



PROVINCE OF THE EASTERN CAPE

PROVINCIAL TREASURY

**FIVE YEAR STRATEGIC & PERFORMANCE PLAN FOR
THE YEARS ENDED 2005 TO 2009**

“A quality Treasury leading in Service Excellence”

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1 PART A: POLICY & STRATEGIC OVERVIEW

1.1 MEC FOR FINANCE

The Honourable Premier in outlining the strategic priorities of the Eastern Cape reminded us about the plight of the poor, the importance of team work and that Government has a duty to serve the people of this province with honesty, humility and integrity. In response to this call, the Provincial Treasury formulated the Provincial Pro-poor Budget and is now also presenting its plan as the “Ikhwezi Lomso” strategic plan in re-positioning itself to deliver. To remind you, Ikhwezi Lomso symbolises that a new day is dawning with the RISING MORNING STAR and furthermore also signifies that a transformational process is happening within the Treasury itself which carries the blessings of our ancestors.

In its strategic and annual performance plan for this year, Treasury will continue with the theme of the budget speech. Consequently the Provincial Treasury’s strategic plan has been constructed to promote a Treasury that meets the needs of the people it serves, as best as it can, within the current resource constraints. The objective of the Ikhwezi Lomso strategic plan is thus to promote stewardship over the finances and to achieve better results through continuous improvement of processes and spin offs for service delivery in addition to promoting the development of the Province as a whole.

Critical to this new “austere fiscal” environment is restoring fiscal discipline, financial credibility and making sufficient provision for the projected negative cash position of the Province. The success of treasury will be judged against the financial recovery plan and to what extent it facilitated the healing of the financial resources in the Province. This Plan has three essential elements – firstly stabilize the fiscus and reduce the deficit through instilling financial discipline and controls; secondly enhance the impact of current spending on poverty and job creation; and thirdly, leverage additional resources to complement efforts.

While these elements have remained unchanged they require that treasury do things differently from the past. It necessitates that treasury interact and form strong alliances with client departments. We can no longer afford to operate as individual departments but must focus on the Province as a collective and as a whole. If we work together as one provincial team this recovery plan will reap great benefits for the Province. One of which is that we will settle our deficit by the end of March 2007 and two will enter the 2007/08 financial year on a stable footing, armed with the necessary resources for accelerating economic growth and infrastructure development in the Province.

1.1.1 STRATEGIES

Clearly Provincial Treasury had to make a hundred and eighty degree turn-around during the last financial year by introducing austerity measures however by and large planning is a cumulative process where we had to build onto the past. This culminated in the reconfirmation of the vision of **“A Quality Treasury leading in Service Excellence”** and added to this the special flavour from our Premier, **“by serving with honesty, humility and integrity”**. The mission remained **“to provide strategic and technical leadership in the allocation and utilisation of resources in order to improve quality of life in the province.”** The strategies for Treasury are thus premised on the Recovery plan and its Vision and Mission.

1.1.1.1 AGGREGATE FISCAL DISCIPLINE

The very nature and core function of any efficient treasury is to have stewardship over its financial environment. Client departments will continue to face the challenge of complying with the PFMA and pay their creditors within 30 days plus honour commitments. In the light of the recovery plan this will be a tight rope situation where the monitoring role of Treasury will have to be razor-sharp. We have entered a cool-down period and it is our intention to bite the bullet and eradicate this deficit by the close of 2006/07. The debt redemption strategy to deal with this untenable situation unfortunately will influence the performance plan of not only Treasury but also that of all other departments and public entities. We will eventually reap the benefits from our aggregate fiscal discipline.

1.1.1.2 OPERATIONAL EFFICIENCY

Another core element of the recovery plan is ensuring operational efficiency through better value for money – in other words enhancing the impact of every rand we spend. A key part of *Batho Pele* and the PFMA is a relentless search for increased efficiency and the reduction of wastage. Every Rand wasted in cumbersome, inefficient processes, in delays and duplication, is money which could have been invested in improving services to our communities. This is about ensuring that government delivers more for the same or lower resource outlays; it is about minimising cost or ensuring value for money.

The department intensified its continuous improvement strategy, focused on promoting service excellence in Treasury Services to other departments and enhancing its own internal operational efficiencies. The aim is to promote a high quality Provincial Treasury that can be benchmarked against the best in the world and judged by the practical difference people see in their everyday lives. In order to be more accessible and responsive treasury will also be restructured in the coming financial year so as to reposition itself. Furthermore in keeping with our Premier's wish for more accountability towards the citizens and clients we serve, treasury has recently established an Ikhwezi Lomso client care centre. This centre will assist in focusing on service orientation and allow the assessment of treasury services to other departments as our clients as well as to the general public.

1.1.1.3 SUSTAINABLE RESOURCE MANAGEMENT

The function of treasuries with respect to budgeting is to ensure allocative efficiency, which implies ensuring that allocations amongst programs mirror priorities. This is more than just number crunching and should reflect Treasury's serious pro-poor focus and how these will be translated into the delivery of services. This strategic plan recommits the Treasury to not abandon the poor but to serve all with humility, honesty and integrity. This commitment will continuously be measured maximising resource intelligence and ensuring that allocations are aligned with the Medium Term Policy Statement and the Provincial Growth and Development Plan. Unfortunately, even in prosperous times, resources are always limited and there are many competing demands which make strategic prioritization of critical importance – particularly in the context of belt-tightening as we roll out our financial recovery plan to eradicate the provincial deficit.

