

# NATIONAL TREASURY STRATEGIC PLAN 2011/14

***PRESENTATION TO PARLIAMENTARY FINANCE COMMITTEES***

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# TREASURY AIMS AND OBJECTIVES

- **Chapter 13 of the Constitution of the Republic of South Africa.** According to section 216 (1) of the Constitution **national legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure controls** in each sphere of government.
- **Chapter 2 of the Public Finance Management Act (PFMA)** clearly **defines the functions and powers** of the department.
- Also, there are various other pieces of legislation that define the role of National Treasury, these include the **MFMA, financial sector legislation e.g. Banks Act.**

# TREASURY AIMS AND OBJECTIVES - THE PFMA

- Develop fiscal policy framework and coordinate macro-economic policy
- Prepare a sound and sustainable national budget and equitable division of resources
- Equitably and efficiently raise fiscal revenue, while enhancing efficiency and competitiveness of the SA economy
- Sustainably manage and make effective use of govt's financial assets and liabilities
- Promote transparency to improve financial accountability and enforce effective financial management

# GOVERNMENT'S OUTCOMES APPROACH

## - THE 12 OUTCOMES

1. Improved quality of basic education
2. A long and healthy life for all South Africans
3. All people in South Africa are and feel safe
- 4. Decent employment through inclusive economic growth**
5. A skilled and capable workforce to support an inclusive growth path
6. An efficient, competitive and responsive economic infrastructure network
7. Vibrant, equitable and sustainable rural communities with food security for all
8. Sustainable human settlements and improved quality of household life
- 9. A responsive, accountable, effective and efficient local government system**
10. Environmental assets and natural resources that are well protected and continually enhanced
11. Create a better South Africa and contribute to a better and safer Africa and World
- 12. An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship**

**Treasury fully adopted the outcomes approach in preparing this planning document. We directly contribute to the three highlighted outcomes**

# ECONOMIC OUTLOOK - positives

- Gradual increase in economic growth (SARB projects a GDP growth of 3.7% in 2011), operating in an environment of stable macro economic conditions
- Moderate inflation (4.2% in April) creates basis for low interest rates at 23 year low
- Employment projected to grow by 1.8 % annually - according to StatsSA the number of persons in the labour force increased by 213 000 between the last quarter of 2010 and the first quarter of 2011
- SA now a member of BRICS – another platform for SA to contribute to shaping economic reform
- SARS exceeded revenue target by R2 billion in 2010/11 financial year

# ECONOMIC OUTLOOK - risks

- Although inflation is now at 4.2% it is projected to average 5,1 per cent in 2011 and 6,0 per cent in 2012
- Rising fuel prices & impact on food prices
- Rising debt stock and debt service costs
- High unemployment
- Somewhat erratic capital flows
- Global risks
  - Soft growth in Europe could slow demand for exports
  - European sovereign debt and banking risks
  - Inflation in emerging economies is rising

# STRATEGIC GOVT. PROGRAMMES

- **Employment creation**
  - R9 billion jobs fund to support the expansion of existing programmes and to pilot innovative approaches to employment creation, with a special focus on opportunities for young people to gain skills while in productive employment
- **Savings and expenditure reprioritising**
  - Over R30 billion identified and included in the 2011 Budget allocations
  - Continue to look for opportunities to reprioritise spending towards key programmes
- **Reform supply chain and enforce compliance**
  - Contributes to the work of the Anti-corruption Task Team; combating corruption and fraud in the public sector
- **Social Security and Health Financing**
  - Explore sustainable funding models for these initiatives.
  - First stage of NHI announced in February
- **Employment**
  - Proposed youth employment subsidy which closed for comments on 30 April. Document currently under review at Nedlac
- **Infrastructure investment, city planning and development**
  - More than R800 billion to be spent over the next three years

# STRUCTURE & COMPOSITION OF PROGRAMMES

The structure has been modified as follows:

- **Programme 1** – Administration (no changes)
- **Programme 2** – Economic Analysis and Forecasting, Tax, Fin. Reg & Research (2 divisions – Economic Policy and Tax, and Fin Sec. Policy, was programme 6)
- **Programme 3** – Public Finance and Budget Management (no changes in composition, was programme 2 previously)
- **Programme 4** – Asset and Liability Management (no changes in composition, was programme 3 previously)
- **Programme 5** – Financial Accounting and Reporting (2 divisions – no changes in composition, old programmes 4 & 5 previously)



