



National Treasury

Strategic Plan (update) 2010 – 2013

**Presentation to Standing Committee on Finance
14 April 2010**



Government priorities

- Improving the quality of education
- Enhancing the health of our people
- Making our communities safer
- Fostering rural development
- Creating jobs; and
- Investing in local government and human settlements

- *As National Treasury we will work within these priorities in delivering on our mandate*



New factors

- **Planning**
- **Outcomes**
- **Monitoring**
- **Integrated service delivery**



Aim and strategic objectives

*National Treasury is founded in terms of **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 control in each sphere of government.***

*Additionally, **Chapter 2 of the Public Finance Management Act (PFMA)** clearly **defines the functions and powers of the department as follows:***

- **Promote 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**

Various pieces of legislation define the role of National Treasury, these include the MFMA, financial sector legislation e.g. Banks Act.



Economic outlook - positives

- **Economy expected to grow by 2.3% this year rising to 3.2% in 2011**
- **Better inflation outcomes in line with the target range**
- **Global demand and trade volumes picking up**
- **More stable employment & sectoral growth outcomes**
- **Current account deficit has moderated... expected 4.9% of GDP in 2010 compared to 7.1% in 2008**
- **Sterling efforts of SARS resulted in an outstanding target overshoot of R8 billion – bringing down the budget deficit to 6.8% of GDP**
- **Sustained public infrastructure investment over the MTEF of R845 billion**
- **Agreement in government regarding job creation and the need to transform the economy**



Economic outlook - risks

- **Wage pressures appear strong & oil prices remain high**
- **Infrastructure investment challenges**
- **Unused production capacity will moderate investment in coming year**
- **Net job creation likely to remain sluggish**
- **Potential for slow global economic recovery implies a sizable budget deficit remains over the MTEF**
- **Debt service costs rise from 2.4% in 2009/10 to 3.2% in 2012/13, eating into fiscal resources**



Key strategic focus areas

- **Work with other departments to achieve job creation, economic growth and poverty reduction**
- **Provide appropriate support to the economy as global economy recovers while reducing government borrowing over the MTEF**
 - Monetary and fiscal policy stance support aggregate demand, while foreign demand recovers
 - Fiscal exit strategy to prudently reduce the impact of high borrowing on future growth prospects
- **Derive value for money in all public expenditure & enhance control measures in awarding tenders**
- **Provide sustainable long-term public finance support to critical public needs, such as electricity supply, public transport, community development & regional development**
- **Ensure that the new budget process with Parliament works effectively**



Key microeconomic reforms to support growth

- **Support labour-intensive industries through industrial policy**
- **Investment in and improved maintenance of network industries**
- **Raising productivity and competitiveness by reducing regulatory hurdles and red tape**
- **Increasing access for private investment and participation in critical input markets**
- **Raising savings and investment through responsible fiscal management**



Medium-Term Priorities

Economics & Financial Markets Group

- Growth and job creation
- Employment studies
- Current account and funding thereof
- Tax policy and revenue
- State owned enterprises
- Regional economic integration
- Global finance and economics
- Domestic savings

Fiscal & Budget Group

- Coordinating budget reforms
- Enhanced appraisal capacity for capital projects
- Strengthening support to local government
- Mobilising private sector finance and DFI's in key investment programmes
- Enhanced public sector reforms, personnel policy and analysis of remuneration trends.
- Comprehensive analysis of trends in budget expenditure

Financial Management Group

- GRAP Implementation
- Implementation of IFMS
- Review and amendment of PFMA, MFMA, PPPFA
- Development of learning framework
- Promotion of SCM Compliance
- Take steps to secure sound and sustainable fiscal and financial management in municipalities
- Adapt FM Capability Maturity Model for all three spheres of government



Departmental programmes

- Programme 1... Administration
- Programme 2... Public finance and budget management
- Programme 3... Asset and liability management
- Programme 4... Financial management and systems
- Programme 5... Financial accounting and reporting
- Programme 6... Economic policy and international financial relations
- Programme 7... Provincial and local government transfers
- Programme 8... Civil & military pensions, contributions to funds & other benefits



Programme 2: Public finance and budget management

- **Comprise of three divisions (Budget Office, Public Finance and Intergovernmental Relations)**
- **The Budget Office coordinates the national budget process & ensures prudent resource allocation**
 - **Improve value for money in spending across government**
 - **Improve structuring of departmental votes (project draws to an end during the 2010/11 financial year)**
 - **Enhance the quality of performance information contained in budget documents**
- **Public Finance is the primary link with all national departments and other government entities**
 - **Targeted sectoral studies as part of the comprehensive expenditure review**
 - **Improve alignment between policy frameworks and public spending**
 - **Move forward the reform of social security and health insurance systems**



Programme 2 continued

- **Intergovernmental Relations is the primary link with provinces and municipalities**
 - **Ensure effective and sufficient technical support in infrastructure delivery programmes to all nine provinces in health, education and public works departments**
 - **Increase the infrastructure planning support to more municipalities (from 15 in 2010 to 27 in 2012/13)**
 - **Improve financial management support to provinces and municipalities**
 - **Transfer responsibility to build capacity in budget formulation and analysis to PALAMA in April 2012**
- **Technical and Management Support is a sub-programme that comprises external support or capacity building initiatives of the three programme 2 divisions: i.e., Technical Assistance Unit, Public Private Partnership Unit, 2010 World Cup Unit, Infrastructure Delivery Improvement Programme and the Neighbourhood Development Partnership Grant**