1.1.1.4 EXPANDING THE REVENUE BASE

In order to cushion the effect of the provincial deficit on economic growth and development, the next element will be the leveraging of additional resources (over and above what is received from the national fiscus). Expanding our revenue base with a view to sell under-utilized, cost-incurring and/or "lazy" assets, will receive particular focus. In this regard we will be working closely with Public works to accelerate the disposal and sale of non-core assets and property. Because our baselines are fixed, attracting investment in-flows will receive more attention and we intend to assist the Eastern Cape Development Corporation to identify and package bankable high impact projects particularly for infrastructure provision.

1.1.1.5 ASSET & LIABILITY MANAGEMENT

Significant steps to improve asset management capacity are also envisaged. The accounting framework for recognition of assets will give us the tool to better manage our assets. This will enable us to make decisions on maintaining, selling, setting market related rentals, fees and tariffs in a more organised manner. We recognise that to have a proper asset management system in place is long overdue and welcome the support of National Treasury in this important intervention.

1.1.1.6 AUDIT PERFORMANCE

The Presidents' Coordinating Council (PCC) emphasized to Premiers the importance of audit outcomes during the past financial year. The intention is to consolidate the improvement of audit outcomes and our target is to have at least 9 out of the 12 departments with an unqualified audit opinion. Furthermore we will have to start making inroads into the audit outcomes of municipalities. It is precisely in this area where the integration of the public service as a whole will be reflected in the future and where we will have to assist with financial governance issues if we want to make a success of this Province.

1.1.1.7 SUPPLY CHAIN MANAGEMENT

The supply chain management system (SCM) which was introduced in December 2004 has already been rolled out to departments. The SCM is intended to further enhance Black Economic Empowerment and to increasingly open up state markets to previously disadvantaged individuals. The SCM will ensure the added advantage of **greater local content**. Procurement policies will be intensified to stimulate local economic investment through placing more emphasis on promoting provincially based manufacturing, supply and production of goods and services.

1.1.1.8 FINANCIAL COACHING AND MENTORING

Without capacity it is impossible to make an impact on financial governance efficiency. In order to address the objective of creating financial capacity in departments it is our intention to actively support Accounting Officers by introducing a financial governance mentorship program to ensure that risks around fiscal discipline are monitored and managed. Highly skilled financial experts will be deployed to departments to assist them with capacity building.

1.1.1.9 PERFORMANCE MONITORING

In building monitoring capability to track expenditure and delivery against the strategic plan, budgets and targets, Treasury in close co-operation with the Office of the Premier will be identifying and remedying bottlenecks. Furthermore, in terms of monitoring of cash resources on a daily basis, MEC's and Accounting Officers are receiving a daily text message on their cell-phones informing them of the departmental bank balances and this gives them greater control over their own bank accounts.

1.1.1.10 MUNICIPAL FINANCE

In recognizing that an increasing proportion of public funds rests with municipalities, we will be working closely with the provincial Department of Local Government, Housing and Traditional Affairs to set up the necessary support and monitoring systems to assist municipalities to comply with the Municipal Finance Management Act.

1.1.2 CONCLUSION

This strategic plan carries my full assurance, support, endorsement and commitment that it will be implemented in creating a better life for all in the Province. In conclusion, the department has thus adopted its top ten strategies outlined above to direct its plans and operations. Senior managers will now be contracted to deliver on these strategies through their Performance Agreements. Together as a team we will work hard, defeat poverty and promote the PGDP to make this Province a compelling place to work, live and invest in! I hereby table the strategic plan for vote 12, Provincial Treasury.

UMNTU NGUMTU NGABANTU, SIYAPHAMBILI, MASIHAMBENI SIYOSEBENZA

MEC for Finance: Billy Nel

1.2 ACCOUNTING OFFICER

The emphasis for the performance and strategic plan will be accelerating and refining the financial recovery plan. Taking this into account, the following are key success factors in restoring fiscal discipline and financial credibility in provincial finances and is the external environment in which Treasury will have to operate.

- ✚ The provincial fiscal framework is much tighter than in previous years, hence any overspending by departments over the MTEF must be curtailed;
- ✚ All Departments must remain within allocated budgets, firstly in 2004/05 and then over the MTEF especially in 2005/06 and 2006/07;
- ✚ Continuation of the belt tightening exercise is important, but all departments will have to continuously re-evaluate their priorities and current programs from an efficiency and effectiveness perspective and savings should be identified and channeled to priority areas (within and across departments);
- ✚ Streamlining of the entire provincial administration to reduce duplication;
- ✚ Reliable IYM and Cash Flow reports should be developed for 2005/06 (Sect. 40(4) of PFMA)
- ✚ Extreme caution is to be exercised in changing and/or expanding organizational structures together with proper management of personnel expenditure; and
- ✚ Increased focus on PGDP strategic objectives over the MTEF up to 2014.

