with global commitments.
- Ensure improved alignment of ODA funding to budget priorities within the government functions and continued mobilisation of resources by channelling donor funds through country systems.

PUBLIC SECTOR REMUNERATION ANALYSIS AND FORECASTING

- Advise on public service remuneration and pension arrangements, with a view to sound and sustainable remuneration policy and compensation systems.
- Prepare accurate and timeous analysis and insight into government compensation of employees and its trends
- Contribute to the achievement of a sustainable fiscus that efficiently finances government developmental objectives through appropriate advice on remuneration matters.

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.

Activities and policy-related 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 to assist TAU with the restructuring and developing of a turnaround Strategy for the Department of Public Works.
- Assist with developing a policy framework and legislation guiding the establishment of the Lebombo Ressano-Garcia one-stop border post. The chief directorate is working in the structures of the Border control operational coordinating Committee leading the formulation of a policy on one stop border posts.
- Develop an appropriate tariff model for training courses offered by the Public Administration Leadership and Management Academy (PALAMA).
- Determine an appropriate management and funding model for the 12 proclaimed fishing harbours.
- 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. The building of the new office accommodation will start in 2012.
- Assist Home Affairs with the planning and implementation of a business plan for The Who am I online projects, which aims to digitise and re-engineer the key business processes of the Department by 2014/15.
- Assist the Government Communication and Information System (GCIS) in developing a strategy on repositioning the Thusong Service Centre programme and funding model for the operational requirements for the Thusong service centres.
- Implement a new approach to providing foreign exchange allocations in advance of the fiscal year to departments, beginning with DIRCO and Home Affairs.





PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

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. Advise the department on means to address scholar transport and outstanding policy issues on school sport.
- Assist with the development of a business case for the financing and transformation of the Sheltered Employment Factories.
- In collaboration with IGR, 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).

HEALTH AND SOCIAL DEVELOPMENT

- Support the introduction of a the first phase of a sustainable National Health Insurance model, including the implementation of NHI district pilots and new financing options for NHI.
- Support health systems strengthening including establishment of the Office of Standards Compliance (OSC) and the South African Health Products Regulatory Authority (SAHPRA), improving quality of public hospitals and support introduction of contracting with private general practitioners.
- Strengthen the process of improving health infrastructure financing and delivery 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). Provide support on financing five large hospital public private partnerships (PPP) - Chris Hani, King Edward, George Mukhari, Limpopo Academic and Eastern Cape.
- Support initiatives to improve health outcomes including early adoption of new technological advances in HIV, TB, maternal and child health, new vaccines (e.g. human papillomavirus (HPV) vaccine) and technologies e.g. wider use of GeneXpert.
- Support development of new mandatory contributory social security system for South Africa.
- Support steps towards integration of fragmented occupational injury and disease compensation dispensations.
- Stabilisation of social assistance spending by government with levelling off in coverage levels on old age and child support grants.

ECONOMIC SERVICES

- Assist with improvements to the comprehensive agricultural support programme and post-settlement support to land reform beneficiaries.
- Support for land reform and restitution policy development and implementation.
- Assist with the Economic Competitiveness Enhancement package to stimulate industrial development and develop the economy.
- Contribute to sustainable financing arrangements for industrial development zones and special economic zones.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

- Support the development of sector-specific industrial support programmes.
- Contribute to review of and strengthening of small business development
- Pursuit of better-value-for-money from state-owned companies and public entities.
- Promotion of investment in initiatives that support environmental protection.
- Financial support for scientific and technology research and post-graduate education
- Improved regulation of the minerals sector.
- Support efforts to expand tourism and invest in tourism development.

URBAN DEVELOPMENT AND INFRASTRUCTURE

- Devolution of the housing function to municipalities, support informal settlements and rental housing and strengthening of housing finance.
- Support the review of the human settlements housing policy and code as well as the allocation formulae for grant funding.
- Economic regulation of water infrastructure and services, tariff determination and long-term funding requirements.
- Establishment of the National Water Resource Infrastructure Agency.
- Subsidisation and devolution of public transport and economic regulation of transport services.
- Monitor the passenger rail rolling stock procurement programme and the devolution of rail to local government.
- Support longer term planning, monitoring and financing of transport network infrastructure and services.
- Support the design and financing of the Road Accident Benefit Scheme.
- Monitor the implementation of the energy sector integrated resource plan, funding of renewable energy, upgrade of local distribution networks and energy sector institutional reform.
- Digital broadcast migration and broadband funding arrangements.
- Support the planning, monitoring and funding of basic household service provision and community works programme.

JUSTICE AND PROTECTION SERVICES

- Support and monitor the implementation of the Justice, Crime Prevention and Security Cluster delivery agreement.
- 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 other newly established departments such as the Police's Civilian Secretariat, Military Veterans and the Independent Police Investigative Directorate.
- Evaluation of departmental financial policies to strengthen financial management and prevent wasteful and unauthorised expenditure.
- Assist departments to review their budget programme structures.
- Monitor the upgrading of correctional centres as well as implementation of various other measures to address prison overcrowding.

SOCIAL SECURITY AND RETIREMENT REFORM PROJECT MANAGEMENT UNIT (PMU)

- Secretariat support to the Interdepartmental Task Team on Social Security and Retirement Reform, and coordinate the advisory and consultative processes associated with this reform programme.
- Research support for the Interdepartmental Task Team, including an impact assessment of the establishment





PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

of the National Social Security Fund on existing funds and on the public sector, and feasibility studies on the establishment of an adjudication framework and tribunal for social security, a continuation benefit for unemployed persons, consolidation of the Unemployment Insurance Fund, Road Accident Benefit Scheme, Compensation Funds and South African Social Security Agency and the establishment of a National Social Security Fund.

- Produce a communication framework and manage a public consultation process for the social security and retirement reform project.

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, including renewable energy, conventional electricity power projects and liquid fuels, as well as national infrastructure related to water, transport and telecommunications.
- Analyse major projects currently under consideration, with a view to advising on project feasibility, financing options and project management.

INTERGOVERNMENTAL RELATIONS

The Intergovernmental Relations division is responsible for coordination of intergovernmental budgeting, budget execution, monitoring and reporting. In 2012/13, provinces and municipalities are due to receive R461.7 billion or 53 per cent of non-interest allocations (excluding the contingency reserve and indirect transfers) to implement national priority programmes.

The emphasis in the period ahead will include reprioritising budgets towards key government programmes and improving the capacity of provinces and municipalities to deliver infrastructure. The differentiated approach to local government funding will be strengthened to ensure 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 comprises four chief directorates.

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 with the Division of Revenue Act which will respond to key priorities in education, policy developments in health and infrastructure challenges in the social sector.
- During 2012/13, 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.
- During 2012/13, the unit will implement the Municipal Fiscal Powers and Functions Act, including amending the Act to ensure its smooth implementation.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

PROVINCIAL AND LOCAL GOVERNMENT INFRASTRUCTURE

- Continue to implement capacity building initiatives and reforms in funding policies for provincial infrastructure and municipalities.
- Facilitate the rollout of Phase III of the Infrastructure Development Improvement Programme (IDIP) in provincial and national departments of education, health, treasury and public works.
- Support Provincial Treasuries to promote and enhance effective management of capital assets of all provincial government departments and entities.
- 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.
- Support and monitor the implementation of the Job Creation Internship Programme Grant.
- 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 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.