Programme 3: Asset and liability management

- **Manage and minimise rising debt service costs**
- **Finance government's borrowing requirement (R191.7 billion in 2010 rising to R195.6 billion in 2012/13)**
- **Retain and attract new investors in government debt**
- **Ensure accurate forecasts of government's cash needs to meet liquidity requirements at all times (R2.5 trillion of cash flows 2010/11)**
- **Improve the semi-annual sovereign credit rating review assessments of South Africa's economic and financial prospects**
- **Contribute to alignment of DFIs to their mandates and to government's developmental agenda**
- **Review SOEs to improve performance and efficient use of government resources**



Programme 4: Financial management and systems

- **Maintain and support current financial management systems**
- **Roll-out the Integrated Financial Management Systems (IFMS) – implement the asset, procurement and HR management modules in lead sites over the next three years**
- **Migrate departments to completed IFMS modules and retire legacy systems that have been migrated**
- **Create a user support capacity at SITA (in SITA's role as a PSI)**
- **Introduce strategic sourcing principles to all spheres of government**
- **Align preferential procurement with aims of the BBBEE Act**
- **Supply chain compliance monitoring and combating SCM related fraud**
- **Intensify efforts to root-out corruption and fraud in the award of tenders**



Programme 5: Financial accounting and reporting

- **Operationalise and enhance the specialised audit services office to develop fraud detection guidelines for supply chain processes**
- **Introduce a Chartered Accountants Academy with 65 trainees by 2013**
- **Create an annual financial statements reporting pack for national and provincial departments**
- **Publish consolidated annual financial statements for national departments by 31 October 2010**
- **Conduct internal audit reviews in 26 municipalities by 31 March 2011**
- **Improve financial management system in government including through projects in the Financial Management Improvement Programme**



Programme 6: Economic policy and international financial relations

- **Comprise of three divisions (Economic policy, Tax and financial sector policy and International and regional economic policy)**
- **Review the effectiveness of the financial sector regulatory system**
- **Finalise a response to the Banking Enquiry recommendations**
- **Policy papers on death taxes, carbon pricing, gambling, inward listings**
- **Implement a roadmap for integration and review of SACU revenue formula**
- **Enhance accessibility to financial services**
- **Reform the system of retirement funding**
- **Improve economic policy advice and forecasting in new global environment**
- **Finalise discussion paper on wage subsidies**
- **Conduct review of economic growth advice provided in various studies**



Programme 7: Provincial and local government transfers

- This programme will continue to facilitate the transfer of grants to both provinces and municipalities.



Programme 8: Civil & military pensions, contributions to funds & other benefits

- **Responsible for the payment and administration of civil and military pensions, namely:**
- **Civil Pensions:** Special Pensions, Political Office Bearers Pensions, Ex Presidents Pensions, Injury on Duty, Post-Retirement Medical Benefits and parliamentary awards, Retired Judges Pensions
- ***Military Pensions and other Benefits*** : Payment of Military Benefits and payment to service providers for military medical expenses
- **The separation of the administration from the fund was completed and the government component responsible for administering both programme 8 and civil pensions (GEPF) was established on 1 April 2010**



Programme 1: Administration

- **Ensure a modern, efficient and integrated ICT infrastructure**
- **Develop, implement and maintain an integrated, progressive and innovative HR strategy**
- **Integrated knowledge management systems and infrastructure**
- **Ensure sound financial management and governance according to best practice**
- **Provide a secure and an enabling working environment**
- **Implement SCM strategy as part of the roll out of the IFMS. NT is one of the lead sites for the roll-out of the procurement management module**



Major cross-cutting projects

- **Social security reform – Depts of Social Development, Labour, DPSA, SARS**
- **Comprehensive expenditure review – Presidency; provincial treasuries; all department clusters**
- **Supply chain compliance and fraud detection/awareness – Justice, Auditor-General, Police, DPSA, Public Works, SITA, provincial treasuries**
- **Municipal finance related issues – CoGTA, provincial treasuries**
- **Growth and employment – Presidency, Economic Development, DTI, Labour**
- ***These projects also involve cross-cutting consultation and work between several divisions of NT***



Operational budget

	Budget	Preliminary Outcome	Budget
	2009/10	2009/10	2010/11
	R'000	R'000	R'000
1. Administration*	246 809	242 790	243 734
2. Public Finance and Budget Management	265 150	262 917	341 765
3. Asset & Liability Management	60 974	53 174	67 106
4. Financial Management and Systems	459 479	405 633	498 707
5. Financial Accounting and Reporting	138 882	137 110	228 381
6. Economic Policy and International Financial Relations	95 862	94 488	124 721
TOTAL	1 267 156	1 196 111	1 504 414
<i>* Administration as % of total</i>	19.48%	20.30%	16.20%



Cont.

	Budget	Preliminary Outcome	Budget
	2009/10	2009/10	2010/11
	R'000	R'000	R'000
Operational Budget	1 267 156	1 196 111	1 504 414
7. Provincial and local government transfers	14 410 631	14 327 373	12 834 500
8. Civil and military pensions, contributions to funds and other benefits	4 955 302	4 955 140	2 590 949
9. Fiscal Transfers	42 212 481	42 190 108	33 290 053*
TOTAL BUDGET	62 845 570	62 668 733	50 219 916

*Due to reduction of Eskom to R20 billion