The strategic goals for Treasury are to:

- ✚ Maintain fiscal discipline through policies and control expenditure and revenue.
- ✚ Allocate resources in line with National Government and the Provincial Growth and Development priorities.
- ✚ Contribute to economic, efficient and effective service delivery.

In support of the strategic goals for Treasury are the strategic objectives for the Vote namely:

- ✚ Establish policies for effective control of budget aggregates: total revenue and spending
- ✚ Promote effective management of the Provincial Revenue Fund.
- ✚ Alignment of budgets to PGDP's, Strategic and Performance Plans, IDP's.

- ✚ Effective monitoring of aggregate budgets.
- ✚ Set credible expenditure and revenue budgets.
- ✚ Render effective technical and strategic support to departments.
- ✚ To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
- ✚ Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
- ✚ Provide strategic leadership in Supply Chain Management, Infrastructure Coordination and Public Private Partnership projects.
- ✚ Provide for provincial economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy.
- ✚ In creating an enabling environment in which to operate, the next medium term period Treasury will have to address the challenge of:
 - ✚ Creating an enabling and caring environment in support of stewardship and implementing the “Changing role of Treasury”.
 - ✚ Implementing the changed Provincial Treasury structure to be aligned to the recommendations from National Treasury.
 - ✚ Ensuring that the strategic plan is guided by the provincial growth and development priorities.

In order to reach its priorities, the department has restructured itself according to the following main services:

- ✚ Strategic Management Services.
- ✚ Sustainable Resource Management.
- ✚ Asset & Liability Management.
- ✚ Financial Governance.

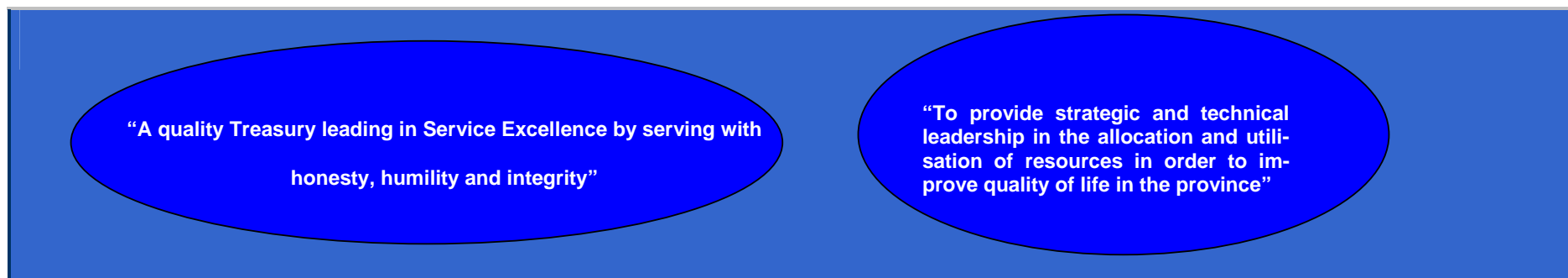
In the process Treasury is devoted to maintain financial integrity and best practices to enable other departments to fulfil and manifest their service delivery targets and objectives. A lot of effort has been put into promoting our collective wisdom. The needs of our stakeholders must come first and be satisfied. In line with the spirit of the Public Finance Management Act and the Batho Pele Principles, Provincial Treasury wants other provincial departments (as its clients) to view and experience its service delivery in an entirely new way.

The strategic plan for the Eastern Cape Provincial Treasury in support of all these imperatives is hereby presented.



Dr. M. C. Annandale de Villiers

1.3 VISION & MISSION



1.4 VALUES

The value system of the Provincial Treasury is:

Values	Value Statement
Leadership	Our Leaders are inspiring and lead by example and with passion. Leadership exists at all levels.
Customers Satisfaction	Our first priority is to satisfy our customers.
Employees Satisfaction	Our employees care about each other, encourage growth and recognise accomplishments.
Management by Fact	We manage by fact.
Teamwork	Together we make it happen.
Quality	Doing things right the first time.
Measurement	Our performance measures are customer focussed, comprehensive and clear.
Continuous Improvement	We do things even better the next time.
Integrity	We are committed to the highest standards of ethical behaviour.

Values	Value Statement
Learning Organisation	We are continually striving to learn and improve ourselves.

Over and above the value system, the SERVICE DELIVERY MOTTO by the late Mahatma Gandhi will always challenge us: *“A customer is the most important visitor to our premises. He is not dependent on us we are dependent on him. He is not an interruption of our work; he is the purpose of it. He is not an outsider in our business - he is part of it. We are not doing him a favour by serving him; he is doing us a favour by giving us an opportunity to do so.”*

1.5 SECTORAL SITUATION ANALYSIS

The socio-economic realities of the Eastern Cape continually refer us back to the historical processes of underdevelopment and institutionalized racism which have shaped the current development challenges. We cannot escape the historical role of the Eastern Cape in South Africa's industrial development under apartheid as a labour reserve for the mining sector. This has locked the Eastern Cape economy, and particularly the former bantustan economies, into a dependent status with income inflows from remittances. The decline in mining and increased productivity and capital intensity in key export sectors has meant falling incomes, rising unemployment and increased welfare dependency. The challenge is to arrest this underdevelopment through new policy measures and strategies aimed at rapidly transforming the agrarian economy of the former Bantustans, as well as reorienting our growth strategy increasingly towards employment, creating basic needs wage goods sectors. These are the challenges which the PGDP programs aim to address through specific interventions that are built around the particular nature of inequality and poverty in the Eastern Cape. As the socio-economic profile forms an integral part of the Provincial Growth and Development Plan, the analysis in this section draws extensively from the PGDP document issued by the Eastern Cape Government in June 2004