LOCAL GOVERNMENT BUDGET ANALYSIS

- Continue to monitor implementation of the Municipal Budget and Reporting Regulations to improve the transparency, credibility and alignment of municipal budgets 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.
- Empower provincial treasuries to commence with a similar approach to the assessment of budgets for delegated municipalities through the provision of training to provincial treasuries and delegated municipalities.
- Improve the quality of in-year reporting by maintaining the 100 per cent reporting coverage rate and ensuring the accuracy of information contained in the in-year reports, including the oversight of conditional grant spending by municipalities.
- Conclude the design of the Standard Chart of Accounts and associated regulations and ensure the piloting and implementation of the SCOA for local government.
- Introduce performance reporting on non-financial information for all municipalities.
- Provide support to improve revenue management and billing, develop a framework for tariff setting and complete research related to municipal business processes.

PROVINCIAL GOVERNMENT BUDGET ANALYSIS

- Continue to monitor implementation of the Provincial Budget and Reporting Regulations to improve the transparency, credibility and alignment of provincial budgets with national government priorities.
- Improve the quality of in-year reporting by maintaining the 100 per cent reporting coverage rate and ensuring the accuracy of information contained in the in-year reports, including the oversight of conditional grant spending by provinces.
- Support to provincial treasuries to ensure optimal functioning organisations.
- Enhance and expand the performance reporting on non-financial information for all provinces.





PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

RISK MANAGEMENT

Key risks facing the Programme 3 divisions and associated mitigation strategies are noted below.

Risk	Risk Description	Mitigation Strategy
Information Security Breach	Security breach resulting in leakage of sensitive budget documentation and other market sensitive information.	Encryption of laptop computers and password controls Screening and vetting processes Access to sensitive information using the need to know principle Document classification processes
Misinformed budget decisions	Budget decisions based on incorrect information impacting resource allocations and budget and reporting frameworks	Information validation processes Supervisory processes Highly qualified, knowledgeable and experienced officials Stakeholder engagement processes Continuous access to changes in the relevant environment
Third party non-compliance	Non-compliance by stakeholders with the conditions of grant frameworks, deadlines, processes, systems, governance requirements, methodologies, etc.	Robust stakeholder engagement processes Third party support programmes Functions dedicated to specific stakeholders / support areas Professionalisation of the civil service
Validity of information	Poor quality of reported information	Information validation processes Supervisory processes Editing processes
Counterparty risk	Increased demand to meet requirements of development partners (donor countries)	Donor recipient institutions encouraged to have exit strategies in place
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

STRATEGIC OBJECTIVES

Strategic Objective 1.1	Preparation of the National Budget
Objective statement	Prepare a national budget that gives effect to government's economic, fiscal, social and development goals
Baseline	Preparation of a national budget that supports government's long term policy and strategic priorities, within a fiscal framework that will ensure sound and sustainable financial policies and the effective, efficient and appropriate allocation of public funds
Justification	South Africa's growth, employment, development and social cohesion goals have to be pursued within a sound and sustainable fiscal policy framework that supports counter-cyclicality, debt sustainability and intergenerational equity
Links	Outcome 12

Strategic Objective 1.2	Production and publication of the National Budget
Objective statement	Publish the <i>Budget Review</i> , <i>Estimates of National Expenditure</i> and <i>Medium Term Budget Policy Statement</i> and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance
Baseline	Preparation of the appropriate budget publications annually, through the effective and efficient management of a budget preparation process that ensures that the budget is aligned to government's fiscal policy guidelines and public expenditure priorities
Justification	<p>The budget preparation process is designed to ensure that the key drivers of the national budget is delivered, which includes:</p> <ul style="list-style-type: none"> • A long-term fiscal sustainability report providing an overview of economic, demographic, revenue and expenditure trends over the longer-term in order to encourage public discussion and parliamentary oversight of social commitments and the long-term costs of existent programmes. • A Budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with a draft completed by end-September each year • A 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
Links	Outcome 12



PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

Strategic Objective 1.3	Public policy and programme development
Objective statement	Contribute to public policy and programme development, and do sound planning, budgeting and project management, including increased support to public finance reform in provinces and municipalities
Baseline	<p>The main focus is on public policy and programme development, with specific focus on the following aspects:</p> <ul style="list-style-type: none"> • Oversight of budget planning in national departments, provinces and local government • Advice on and analysis of sectoral policies and programmes, which includes national allocations, intergovernmental transfers to provinces and local government, and • Advice on financial and budgetary aspects of public policy and spending proposals
Justification	The objective will contribute to policy and programme development in various sectors, in preparation for the roll out of major new policy initiatives, including the implementation of National Health Insurance, social security reform, policies to improve service delivery at all levels of government, the reform of the local government fiscal framework to ensure it supports local government to improve service delivery, and increased investment in infrastructure planned by government
Links	Outcome 12

Strategic Objective 1.4	Investment in infrastructure
Objective statement	Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and public private partnerships (PPPs), support for cities to improve their infrastructure investment, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects
Baseline	Analysis, evaluation, monitoring, policy and financing recommendations for major infrastructure projects in various sectors, at the national, provincial and local government level. The focus will be on improving the quality of capital planning leading to more efficient budget allocations and capital expenditure
Justification	This objective will focus on providing credible plans to better support the delivery of infrastructure in line with government's policy priorities, aimed at ensuring cost-effective and well-planned infrastructure investment and maintenance. This involves facilitating and monitoring infrastructure planning and delivery in provincial and local government in order to improve delivery of infrastructure
Links	Outcomes 9 and 12

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

Strategic Objective 1.5	Monitoring and analysis of public expenditure and service delivery
Objective statement	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
Baseline	Monthly and quarterly monitoring of expenditure of national departments, provinces and municipalities and providing appropriate analysis of expenditure trends in the form of expenditure reports. Publishing monthly and quarterly monitoring reports, providing ad hoc reports in the form of specific expenditure reviews and producing analytical publications like the <i>Provincial Budget and Expenditure Review</i> Review and where necessary reform financial management capacity
Justification	This objective focuses mainly on budget execution, which involves the monitoring and evaluation of public expenditure, to assess the impact and to evaluate the efficiency and effectiveness of government expenditure. The oversight of budget execution is focussed on national departments, provinces and local government. There is also a focus on strengthening institutional, organisational, individual and stakeholder capacity and providing clear direction in terms of roles, responsibilities and accountability, so as to improve service delivery and efficiency
Links	Outcomes 9 and 12



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

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

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.

The programme consists of the following sub programmes:

- *Programme Management for Asset and Liability Management* provides support for planning, monitoring and delivering the programme's activities.
- *Oversight and Governance of State Owned Enterprises* seeks to oversee and enable state owned enterprises to meet government's policy objectives in a financially and fiscally sustainable manner as well as to promote sound corporate governance.
- *Government Debt Management* is responsible for government's long term funding needs, managing the domestic and foreign debt, and contributes to the development of domestic financial markets. This unit is also responsible for maintaining sound investor relations.
- *Financial Operations* provides for government's short term funding needs, manages cash of government, accounts for debt and the investment of government surplus cash. *Strategy and Risk Management* develops and maintains a risk management framework designed to minimise government's exposure to contingent liabilities, debt portfolio risk and sovereign rating risk.
- *Financial Investments* provides funding mainly for the recapitalisation of Eskom and the Land and Agricultural Development Bank of South Africa.