# STRUCTURE & COMPOSITION CONT.

- **Programme 6** – International Financial Relations  
(International & Regional Economics, was part of programme 6)
- **Programme 7** – Civil & Military Pensions, Contributions to Funds & Other Benefits  
(no change on the composition, was programme 8)
- **Programme 8** – Technical & Management Support & Development Finance  
(was part of programme 2)
- **Programme 9** – Revenue Administration  
(was part of the fiscal transfers programme)
- **Programme 10** – Financial Intelligence and State Security  
(was part of the fiscal transfers programme)

# PROGRAMME 1 - ADMINISTRATION

- Responsible for the overall strategic management and support for the department.  
**Comprises 1 division – Corporate Services**

## Plans over the next 3 years:

- Enhance the talent management programme to ensure relevance to the needs of the department
- Continue the leadership development to create a pool of senior management cadres (from Deputy Director level)
- Implement the in-year monitoring tool that will improve financial management and reporting from 6 to 2 days
- Develop ICT systems and services in support of organisational objectives
- Implement an automated registry where departmental information can be stored, managed and accessed electronically

# PROGRAMME 2: ECONOMIC ANALYSIS .., TAX, FINANCIAL REGULATION AND RESEARCH

- Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector, and regulatory reform.  
**Comprises 2 divisions: Economic Analysis and Forecasting, and Tax and Financial Sector Policy**

## Plans over the next 3 years:

- Develop and maintain economic forecasting models that facilitate sound policy making through in-depth economic analysis, including macroeconomic forecasts
- Monitor the exchange rate and explore policy measures to ensure competitiveness
- Formulating and implementing annual tax proposals
- Produce policy paper on carbon tax proposal for Cabinet approval and submit proposal for the 2012 Budget
- Explore policy measures to increase private savings

# PROGRAMME 2: ECONOMIC ANALYSIS .., TAX, FINANCIAL REGULATION AND RESEARCH CONT.

- Conduct consultations and implement proposals related to strengthening the financial regulatory system (“A safer financial sector to serve SA better”)
- Publish a policy document with proposals on modernising the framework for inward and outward investment
- Explore models for financing the National Health Insurance (NHI), with the first steps towards its launch announced in the 2011 budget

# PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

- 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.

**Comprises 3 divisions: Public Finance, Budget Office, and Intergovernmental Relations**

## **Plans over the next 3 years:**

- Establish a Capital Projects Unit to evaluate options for investment in liquid fuels supply capacity, review solar park proposals and conduct pre-feasibility review of major projects in water and transport sectors
- Work with programme 2 to develop a policy framework for social security reform
- Introduce longer-term expenditure estimates for selected programmes and entities
- Monitor expenditure on a monthly and quarterly basis and provide analysis of expenditure trends

# PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT CONT.

- Improve the budget process and provide information by government function
- Refine the new disaster funding grant mechanism and other aspects of managing disaster response
- Extend the coverage of the consolidated account to include information on the consolidated accounts and borrowing of government
- Broaden focus of ODA funding to include economic & rural development, employment creation and public service delivery improvement
- Review the provincial and local government fiscal framework in line with national budget framework and policy objectives
- Review the equitable share formula for local government and provinces to improve targeting of resources in favour of the poorer geographical areas and pro-poor programmes
- Implement key local budget reforms to improve budget implementation and reporting

# PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

- Prudent management of government's financial assets and liabilities.  
**Comprises 1 division: Asset and Liability Management**

## Plans over the next 3 years

- Finance government's gross borrowing requirements of about R575 billion
- Maintain sound investor relations through roadshows and enhanced dissemination of information
- Actively manage government's debt portfolio through buy-back and switch/exchange programmes – debt set to rise to R1.4 trillion or 39.4% of GDP
- Maintain debt service cost as percentage of GDP at sustainable levels – between 2.6 and 2.9 % of GDP
- Optimise the use of public sector cash through broadening the coordination thereby reducing borrowing cost
- Strengthen financial oversight and monitor economic performance of Development Finance Institutions (DBSA and Land Bank in particular)

# PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

- Facilitates accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

**Comprises 2 divisions: Specialist Functions and Office of the Accountant General**

## **Plans over the next 3 years**

- Roll-out strategic sourcing principles to 42 medium capacity municipalities and introduce the strategic sourcing principles to 30 low capacity municipalities
- Promulgate and implement revised preferential procurement regulations, and monitor implementation of the revised preferential procurement regulations
- Review of procurement legislation in consultation with relevant stakeholders
- Apply strategic sourcing methodologies to improve value for money in 32 transversal term contracts



# PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING CONT.

- Implement completed IFMS modules in identified departments
- Issue Treasury Instructions as a step to enforce supply chain compliance and to counter fraud and corruption
- Develop guidelines to strengthen the monitoring and oversight function of Parliamentarians
- Monitor improvements in financial management in national and provincial institutions and report to SCOPA & SCOF by August 2011
- Implement FM Capability Maturity Assessment in selected municipalities and entities
- Manage an academic support programme for CAs and other accountants in government (17 participants in 2011)
- Provide targeted support to priority departments and municipalities to improve financial management

# PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

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

**Comprises 1 division: International and Regional Economic Policy**

## **Plans over the next 3 years:**

- Finalise agreement on a new revenue-sharing formula in SACU
- Formulate proposals and establish a regional infrastructure fund
- Increase shareholding in the African Development Bank to 6% - part of the process to increase South Africa's voice and shareholding
- Promote and support the development of African countries
- Facilitate engagements between regional and international institutions and the Ministry of Finance
  - G20, IMF, World Bank ...

# PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT & DEVELOPMENT FINANCE

- Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects
- This programme has 6 sub-programmes including the new **jobs fund** which supports the creation of self-sustaining employment, and the **post-disaster recovery and reconstruction transfer** which deals with post-disaster recovery activities.

## Plans over the next 3 years

- Build project management capacity in government
- Ensure improved infrastructure delivery, through the implementation of the Infrastructure Delivery Improvement Programme (36 Technical Assistants, 4 in each province)
- Support municipalities in planning and implementing integrated neighbourhood development programmes in townships
- Develop project appraisal methodology for capital and infrastructure projects

# Programmes 7, 9 and 10

- **Programmes report directly to Parliament.**

# Resource Plan for 2011

<b>Programmes</b>	<b>2010/11 Budget</b>	<b>2010/11 Preliminary Outcome</b>	<b>2011/12 Budget</b>
R'000			
1. ADMINISTRATION	276,551	248,661	281,088
2. ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH	106,245	86,060	120,364
3. PUBLIC FINANCE AND BUDGET MANAGEMENT	187,117	157,437	198,938
4. ASSET AND LIABILITY MANAGEMENT	20,822,800	20,813,904	822,594
Operational budget	72,800	67,204	72,594
Eskom	20,000,000	20,000,000	0
Land Bank	750,000	746,700	750,000
5. FINANCIAL SYSTEMS AND ACCOUNTING	639,222	559,125	658,220
Operational budget	577,054	496,961	595,207
Transfers	62,168	62,164	63,013
6. INTERNATIONAL FINANCIAL RELATIONS	565,222	558,683	812,380
Operational budget	31,917	26,587	32,624
Transfers	533,305	532,096	779,756
<b>SUBTOTAL</b>	<b>22,597,157</b>	<b>22,423,870</b>	<b>2,893,584</b>
<b>Operational budget</b>	<b>1,388,222</b>	<b>1,187,539</b>	<b>1,460,894</b>
Transfer budget	37,316,681	37,038,617	21,137,297
Percentage of operational to transfer budget	3.7%	3.2%	6.9%
<b>Programmes</b>	<b>2010/11 Budget</b>	<b>2010/11 Preliminary Outcome</b>	<b>2011/12 Budget</b>
R'000			
7. CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS	2,698,187	2,697,847	3,139,833
8. TECHNICAL SUPPORT AND DEVELOPMENT FINANCE	1,779,185	1,474,065	4,156,180
Operational budget	136,538	104,629	160,079
Transfers	1,642,647	1,369,436	3,996,101
9. REVENUE ADMINISTRATION	8,142,208	8,142,208	8,653,573
10. FINANCIAL INTELLIGENCE AND STATE SECURITY	3,488,166	3,488,166	3,755,021
<b>GRAND TOTAL</b>	<b>38,704,903</b>	<b>38,226,156</b>	<b>22,598,191</b>

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