The economy of the Eastern Cape is characterised by extreme levels of uneven development. This is evident through a number of dualisms: between the two urban industrial manufacturing centres and the poverty-stricken and underdeveloped rural hinterland particularly in the former homeland areas of the Transkei and Ciskei; between a developed commercial farming sector and a floundering subsistence agricultural sector; and between concentrations of fairly well-developed and efficient social and economic infrastructure in the western parts of the province and its virtual absence in the east.

These pockets of vulnerability are hidden, as extreme poverty and underdevelopment within the relatively “more privileged” areas still exist. Thus significant levels of poverty and inequality are evident in the relatively more affluent western region of the Province, where a dominant privately-owned rural farming sector is contradicted by a

class of landless, poor and unemployed residents of the platteland towns and small settlements along abandoned railway sidings. The broad structural features of the Eastern Cape economy thus have significantly different consequences for how poverty is experienced within the various human settlements across the Province.

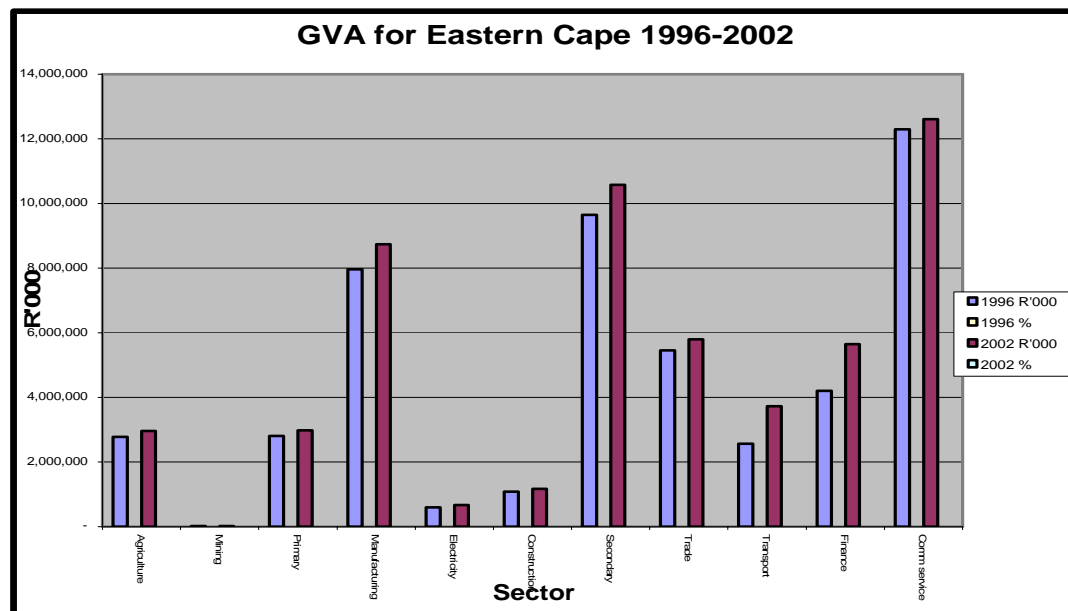
During 2002, the Eastern Cape produced approximately 7% of national GDP although some 15% of South Africans resided in the Province. While the Eastern Cape is South Africa's third most populous province, it is ranked fifth in terms of its overall contribution to GDP. As a consequence, the Eastern Cape has the second lowest (after Limpopo) per capita gross value added (GVA) nationally. It is pegged at R9 883, significantly lower than the national average of R21 664 (HSRC, 2003). Between 1996 and 2002, the Eastern Cape saw a significant increase in its annual average GVA growth rate of 1.9%. This is, however, largely due to a corresponding decline in the annual population growth rate over this period and is significantly lower than the trends in Gauteng (3.3%), Limpopo (2.8%), KwaZulu-Natal (2.7%), Mpumalanga (2.5%) and the Northern Cape (2.5%).

The Eastern Cape economy is structurally different from the national economy in terms of the virtual absence of a local mining sector and its significantly larger tertiary sector, accounted for mainly by the public sector. Nationally, the primary sector accounted for 10% of GVA in 2002, the secondary sector for 27% and the tertiary sector for 63%. Structurally, the Eastern Cape economy remained fairly static between 1996 and 2002, with two-thirds of GVA (66-67%) accounted for by the tertiary sector (particularly the public sector), just over one-quarter accruing to secondary processing (26%), and less than one-tenth of GVA made up by the primary sector (7-8%).

With the general stagnation in agriculture over the past decade, growth within the primary sector is accounted for by forestry and fishing. Within the secondary sector, automobile and related manufacturing is primarily responsible for GVA growth. Transport and communications and finance accounted for the highest levels of growth overall and the core growth points in the tertiary sector.