POLICY DEVELOPMENTS

The Asset and Liability Management is the only division that falls under programme four.

Oversight and Governance of State Owned Enterprises will report on target achievements by the Land Bank, the Development Bank of Southern Africa, the Public Investment Corporation (PIC) and the South African Special Risks Insurance Association (Sasria), consistently over the medium-term. Oversight over the Development Finance Institutions (DFIs) aims to resolve challenges related to the cost and development effectiveness, and financial stability of the development finance institutions (DFIs). Support relating to implementation of mandates will also be provided to the DFIs. In the 2011/12 financial year, the unit will finalise the establishment of a framework to exercise financial oversight over DFIs.

Over the medium-term, the unit will exercise oversight over SOEs and report annually on the review of the entities' corporate plans and financial statements. The division will continue to ensure legislative (PFMA and MFMA) of SOEs. In addition, quarterly reports of SOE capital expenditure plans, borrowing programmes and the annual borrowing calendar will be compiled and published. Cabinet will be provided with a report on the status of the guarantee portfolio, supported by quarterly reports on the guarantees that have been provided to Eskom, SAA, Denel, Autopax and SABC. Research on identified issues relating to state owned enterprises in the areas of regulation and administered prices, industry structure, sector policies, sector trends, infrastructure requirements, regional integration and financing will be undertaken. Participation and implementation of sector reforms will continue. The unit will also monitor compliance by SOEs and metros to treasury guidelines.

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - cont

The National Treasury forecasts that total borrowing by state owned entities will amount to R76.9 billion in 2012/13, R77.5 billion in 2013/14 and R74.1 billion in 2014/15 . These institutions are also expected to seek 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 2012/13, government's gross borrowing requirement amounts to R211.9 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 comfortably finance its borrowing requirement. Debt service costs for 2012/13 will be maintained below 3 per cent of gross domestic product.

Financial Operations will continue to forecast receipts and payments to ensure that sufficient funds are available, minimise excess borrowing and ensure that cash balances are appropriately invested. Over the next four years, cash flows will amount to R13.7 trillion. The broadening of coordination of public sector cash will lower borrowing cost up to 3.7 per cent. The remaining domestic debt modules (retail and 'short-term' debt) of the new back office system will be operational by the end of 2013/14. The back office system will improve the accounting of government debt and cash investment transactions thus contributing to improved reporting capacity.

Strategy and Risk Management will monitor the benchmark of net government debt, provisions and contingent liabilities of 50 percent of GDP with the aim of keeping the debt and guarantee levels sustainable and improving the quality of the contingent liability exposure. The non-fixed component as a percent of the domestic debt portfolio, comprising floating rate notes, inflation-linked bonds and money market loans, grows to 38 per cent in 2011/12, exceeding the National Treasury risk benchmark of 30 per cent. Over the medium term, government will seek to move closer to the non-fixed debt benchmark and keep the foreign debt as a percentage of total debt well below the 20 per cent limit. Strategies will be implemented to engage rating agencies with the aim of maintaining favourable sovereign ratings.



PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - cont

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Sovereign rating risk	Risk of a downgrade in the sovereign rating	Sovereign credit worthiness rating methodology Engagement with rating agencies Prudent fiscal framework
Liquidity risk	Inability to raise cash when needed for funding purposes	Proactive engagement with the BCC Diversified funding processes Robust monitoring and forecasting Debt management strategy Smooth debt maturity profile
Fiscal Contingent Liability	Implicit and explicit contingent liabilities materialising on government	Guarantee certification processes Monitoring processes for State Owned Enterprises Ongoing monitoring of banking environment
Fiscal risk	Government's surplus cash not optimally invested	Ongoing monitoring and review of investment environment Investment benchmarks / ratios specified and maintained Participation on relevant committees
Debt Portfolio Risk	Unsustainable debt portfolio leading to additional financial costs	Debt benchmarks / ratios specified and maintained Diversification of funding instruments
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - cont

STRATEGIC OBJECTIVES

Strategic Objective 1	Ensure sound management of government's cash resources
Objective statement	Government's liquidity requirement to be met within credit risk guidelines
Baseline	Forecasting of R3,1 trillion of cash flows Quarterly reviewing of government's investment rates and adherence to credit risk benchmarks in order to preserve capital Surplus cash of 9 Provinces and 57 State Owned Entities pooled
Justification	In order for government to meet its financial commitments in the short, medium and long term cash flow forecasting is required
Links	This objective will ensure that money is available in the right amount and currency at the right time, to improve the management of surplus cash in the public sector and to ensure that optimal returns on surplus cash reduces the carry cost of cash holdings

Strategic Objective 2	Exercise oversight over public enterprises to enable the achievement of government's policy objectives in a financially sustainable manner
Objective statement	To exercise oversight over public enterprises to ensure that government's policy objectives are achieved in a financially sustainable manner
Baseline	Corporate plans and annual financial statements of public enterprises reviewed; applications in terms of the PFMA and for funding, guarantees and borrowing limits reviewed; guarantees being monitored. Existing processes to be strengthened and standardised
Justification	Ensure compliance with the PFMA and enable public enterprises to meet government's policy objectives in a financially and fiscally sustainable manner
Links	This links to programme 3 through informing allocations of funding to public enterprises

Strategic Objective 3	Optimal debt management and funding of government borrowing requirement
Objective statement	Government's funding requirement to be met whilst ensuring the debt servicing costs remain sustainable
Baseline	Borrowing R207 billion in 2012/13
Justification	For government to meet its expenditure commitment it needs funding for the short fall between revenue and expenditure
Links	This objective will ensure that funds are available to finance expenditure and other obligations and that an optimal debt portfolio mix ensures that debt servicing remains within sustainable parameters

Strategic Objective 4	To minimise and mitigate risks emanating from government's fiscal obligations
Objective statement	To minimise and mitigate risks emanating from the debt portfolio, sovereign credit rating and financial contingent liabilities
Baseline	To target risk guidelines on the domestic debt portfolio of 70/30 fixed versus non-fixed rate debt and foreign debt not exceeding 20 percent of total debt, maintain sustainable debt levels and sound relations with rating agencies
Justification	To ensure that government's debt and contingent liabilities remain sustainable
Links	This objective seeks to ensure that government's debt service cost remains within sustainable levels





PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

Purpose: Promote and enforce transparency and the effective management of revenue, expenditure, assets and liabilities in departments, public entities, constitutional institutions, municipalities and municipal entities.

Measurable objectives: This programme aims to facilitate accountability, governance and oversight by promoting effective, efficient, economic and transparent management of revenue, expenditure, assets and liabilities in each sphere of government.

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 each sphere of government.
- *Financial Systems* maintains and improves existing financial management systems and replaces out-dated systems to comply with the Public Finance Management Act (1999) and Generally Recognised Accounting Practice.
- *Financial Reporting for National Accounts* accounts for the National Revenue Fund and the Reconstruction and Development Fund; provides banking services for national government; and provides support to each sphere of government in the implementation of financial reporting frameworks and for the preparation of consolidated financial statements.
- *Financial Management Policy and Compliance Improvement* is responsible for improving financial management, developing financial management regulatory frameworks for each sphere of government, aligning reporting frameworks with local and international best practice, developing and implementing accounting policies, and improving the financial management, risk management and internal audit capacity in government.
- *Audit Statutory Bodies* provides compensation for certain shortfalls in audit fees in statutory bodies and municipalities in terms of the Auditor General Act, 1995.
- *Service Charges: Commercial Banks* provides for bank service charges related to the deposit accounts of all departments.

This programme contributes towards the aims of Outcome 12 (An efficient, effective and development oriented public service), specifically Output 3 (*Business processes, systems, decision rights and accountability*) and Output 4 (*Corruption tackled effectively is the subject of focus in this respect*).

POLICY DEVELOPMENTS

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

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 legislative prescripts and Generally Recognised Accounting Practice (GRAP). In addition the unit continues to develop new and maintain existing implementation guides and tools for public entities and local government on the Standards of GRAP.

The *Accounting Support and Reporting* unit will continue to provide support to national, provincial and local government institutions for the roll out of new frameworks and when changes are made to existing formats of the annual financial statements. This is part of the migration from cash to accrual accounting for departments. Support will also be provided to public entities and municipalities as new GRAP standards are implemented.

PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

National departments will receive daily bank statements and assistance to reduce the risk of fraudulent payments. The unit will also provide support to provincial treasuries on how to produce annual consolidated financial statements. In supporting this consolidation process, the revenue funds have been included in the Standard Chart of Accounts. Assistance will be provided to them during the year to ensure compliance with the new accounting structure.

The *Internal Audit Support* unit will continue to support and provide guidance to Internal Audit units across each sphere of government. The unit will also intensify its support to audit committees, including participation in the recently launched Public Sector Audit Committee Forum, hosting workshops on the role of audit committees and the internal audit function in government, training and induction of new audit committee members and attendance at audit committee meetings for monitoring purposes.

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

The *Accounting Support and Reporting, Internal Audit Support* and the *Risk Management Support* units will continue to support each sphere of government to improve financial management and audit outcomes. Support is aligned with results arising from monitoring processes, results emanating from Financial Management Capability Maturity Model (FMCMM) assessments and audit concerns expressed by the Auditor-General. Support plans are developed in conjunction with targeted departments and entities to address financial management weaknesses. These units regularly monitor progress and performance against these support plans.

The *Capacity Building* unit contributes towards improving financial management in each sphere of government by implementing a capacity development strategy (CDS) for financial management. The strategy encompasses disciplines of budgeting, supply chain management, internal audit, risk management and reporting for purposes of enhancing institutional, organisational and individual capacity. The unit also supports the development and training of Chartered Accountants for the public service and is currently rolling out the graduate internship programme for municipalities.

The *Governance Monitoring and Compliance* unit is the custodian of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) and will regularly review the Treasury Regulations and Treasury Instructions to align with local and international financial management best practices. The unit will continue to analyse results from the FMCMM, 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 provided to provincial treasuries and accounting officers, highlighting areas of concern within institutions for which strategies could be developed to improve financial management.

The *MFMA Implementation* unit is the custodian of the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003) and coordinates its implementation 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 unit also administers and manages the financial management grant programme and the technical advisory support offered to selected municipalities. The Municipal Finance Recovery Service will continue to monitor the performance of municipalities and respond to municipalities that request assistance in developing financial recovery plans.



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

The *Specialised Audit Services* unit provides performance audit and investigative capacity in all spheres of government, on a broad range of financial management and internal control systems in the supply chain management of public procurement, to ensure that there is value for money for the State.

SPECIALIST FUNCTIONS

The *Supply Chain Policy* subprogramme develops policy that regulates the supply chain processes in each sphere of government. It will continue to monitor compliance with supply chain principles by departments, as well as manage transversal contracts on behalf of government. In the short to medium term, the unit will focus on increasing the value derived from the expenditure of public funds. This effort will entail a range of diverse approaches including capacity-building, alignment of relevant legislation, provision of leadership and guidance through issuance of Instruction Notes and guideline documentation and compliance monitoring.

Financial Systems ensures the use of standardised financial systems in national and provincial government. Furthermore, the unit ensures that these systems remain stable, available and responsive to the needs of financial practitioners from the systems perspective. The unit aims to significantly advance the rollout of the Integrated Financial Management System (IFMS) in national and provincial government over the period ahead, whilst still ensuring stability of operations during the transition period.

PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Third Party Poor Performance	Non-compliance, deviation and / or incorrect application of frameworks	Support strategy plan (SSP) for each prioritised client Functions dedicated to specific stakeholders / support areas
Poor Implementation of initiatives	Support not sustainable post implementation	SSP includes skills transfer terms and conditions Engagement with heads of respective departments Enforcement of SSP penalty clauses
Information Security Breach	Security breach resulting in leakage of sensitive budget documentation and other market sensitive information	Encryption of laptop computers and password controls Screening and vetting processes Access to sensitive information using the need to know principle Document classification processes
Inadequate reporting	Inability to provide the Standing Committee on Public Accounts with information on the financial management performance of public sector institutions	Regular review of a Financial Management Capability Maturity Model to assess the financial management capability of departments
Incorrect application of policies	Misinterpretation and/or incorrect application of products (policies, standards, frameworks, by stakeholders	Consultative workshops Technical reviews and guidelines Policy support programmes
SCM Fraud	Allocation of contracts to non-deserving Service Providers	Transversal bid and contract management processes Compliance monitoring mechanisms Restricted / black listed service provider databases maintained
Disruption to transversal systems	Non-availability of systems causing disruption to business processes and loss of information	Transversal systems managed through SITA
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	



PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

STRATEGIC OBJECTIVES

Strategic Objective 1	
Objective statement	To enforce compliance with public sector financial management legislation in each sphere of government
Baseline	Annual financial management progress reports to Parliamentary Oversight Committees
Justification	The Constitution, 1996, the Public Finance Management Act (PFMA), 1999 and the Local Government: Municipal Finance Management Act (MFMA), 2003
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

Strategic Objective 2	
Objective statement	To support public sector institutions to execute their financial management functions effectively, efficiently, economically and transparently
Baseline	Uniform treasury norms and standards
Justification	The Constitution, 1996, the Public Finance Management Act (PFMA), 1999 and the Local Government: Municipal Finance Management Act (MFMA), 2003
Links	Financial Reporting for National Account sub-programme Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management Programme 4: Asset and Liability Management

Strategic Objective 3	
Objective statement	To facilitate capacity development for the enhancement of skills and competency levels across each sphere of government
Baseline	Public sector capacity building framework and related strategy
Justification	The Constitution, 1996, the Public Finance Management Act (PFMA), 1999, and the Municipal Finance Management Act (MFMA), 2003
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

Strategic Objective 4	
Objective statement	To exercise oversight over supply-chain management policies and procedures in government
Baseline	<ul style="list-style-type: none"> • Public sector supply-chain management policies, procedures, norms and standards; • Financial Management Capability Maturity Model; and • Most recent audit reports on the state of supply-chain management in government
Justification	The Constitution, 1996, the Public Finance Management Act (PFMA), 1999, the Municipal Finance Management Act (MFMA), 2003, and the Preferential Procurement Policy Framework Act, 2000
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

Strategic Objective 5	
Objective statement	To maintain existing financial systems and renew these as required to exercise comprehensive financial management
Baseline	<ul style="list-style-type: none">- Retaining an average of 98% systems availability during working hours- Present status of IFMS development and rollout
Justification	The Constitution, 1996, and the Public Finance Management Act (PFMA), 1999
Links	Programme 3: Public Finance and Budget Management Outcome 12: An efficient, effective and development oriented public service; Output 3: <i>Business processes, systems, decision rights and accountability</i>



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Purpose: Manage South Africa's interests in shaping regional and global policies to advance the economic, financial and development objectives of our country, and that of Africa.