Gross Value Added - Broad economic sectors 1996-2002 (1995 constant prices)				
	1996		2002	
	R'000	%	R'000	%
Agriculture	2,781,654	7.5	2,956,975	7.2
Mining	22,579	0.1	22,397	0.1
Primary	2,804,233	7.6	2,979,372	7.2
Manufacturing	7,963,329	21.5	8,733,001	21.1
Electricity	598,456	1.6	666,500	1.6
Construction	1,080,225	2.9	1,174,069	2.8
Secondary	9,642,010	26.1	10,573,570	25.6
Trade	5,456,705	14.8	5,796,581	14.0
Transport	2,563,190	6.9	3,729,617	9.0
Finance	4,197,072	11.4	5,643,232	13.7
Comm service	12,297,145	33.3	12,610,597	30.5
Tertiary	24,514,112	66.3	27,780,027	67.2
Total	36,960,355	100	41,332,969	100

Source: Adapted from Global Insight 2002



The primary sector accounts for less than one-tenth (7%) of GVA for all sectors in the Province. Almost three quarters of the primary sector for the Province is made up by the agriculture and forestry sub-sector (73%), with forestry and logging making up exactly 25%. The only other sub-sector of any significance is the fishing and operation of fish farms (2%), with the remaining sub-sectors (notably mineral extraction) together accounting for less than 1% of GVA for 2002.

Cacadu accounted for more than one-third (37%) of GVA in the primary sector within the Eastern Cape in 2002, with the next best performer in the sector, OR Tambo, recording just 16%. Amatole (14%), Chris Hani (13%) and Alfred Nzo (8%) witnessed lower levels of GVA while Ukhahlamba (7%) and Nelson Mandela Metropole Municipality (NMMM) (5%) recorded the lowest levels of GVA within the primary sector for 2002.

The secondary sector for the Eastern Cape is dominated by the transport equipment sub-sector which accounts for 26% of GVA for 2002. Less significant proportionately is the fuel, petroleum, chemical and rubber products sub-sector (15%), construction (11%) and food, beverages and tobacco products (10%).

The spatial distribution of GVA in the secondary sector is far more concentrated than the primary sector, with the NMM (64%) and Amatole (22%) together accounting for 86% of GVA for the sector in 2002. After subtracting Cacadu's relatively small slice of the sector (6%), the remaining districts are left with insignificant proportions overall.

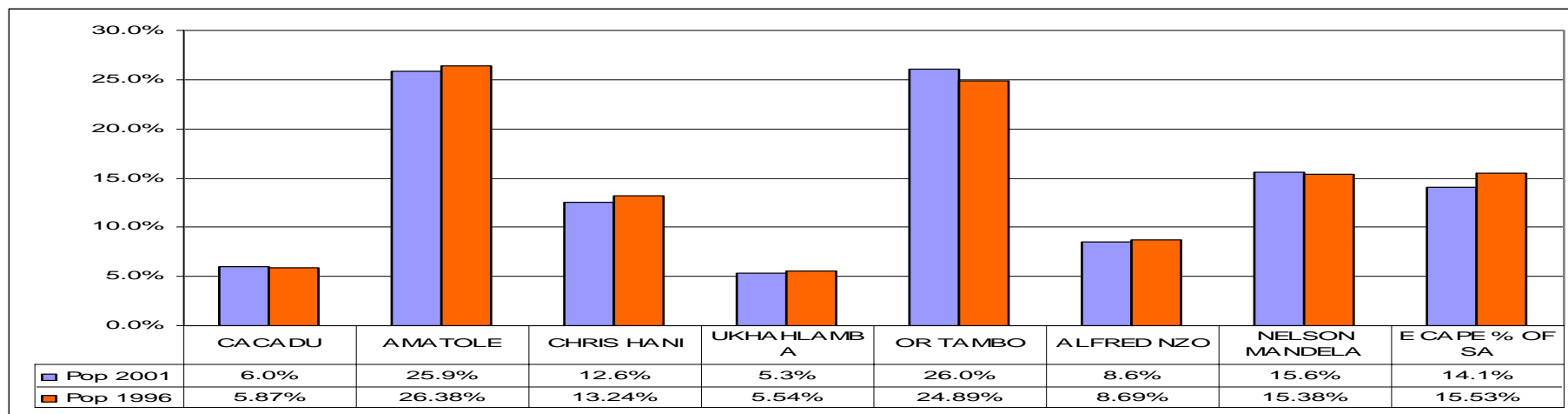
The tertiary sector for the Eastern Cape is structured around the core public sector services of education (22% of GVA for 2002), public administration and defence activities, and health and social work (11% each respectively). The retail trade and repair of goods sub-sector (11% of GVA in 2002), posts and telecommunications (8%), wholesale and commission trade (7%), financial intermediation (6%), activities auxiliary to financial mediation (5%) and land transport (5%) also made up a significant portion of the GVA output for the tertiary sector in 2002.

Government services account for the most significant proportion of GVA for the tertiary sectors for Ukhahlamba (68%), Alfred Nzo (68%), Chris Hani (58%) and OR Tambo (53%). The extent of these districts' structural dependence on government spending is reflected in the proportion of government services of their GVA overall. Ultimately these figures also indicate the extent of the diversity within the tertiary sector for the NMMM.

The population of the Eastern Cape grew by 2.13% from 6.302-million in 1996 to 6.436-million in 2001. In relation to the total national population, however, the provincial population has shrunk to 14.36% of the total, down from 15.5% five years ago. The Province is nevertheless the third most populous province after KwaZulu-Natal and Gauteng. The Provincial population is distributed disproportionately between the districts. The two largest districts, OR Tambo and Amatole, are each home to 1.7-million people. The Nelson Mandela Metro represents the next largest concentration of people (1-million), while Ukhahlamba is the least populous (341 312).

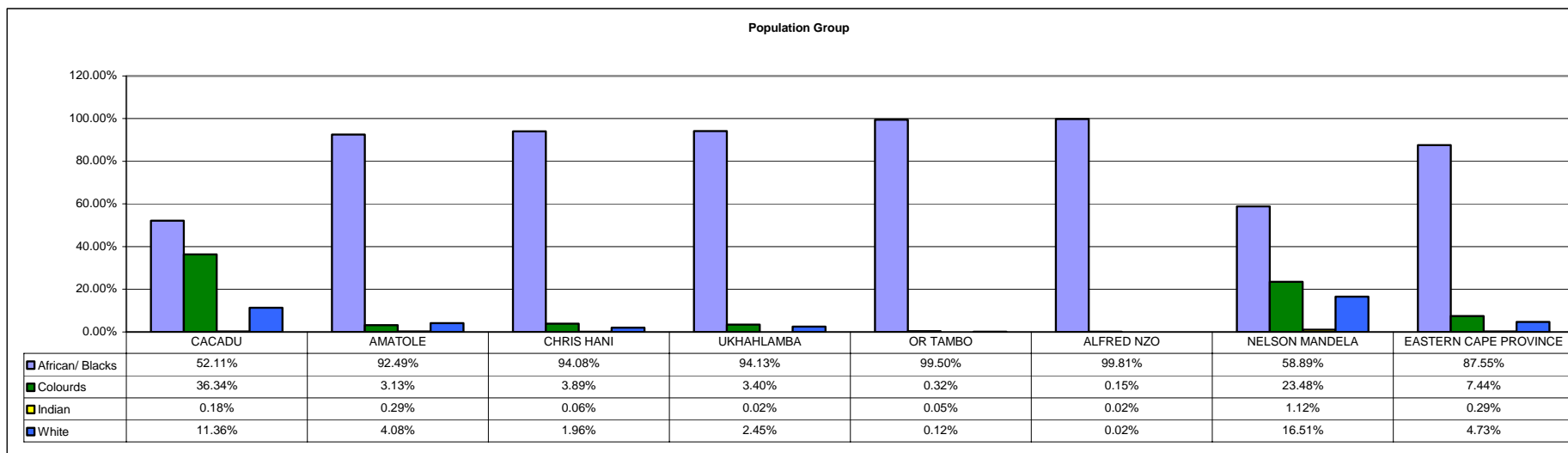
Population	1996	2001	% Change	% of total 1996	% of total 2001
Eastern Cape	6,302,525	6,436,763	2.13	100.00	100.00
Male	2,908,056	2,975,512	2.32	46.14	46.23
Female	3,394,469	3,461,251	1.97	53.86	53.77
RSA Population	40,583,573	44,819,778	10.44	100.00	100.00
Male	19,520,887	21,434,040	9.80	48.10	47.82
Female	21,062,685	23,385,737	11.03	51.90	52.18

Women constitute 54% of the provincial population, compared to 52% nationally. However, while women have marginally increased their majority at the national level, a slight decline is evident in the Eastern Cape.



In the Eastern Cape, the high proportion of women is a reflection of the migrant labour system, and is particularly visible in rural labour-supplying areas, such as Alfred Nzo (where women make up 55% of the population) and OR Tambo (56%). The proportion of men in Cacadu and the Nelson Mandela Metro are the highest in the Province and mirror the national trend (48% male each versus 52% female). Figure 4 depicts the racial structure of the population in the Eastern Cape, as well as across its District Municipalities and the Nelson Mandela Metro. The Province is overwhelmingly African (3.4 million or 88% of the total). Coloureds make up 7%, whites 5%, and Indians less than 1%.

Xhosa is the home language of more than four-fifths of the Eastern Cape population (83%), with far fewer speaking Afrikaans (9%) and English (4%). The remaining 4% speak a variety of other languages.



This Figure reflects that the Eastern Cape has a relatively youthful population with more than half (55%) aged between 0 and 22 years. This pattern is especially prominent in rural areas, such as OR Tambo and Alfred Nzo. Both the 1996 and 2001 census reveal that a high proportion of people aged 35-64 years are found in urban areas, such as Cacadu (30%), Nelson Mandela (31%) and Amatole (26%). However the census data for 2001 suggests that the Eastern Cape is seeing a decline in the proportion of children aged 0-8 years – a decline of some three percent. The age category 23-34 years also recorded a general, albeit more subtle decline (0.5% for the Eastern Cape as a whole).