Measurable objectives:

- Advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagement and negotiation at financial and economic forums.
- Increase Africa's voice and South Africa's influence in international institutions and fora.
- Lead the reform of the governance and administration structures of African institutions.
- Promote integration and strengthen links within Africa by creating an enabling environment for economic activity.

There are nine subprogrammes:

- *Management* supports the planning, monitoring and implementation of the programme's activities. The office of the DDG oversees South Africa's representation in international and regional financial institutions; manages bilateral and multilateral relationships on behalf of the National Treasury, as well as plan, implement and monitor programmes and activities that advance South Africa's national interests
- *International Economic Cooperation* facilitates South Africa's contribution to the shaping of the international, financial and development policies through its participation in regional and global institutions and fora, as well as through strategic bilateral engagements.
- 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 International Monetary Fund; the Collaborative Africa Budget Reform Initiative (CABRI); the Commonwealth Fund for Technical Cooperation;* and the *International Funding Facility for Immunisation*, transfer funds to various 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 African Economic Integration and International Finance and Development. The two chief directorates fall under the sub-programme *International Economic Cooperation*. The other subprogrammes transfer funds to various institutions in accordance with South Africa's participation in the associated forums.

African Economic Integration represents the economic, financial and development policies, mandate and interests of South Africa within African institutions. It also develops, articulates and promotes policy approaches to regional economic integration.

Within the sub region, SACU member States are expected to conclude negotiations on a new revenue sharing arrangement for the customs union that comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland. The unit will play a leading role in presenting and negotiating South Africa's proposals to review the SACU agreement, in collaboration with the Department of Trade and Industry.

Over the planning period, the unit will actively engage in multilateral efforts to ensure the full implementation of SADC's Finance and Investment Protocol. Through its prominent role in SADC's Finance Committee, the unit will work towards ensuring effective financial administration of the Secretariat. In addition, and in collaboration with the Department of International Relations and Cooperation, the unit will contribute towards the review of SADC's Regional Indicative Strategic Development Plan.

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

The unit also represents South Africa's interests at the African Development Bank, African Union Commission (Economic Affairs) and the United Nations Economic Commission for Africa. In particular, the unit will focus on enhancing South Africa's shareholding and influence in the African Development Bank and its concessionary lending window. In 2012, the African Development Bank will enhance its presence in Southern Africa through the establishment of a Regional Resource Centre in Pretoria.

Under the new leadership of the African Union Commission, the unit will actively participate in initiatives to reform the administration of the African Union.

In fulfilling its objectives, the unit actively promotes South Africa's financial and economic relations in bilateral and multilateral fora, such as the World Economic Forum on Africa; the Committee of Ten African Finance Ministers and Central Bank Governors Forum and the Collaborative Africa Budget Reform Initiative (CABRI). The unit also aims to play a more meaningful role in disseminating knowledge on regional developments to key South African stakeholders.

South Africa became a formal member of the Collaborative African 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.

Over the medium term, the unit will explore South Africa's possible membership of the Africa Export and Import Bank and the Africa Re Insurance Cooperation.

International Finance and Development represents economic, financial and development policies, in both multilateral caucus groups, and global international institutions.

The global economy is characterised by a great deal of uncertainty in the current period. Heads of G20 member states have been meeting since 2008 to intensify international cooperation, giving particular consideration to the processes and institutions of global governance. The unit will play a leading role in developing, coordinating and negotiating South Africa's positions with respect to this agenda, in close collaboration with the Presidency, DIRCO and other core departments.

Over the period covered by this Strategic Plan, the unit will actively engage in multilateral efforts to ensure the implementation of key recommendations to reform global economic governance agreed by G20 Heads of State. This includes: the reform and adequate resourcing of the Bretton Woods Institutions; greater agreement on the production of global public goods, with particular consideration of the global financial system; and closer cooperation between member countries on the support of development in low-income countries, especially in Africa

The unit represents South Africa's interests in the World Bank and IMF, and advances these in close cooperation with strategic partners through caucus groups which meet at a ministerial level such as the G24 and BRICS. In particular, the unit will focus on enhancing South Africa's influence in the World Bank and its concessionary lending window, the International Development Association (IDA). The unit also works very closely with the country office of the World Bank to review whether the services it offers add value to South Africa's national policy agenda.



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Misinformed decisions	Competing international agendas not in alignment with South Africa's policy programmes	SA delegates with clear mandates based on validated information Lobbying processes International relationships Consultative processes
Fiscal Contingent Liability	Reliance by SADC States on financial support from South Africa	International relationships Consultative support processes
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

STRATEGIC OBJECTIVES

Strategic Objective 1.1	Advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagement and negotiation at financial and economic forums.
Objective statement	<ol style="list-style-type: none"> 1. Actively promote South Africa's financial and economic relations in bilateral and multilateral fora 2. Formalise the process in which we disseminate knowledge on regional developments to key regional and national stakeholders. 3. Negotiate a new Country Partnership Strategy with the African Development Bank and World Bank 4. Conclude IMF-SA Article 4 consultation
Baseline	<ol style="list-style-type: none"> 1. Participate in bilateral and multilateral fora. 2. Informal consultations with key regional and national stakeholders. 3. Current Country Partnership Strategy expires in 2012. 4. Existing annual mechanism for engagement
Justification	The objective speaks directly to the mandate of the two Chief Directorates within the Division
Links	

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

Strategic Objective 1.2	Increase Africa's voice and South Africa's influence in international institutions and fora.
Objective statement	<ol style="list-style-type: none"> 1. To formalise the contribution of the Committee of Ten African Finance Ministers and Central Bank Governors on issues on the G20 agenda 2. To support the reform of the G24 making this a more effective developing country caucus on especially G20 issues 3. To push for greater voice and participation of South Africa and African countries within the Bretton Woods institutions 4. To push for reforms of processes and consultations within the World Bank to deliver increased opportunity for engagement on content by developing countries
Baseline	<ol style="list-style-type: none"> 1. The Committee of Ten African Finance Ministers and Central Bank Governors convenes on an ad hoc basis 2. This group has a total of 6 meetings (two at Ministerial level) in an annual cycle 3. The quota and voice reforms are ongoing in a range of formal and informal caucus groups, and culminate in decisions at a Governors level 4. The IDA working groups were set up at the end of the IDA16 replenishment. It will report recommendations to the next IDA mid term review
Justification	To increase the voice of African economies in international policy decision making in the finance, economic and development discourse
Links	In line with a range of national policy positions, including Outcome 11



PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

Strategic Objective 1.3	Lead the reform of the governance and administration structures of African institutions
Objective statement	<ol style="list-style-type: none"> 1. Represent South Africa's interests at the African Development Bank, African Union Commission (Economic Affairs) and the United Nations Economic Commission for Africa 2. Enhance South Africa's shareholding and influence at the African Development Bank and its concessionary lending window 3. Play a prominent role in the establishment of the African Development Bank's Regional Resource Centre in Pretoria so to improve the efficiency of the Bank's services in the region 4. Work towards ensuring effective financial administration of the Secretariat, through the SADC Finance Committee 5. Contribute towards the review of SADC's Regional Indicative Strategic Development Plan
Baseline	<ol style="list-style-type: none"> 1. South Africa holds the permanent Executive Director position in the third constituency for the Southern African region at the African Development Bank. 2. Acquired additional shares at the African Development Bank (shareholding currently at 4.53%) and commenced with the first instalment to the African Development Fund 12 3. African Development Bank's Board decision to nominate South Africa as a pilot country for the establishment of a Regional Resource Centre 4. Current chair the Finance Sub-Committee and member of the Finance Committee 5. SADC Regional Indicative Strategic Development Plan is currently under review
Justification	To ensure more effective functioning of the African institutions, so to better serve their members
Links	In line with a range of national policy positions, including Outcome 11

Strategic Objective 1.4	Promote integration and strengthen links within Africa by creating an enabling environment for economic activity
Objective statement	<ol style="list-style-type: none"> 1. Within the sub region, SACU member States will conclude negotiations to put in place a new revenue sharing arrangement for the customs union that comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland. The unit will play a leading role in presenting and negotiating South Africa's proposals to review the SACU agreement, in collaboration with the Department of Trade and Industry 2. Over the planning period, the unit will actively engage in multilateral efforts to ensure the full implementation of SADC's Finance and Investment Protocol. 3. Over the medium term, the unit will explore South Africa's possible membership of the Africa Export and Import Bank and the Africa Re Insurance Cooperation
Baseline	<ol style="list-style-type: none"> 1. A new SACU revenue sharing formula currently being negotiated. 2. SADC Finance and Investment Protocol ratified in 2011 3. South Africa is not a member of the African Export and Import Bank and the Africa Re Insurance Cooperation
Justification	Regional Economic Integration is a South African priority
Links	In line with a range of national policy positions, including the NPC's National Plan 2011-2030, Outcome 11, Africa Action Plan etc

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

Purpose: Provide for the processing and payment of pensions to members and their dependants in terms of various statutes, collective bargaining agreements and other commitments.

Measurable objective:

- To increase the level of client satisfaction through operational excellence
- To enhance service delivery through enabling technology and well-documented processes in such a way that the results can be measured, monitored, and evaluated within a specific timeframe
- To have an efficient corporate governance and financial management framework for the administration of the programme.
- To develop core skills and human capabilities to deliver professional and efficient administration services

This Programme consists of three sub-programmes:

- *Civil Pensions and Contributions to Funds* which consists of Post-Retirement Medical Benefits, Injury On Duty and Special Pensions provides for medical subsidies to retired civil servants, pension payments to the injured, disabled and the dependants of the deceased civil servants and to former struggle veterans.
- *Military Pensions* provides for the payment of military pension benefits and medical claims arising from injuries sustained during various wars including the liberation wars. The payment includes pension payments, medical assistance and other related expenses in terms of the Military Pensions Act.
- *Other Benefits* provides for the processing and payment of benefits to former members of the legislative assembly of the now redundant Venda, Transkei and Ga-zankulu governments, former Judges or their surviving spouses in terms of the Judges' Remuneration and Conditions of Employment Act of 1989, and payment of pensions to former State Presidents.

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 on behalf of the GEPF and non-contributory benefits and pensions on behalf of National Treasury through a Service Level Agreement. Over the medium-term focus will be on the following key policy developments:

- *Post-Retirement Medical Benefits:* the migration of Medihelp Pre-92 (16,000) members and their dependants to GEMS effective from 1 April 2012 is envisaged to cost R2.12 billion. Due to the age profile of these members (average age of 79 years), it is projected that GEMS will incur yearly deficits of R345.9 million on the GEMS' Onyx Medical Aid option. According to the Health Monitor Company Actuaries report, Treasury will experience a contribution reduction of 56.9%, or R595.2 million per year in 2010 total contribution payments. A bigger portion of the savings from Medihelp will be utilised to service the R2.12 billion cost incurred by GEMS.
- *Special Pensions:* the revised Non-Statutory Force (NSF) dispensation was promulgated in December 2011. This gives special pensioners who are still in service and contributing to Government Employees Pensions Fund (GEPF) an opportunity to retain their special pension while opting for NSF recognition through GEP Law. A joint Defence and Finance Portfolio committees' workshop will look into possible review of Special Pensions Act to address any possible shortcomings.
- *Injury on Duty:* the Programme 7 management is contemplating application for a licence to the Compensation Commissioner and the Minister of Labour to process, administer and pay all new applications for Injury on Duty claims for state employees. This initiative is prompted by cash flow and backlog challenges experienced between the Administration and Compensation Fund which resulted in inefficient processing and payment of claims. In extreme instances, claims are being settled up to five years after being lodged. The licence application will be finalised by end of June 2012.



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

- *Military Pensions:* the Military Pensions Act 84 of 1976 as amended is currently being reviewed by the administration and the National Treasury's Legal Services unit, to address administrative and constitutional concerns. The amended Act is expected to be tabled in Parliament by the Minister of Finance during the second quarter of 2012.
- *Payment of Non-Statutory Forces:* in 2009 the Cabinet approved a revised NSF pension dispensation for members who were integrated into the South African National Defence Force (SANDF). It is estimated that the NSF payment will amount to R4.735 billion over 5 years and the funds will be budgeted for under Programme 7. In order to maintain the actuarial health of the fund, the GEPP has to receive the first instalment of R1, 378 billion in 2012/13. The balance will be paid as follows: R1, 678 billion in 2013/14 and 2014/15 respectively.
- *Traditional Leaders:* In terms of the Presidential Proclamation 50, published in the Government Gazette (No.31597 of 12 November 2008), the President approved a determination of salaries, allowances and benefits of Traditional Leaders, members of Provincial Houses of Traditional Leaders and members of the National House of Traditional Leaders. The proclamations were effective from 1 April 2008 and therefore the pension benefit will have to be backdated. The benefit structure for the pension will be designed in 2012/13 and will inform the financial implications of this new pension dispensation. At this stage it is estimated that it will cost R49.280 million per annum over the medium term.
- *Political Office Bearers Pension Fund:* the POBPF is a fully funded, defined contribution pension fund, registered with the Registrar of Pension Funds in terms of the provisions of the Pension Funds Act, 24 of 1956. It is managed by a Board of Trustees and a Principal Officer manages the day-to-day issues related to the fund. The fund actuarial services are managed by Fifth Quadrant Actuaries and Consultants. The current members roll is about 933. It is anticipated that the National Treasury will take over the administration of the fund during the 2012/13 financial year.