Despite the somewhat bleak picture painted by many of the poverty indicators above changes in the Human Development Index (HDI) between 1996-2001 suggest that as far as life expectancy, literacy and income are concerned, the lot of the Black population in the Eastern Cape has improved. The HDI for Whites (between 0.75-0.84) is still vastly higher than that of other categories (0.45-0.58 for Blacks or 0.5-0.67 for Coloureds). However the HDI for Blacks has shown the greatest improvement between the two census periods with that of Whites declining. The HDI are indicated in the table below.

Human development index										
	Black		White		Coloured		Asian		Total	
	1996	2001	1996	2001	1996	2001	1996	2001	1996	2001
Cacadu	0.41	0.49	0.85	0.84	0.46	0.50	0.73	0.73	0.53	0.56
Amatole	0.46	0.51	0.84	0.83	0.59	0.61	0.78	0.78	0.50	0.54
Chris Hani	0.42	0.48	0.81	0.80	0.50	0.52	-	-	0.44	0.49
Ukhahlamba	0.41	0.46	0.81	0.79	0.49	0.50	-	-	0.43	0.48
O.R.Tambo	0.40	0.45	0.81	0.75	0.66	0.67	0.78	0.74	0.40	0.45
Alfred Nzo	0.41	0.46	-	-	-	-	-	-	0.41	0.47
Nelson Mandela Metropole	0.52	0.58	0.84	0.84	0.60	0.63	0.77	0.78	0.63	0.66

Source: Global Insight 2002

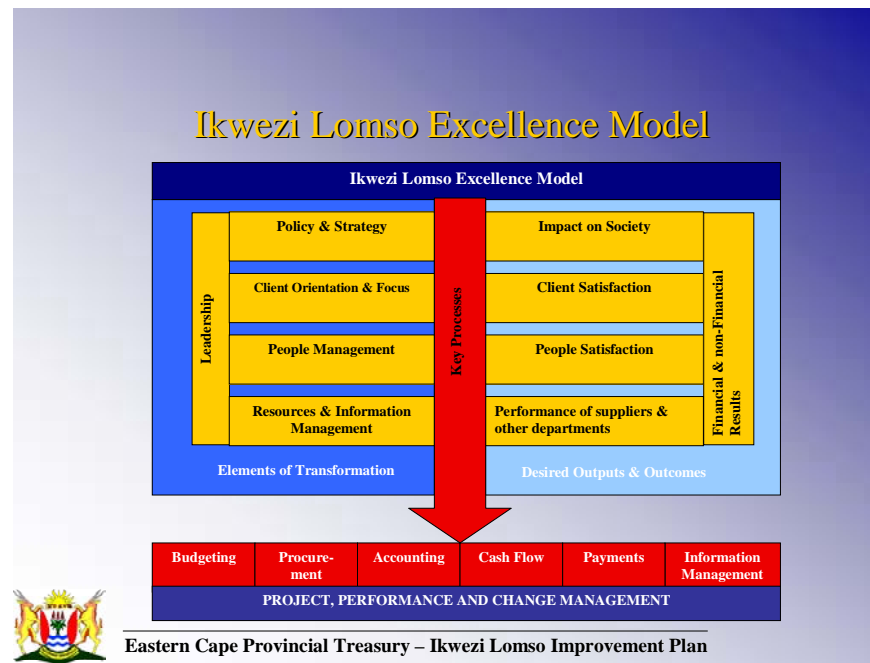
The PGDP process commenced with a “Baseline Conditions and Constraints Report” that clearly outlined key challenges and constraints that need to be addressed in and through the PGDP. In summary these challenges speak to:

- ✚ Wide-spread and deep rooted poverty with some 67% of the provincial population living below the poverty datum line.
- ✚ Sub-optimal economic growth – estimated at 2,4% between 1995-2001, and stagnation in key labour absorptive sectors such as agriculture
- ✚ Rising unemployment – estimated at 55%.
- ✚ Geo-political and economic bifurcation between the former CPA region in the west of the Province and the former Bantustans in the east.
- ✚ Labour market fragmentation that mirrors the spatial fragmentation of the Province, with a provincial labour market characterized by those employed in the core consumer economy, consisting of the dominant high-wage modern sectors of manufacturing, government service, and the other industries and services; those employed in the marginal modern sectors such as the two low-wage sectors of commercial agriculture and domestic service; and the peripheral labour force, including the unemployed, and those engaged in subsistence agriculture and the informal sector.
- ✚ Constraints on Provincial expenditure, with some 83% being allocated to social services and only 17% to economic programs and infrastructure, compounded by an extremely weak revenue base at municipal level.
- ✚ High HIV/AIDS prevalence throughout the Province, exacerbated by high levels of poverty, and backlogs in water, sanitation, and access to health care.

🚧 Delivery and co-ordination failures within the state.

1.5.1 SERVICE DELIVERY ENVIRONMENT

Treasury adopted the Ikhwezi Lomso model as its service delivery model. The diagnostic capability of the Model resides in two major areas called “Enablers” (Elements of Transformation), and “Results” (Outputs and outcomes / Balance Scorecard). The Enabler Criteria called Leadership, Policy and Strategy, Client and Stakeholder focus, People Management, Resources Management and Key Process Management, are concerned with **HOW** Treasury approaches each of the Criteria. The Results Criteria called Impact on Society, Client Satisfaction, People Satisfaction, Supplier Management and Organisation Results, on the other hand, are concerned with **WHAT** Treasury is achieving in the implementation of its Enablers, as shown in the Figure below.