The programme has embarked on a modernisation agenda, and will in the next five years modernise and automate services. The expected outcome is the increase of the quality of service delivery through efficiency improvements and a reduction in fraud. The modernisation timeline is depicted in Figure 1 - Modernisation Agenda for Programme 7.



Figure 1 - Modernisation Agenda for Programme 7

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

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Falsified information	False claims leading to duplicate and/or over payments	Claim verification processes
Misappropriation of funds	Unauthorized payment or theft of funds as a result of systems/internal controls override.	Centralised banking account changes. Bank account verification processes Segregation of duties
Cost overruns	Cost overruns affecting budgeting for benefit payments	Historic trends based budget Budget processes (MTEF, ENE and adjustment budget)

STRATEGIC OBJECTIVES

Strategic Objective 1	
Objective statement	Administration of a portfolio of pensions in terms of processing of member applications and making payments as required by applicable legislation, to eligible applicants and recipients. The focus is to constantly improve the quality of our service offering to our customers by paying benefits and pensions on a timely basis
Baseline	Baseline performance is measured from the 1st of April 2010 where paying benefits within 60 days from receipt of correct documentation was the target
Justification	This objective aims to focus management for effective and efficient administration of Programme 7 pensions
Links	Programme 7 is a National Treasury program administered by GPAA through a Service Level Agreement



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, project management, infrastructure service delivery and financing alternatives for capital projects. Among the objectives of the programme are to:

- Build public sector capacity through a combination of diagnostic services, organisational development and programme and project implementation support
- Provide transaction advice to public private partnerships
- Provide advisory support for large capital projects during the development and implementation phases
- Assist in the planning, design, co-financing and development of neighbourhood development partnership programmes
- Build financial management skills through financial management grants and improving external and internal reporting on budgets, service delivery and performance
- Provide direct technical assistance to strengthen the institutional capacity of provincial treasuries and the ability of municipalities to implement the MFMA and improve overall municipal financial performance
- Contribute towards improved 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
- Support self-sustainable job creation initiatives and improve employment prospects with special focus on youth
- Support innovative and partnership based approaches to job creation by supporting a wide range of initiatives throughout the country.

Technical and Management Support and Development Finance consists of the following sub-programmes:

- *Technical and Advisory Support* provides advisory and capacity building initiatives on public private partnerships, project management, infrastructure service delivery and public finance information systems.
- *Local Government Financial Management Grant* 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.
- *Municipal Finance Improvement Programme (MFIP)* provides technical assistance to selected municipalities and provinces to support other capacity building efforts and strengthen those institutions
- *Neighbourhood Development Partnership Grant (NDPG)* aims to improve the quality of life of people living and working in townships via the creation of economically sustainable neighbourhoods. The NDP strategy consists of grant management, innovation & mainstreaming
- *Employment Creation Facilitation Fund (ECFF)* supports the government's initiative to create jobs

POLICY DEVELOPMENTS

Technical and Advisory Support Sub-Programme:

- The *Technical Assistance Unit* provides programme and project implementation support to government organisations. It will continue to provide technical support relating to public finance challenges, in a manner that helps clients build capacity.
- The *Public Private Partnership (PPP)* unit focuses on concluding partnership agreements, increasing oversight capacity and promoting capital investment, especially in the social sector.

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

In the period ahead, the unit will increase support to municipalities to deliver critical services through partnerships with the private sector. In addition, the unit will contribute to more robust assessment of future public investment in infrastructure in order to ensure optimal efficiency and value for money. Key sectors of activity for the PPP unit in the medium term include:

- Working with the Department of Energy to establish a regulatory framework and institutional landscape for regulation of Independent Power Producers. It will also play an increasing role in Renewable Energy Feed-In Tariff (REFIT) Programme by providing procurement and technical advisory services to the Department.
- Supporting 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 the acquisition of rolling stock for the Passenger Rail Agency of South Africa (PRASA).
- The *Infrastructure Delivery Improvement Programme (IDIP)* focuses on building sustainable capacity to deliver infrastructure in the provincial departments of treasury, education, health and public works. IDIP will continue to mobilize and deploy technical assistants to these departments and to closely monitor implementation.

Local Government Financial Management Grant Sub-Programme:

- The *Provincial and Local Government Infrastructure Unit (PLGI)* will continue to administer the Infrastructure Skills Development Grant, which is aimed at strengthening the ability of selected municipalities and entities to deliver quality infrastructure. This will primarily be achieved by expanding the existing skills base available for this purpose. Training, mentoring and coaching will be provided by registered professionals.

Municipal Finance Improvement Programme Sub-Programme:

- The *MFMA Implementation Unit* offers a package of technical and financial assistance to municipalities in order to strengthen MFMA compliance and modernise municipal financial management in general. The unit administers the Financial Management Grant and leads Municipal Finance Improvement Programme on behalf of the National Treasury.

Neighbourhood Development Partnership Grant Sub-Programme:

- The *Neighbourhood Development Partnership Grant (NDPG)* management conceptualises and implements the township regeneration programmes. Implementation is achieved through targeted catalytic development projects and leveraged 3rd party investment in prioritised nodes and corridors. Over the next three years, it is estimated that R2.585 billion will be spent via this sub-programme on a range of township nodal and linkage initiatives.

Employment Creation Facilitation Fund Sub-Programme:

- The *Employment Creation Facilitation Fund (ECFF)* contributes to the creation of employment.
- The *Jobs Fund* uses public funds to catalyse innovation and investment by that supports sustainable employment creation, especially for youth and women. The Fund selects and allocates funding using pre-defined criteria based on a transparent and competitive process.



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

RISK MANAGEMENT

Risk	Risk Description	Mitigation Strategy
Fraud and Corruption	Corruption in PPP contracts impacting service delivery	Segregation of duties Anti-corruption clauses in PPP contracts Corrupt activity penalties in contracts
Market Domination by Suppliers	Domination and development of monopolies or cartels in the advisory and implementation markets (Barriers to entry)	Introduction of smaller projects to introduce smaller players into the PPP fold Encouragement of partnerships between established and emerging firms Constant monitoring of the market place to ensure monopoly tendencies do not develop
Capacity and skills gaps	Inadequate capacity in government compromising best practice	NDPG coordinators within municipalities Implementation of the Municipal Segmentation Strategy
Negative Reputation	Client expectations not met	Management panel with highly skilled service providers Client needs - managed through the diagnostic process Establishment of proper partnerships and communities of practice (Knowledge Networks)
Overstretched resources	Over-reliance by clients on TAU overstressing resources	Project Selection and Allocation Panel Adherence to TAU's mandate and SOPs
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

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

STRATEGIC OBJECTIVES

Strategic Objective 1.1	Technical and Advisory Services
Objective statement	To build public sector clients capacity through a combination of diagnostic services, organisation development and programme and project implementation support
Baseline	Public sector institutions requests for assistance to improve their capacity in order to deliver on their mandate
Justification	Government currently requires support to achieve its strategic outcomes and development goals
Links	Outcome 4, 9 and 12

Strategic Objective 1.2	PPP and capital projects oversight
Objective statement	To provide increased PPP and capital projects planning and oversight by providing advisory support to all PPPs and large capital projects in development and implementation and assist National Treasury in its regulatory function
Baseline	24 PPP projects in implementation, 40 projects in the pipeline, with additions occurring routinely; 55_ major capital expenditure projects reviewed, with 12 approved ,and 6 referred back for more planning
Justification	Treasury Regulation 16, Municipal PPP Regulations, Capital Budgets Committee Terms of Reference
Links	Outcomes 4, 5, 6, 11, 12

Strategic Objective 1.3	Infrastructure Delivery Capacity Programme
Objective statement	To help build sustainable capacity in the selected provincial departments and municipalities in order to improve infrastructure delivery
Baseline	Phase III of the Infrastructure Delivery Improvement Programme (IDIP) is being implemented in the selected provincial departments of education, health, public works and treasury
Justification	To improve the capacity of selected provincial departments to be able to deliver, manage and maintain social and economic infrastructure
Links	Programme 3 and Outcome 9, 12

Strategic Objective 1.4	Financial Management Capacity Building Programme
Objective statement	Strengthen the capacity of provincial treasuries and municipalities to fully implement the Municipal Finance Management Act and associated financial reforms
Baseline	Selected provinces and municipalities
Justification	The Constitution, 1996 and Municipal Finance Management Act, 2003
Links	Programme 5: Financial Accounting and Reporting and Outcome 9,12



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

Strategic Objective 1.5	Neighbourhood Development Partnership Programmes
Objective statement	Supporting municipalities in planning and implementing integrated neighbourhood development programmes in townships, to catalyse public and private sector investment in community and economic infrastructure
Baseline	The baseline for the number of neighbourhood development partnership grant projects under construction for 2011/12 is 45
Justification	Townships are marginalised in terms of social, spatial, environmental and economic development due to apartheid policies and legislation on planning, development and resource allocation
Links	Programme 3 and Outcomes 4,7,8 & 9

Strategic Objective 1.6	Job Creation Challenge Fund Programme
Objective statement	Catalyse innovative and partnership based approaches to job creation and promote opportunities that lead to the long term improvement of employment prospects of the unemployed, especially for the youth and women of our country
Baseline	Support self-sustainable job creation initiatives and improve employment prospects with special focus on youth and women
Justification	To contribute to breaking the cycle of chronically high levels of unemployment over the medium-to-long term
Links	Outcome 4, 5 and 7

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 medium term, spending is projected to grow from R9.4 billion to R10.6 billion, at an average annual rate of 5 per cent. SARS's allocated budget was reduced by R50 million in 2012/13, R75 million in 2013/14 and R100 million in 2014/15 mainly due to cabinet's endorsement in the budget cut across all departments and entities. However, the growth in their budget is mainly due to the continuation of the modernisation projects for customs and corporate income tax. In addition, the South African Revenue Service aims to progressively transform its skills base to become a more specialised and high level task team. Spending on goods and services grows at an average annual rate of 17.5 per cent over the seven-year period to provide for maintenance and inflationary adjustments.

Further details of the modernisation project are available in SARS strategic plan.

STRATEGIC OBJECTIVES

Strategic Objective	
Objective statement	SARS is continuing with its modernisation strategy, in which core processes and systems are streamlined and routine tasks automated to fully implement taxpayer and trader segmentation to strengthen the business model
Baseline	SARS reviewed its business model and embarked on an extensive modernisation of its operations
Justification	To ensure sustainability, drive productivity, service quality and cost efficiency in order to fully deliver on its customs mandate in a way that is aligned with government's stated intentions
Links	FIC, Home Affairs



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

The agency derives almost all of its total revenue from transfer from the National Treasury. The transfer increased from R111 million in 2008/09 to R136.5 million in 2011/12, at an average annual rate of 3 per cent. Over the medium term, the transfer is expected to decrease from R142 million in 2012/13 to R124 million in 2014/15, at an average annual rate of 4 per cent.

STRATEGIC OBJECTIVES

Strategic Objective	
Objective statement	Enhancement of the Information and Technology (IT) systems
Baseline	The existing IT infrastructure is out-dated and must be upgraded in order to provide the FIC with the technical tools that are required for it, to deliver against its mandate effectively
Justification	National and international databases must be updated and aligned to best practices Strengthening of its international cooperation through interactions with the Egmont Group Establishment of the regional offices in metropolitans and towns; and support to the Appeals Board
Links	SARS

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 - cont

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.

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.



PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE - cont

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.

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

PUBLIC ENTITIES REPORTING TO THE MINISTER OF FINANCE - cont

established to accommodate this development.

- Isibaya Fund Strategy – with adoption of the GEPP’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.

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
ADB	African Development Bank
ADF	African Development Fund
APRM	African Peer Review Mechanism
ASB	Accounting Standards Board
AU	African Union
BAS	Basic Accounting System
BIS	Bank for International Settlements
CFTC	Commonwealth Fund for Technical Cooperation
CISNA	Securities and Non-banking Financial Authorities
CMU	Contract Management Unit
CMA	Common Monetary Area
CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
DCIS	Development Corporation Information System
DFI	Development Finance Institution
DORA	Division of Revenue Act
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
EU	European Union
FATF	Financial Action Task Force
FFC	Financial and Fiscal Commission
FIC	Financial Intelligence Centre
FMS	Financial Management System
FOSAD	Forum of SA Directors-General
FSB	Financial Services Board
G20	Group of Twenty Countries
G24	Group of Twenty-Four Countries
GAMAP	Generally Accepted Municipal Accounting Practices
GCC	Guarantee Certification Committee
GCIS	Government Communications and Information System
GDS	Growth and Development Summit
GPAA	Government Pensions Administration Agency
GEPF	Government Employees Pension Fund
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
GRAP	Generally Recognised Accounting Practices
HSRC	Human Sciences Research Council
IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
IDC	International Development Cooperation
IFAC	International Federation of Accountants
IFMS	Integrated Financial Management Systems
IJS	Integrated Justice Sector
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organisation of Securities Commissions

IPFA	Institute for Public Finance and Auditing
IPSAS	International Public Sector Accounting Standards
ISDA	International Swaps and Derivatives Association
LRAD	Land Reform for Agricultural Development
MFI	Micro-Finance Intermediaries
MFMA	Municipal Financial Management Act
MFMTAP	Municipal Finance Management Technical Assistance Project
MIG	Municipal Infrastructure Grant
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MYPD	Multi-Year Price Determination
NCOP	National Council of Provinces
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NERSA	National Energy Regulator of South Africa
NERT	National Energy Response Team
NIA	National Intelligence Agency
OAG	Office of the Accountant-General
PIC	Public Investment Corporation
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPPFA	Preferential Procurement Policy Framework Act
RDP	Reconstruction and Development Programme
REDS	Regional Electricity Distributors
RMF	Risk Management Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFCOL	SA Forestry Company Limited
SANReN	South African Research Network
SAPS	South African Police Services
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SEC	US Securities and Exchange Commission
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOEs	State-owned Enterprises
WTO	World Trade Organisation



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national treasury

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