1.5.2 ORGANISATIONAL ENVIRONMENT

The Provincial Treasury formulated a new organogram which will be finalized and implemented in 2005/06. Four branches have been formed in line with the main functions of Treasury namely:-

- ✚ Strategic Management Services.
- ✚ Sustainable Resource Management.
- ✚ Asset & Liability Management.
- ✚ Financial Governance.

- ✚ Despite the good progress made there are still many challenges facing the Provincial Treasury in terms of effective service delivery. These include:-

- ✚ Shortage of skilled personnel.
- ✚ Change to staff requirements within Provincial Treasury.
- ✚ Major skill changes by way of Supply Chain.

1.5.3 LEGISLATIVE & OTHER MANDATES

The department derives its existence from the PFMA section 18, whereby Provincial Treasuries are established to fulfil the following functions:

- ✚ Prepare the provincial budget.
- ✚ Exercise control over the implementation of the Provincial budget.
- ✚ Promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities.
- ✚ Ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies
- ✚ Issue Provincial Treasury instructions not inconsistent with the PFMA.
- ✚ Enforce the PFMA and any prescribed national and provincial norms and standards, including any prescribed standards of generally recognised accounting practice and uniform classification systems, in provincial departments.
- ✚ Comply with the annual Division of Revenue Act and monitor and assess the implementation of that Act in provincial public entities.
- ✚ Monitor and assess the implementation in provincial public entities of national and provincial norms and standards.
- ✚ May assist provincial departments and provincial public entities in building their capacity for efficient, effective and transparent financial management.
- ✚ May investigate any system of financial management and internal control applied by a provincial department or a provincial public entity.
- ✚ Intervene by taking appropriate steps, which may include the withholding of funds, to address a serious or persistent material breach of this Act by a provincial department or a provincial public entity.
- ✚ Promptly provide any information required by the National Treasury in terms of this Act and
- ✚ May do anything further that is necessary to fulfil its responsibilities effectively.

The main constitutional, functional and policy mandates that guide departmental activities are:

- ✚ Public Finance Management Act (PFMA), Treasury Regulations and Provincial Directives.
- ✚ Municipal Finance Management Act.
- ✚ Provincial Tender Board Act and State Tender Directives.
- ✚ Preferential Procurement Policy Framework Act.
- ✚ Appropriation Acts.
- ✚ Division of Revenue Act.
- ✚ Justice of Administration Act.
- ✚ Public Service Act and Regulations.
- ✚ Labour Relations Act and the Employment Equity Act.
- ✚ Skills Development Act, Skills Development Levies Act and the South African Qualifications Authority Act.
- ✚ Basic Conditions of Employment Act and the Occupational Health and Safety Act.
- ✚ Promotion of Access to Information Act.
- ✚ Supply Chain Management Framework.
- ✚ Municipal Finance Management Act.

Other important documents from a financial management perspective, which are issued each year, are:

- ✚ Medium Term Budget Policy Statement, which is issued in April by the Minister of Finance.
- ✚ Intergovernmental Fiscal Review also issued at the end of October by the Minister of Finance.
- ✚ Report of the Auditor-General on the Accounts of the Government.

- ✚ Budget Review Document.
- ✚ Recommendations of the FFC.
- ✚ Other National Treasury guidelines.

1.5.4 BROAD POLICIES, PRIORITIES & STRATEGIC GOALS

Over the last six years, a wide range of reforms has been implemented. With the coming into effect of the Public Finance Management Act, the last three to four years witnessed yet another phase in the reform agenda insofar as it pertains to management of public finances and accounting for outputs and outcomes of public expenditures.

Treasuries – national and provincial – have been and will continue to be at the cutting edge of the implementation of reforms. The PFMA expects them to play a central role in broad range of areas. Although the last three Budget Council Lekgotla's had extensive discussions on this topic, and indeed, a lot has happened in terms of treasuries evaluating their structures and enhancing their capacity to cope with the demands arising from the reforms agenda, more still needs to be done. This is due to the dynamic nature of the environment in which treasuries operate. Both written and unwritten rules of the game keep changing calling for a change in the modus operandi of treasuries if they are to continue to play an effective role in fulfilling their core functions.

1.5.4.1 PRIORITIES

The following departmental specific priorities had been identified by National Treasury in line with the Provincial Growth and development plan:

1.5.4.1.1 Budget and expenditure management

The work of treasuries with respect to budgeting and expenditure management is still anchored in the three pillars of sound budget and expenditure management: aggregate fiscal discipline, allocative efficiency and operational efficiency. While these have remained unchanged, certain changes in the environment within which these objectives have to be accomplished call for different ways of doing things; they require that treasuries do different things that they may not have been required to do previously; they necessitate that treasuries interact and “form alliances” with various organs of governance, and so on.

1.5.4.1.2 Aggregate fiscal discipline

This is one area in which Eastern Cape needs to focus on for the next three years, which should include reduced debt service cost and creating fiscal stability and sustainability. In trying to understand the role of treasuries, it is important to reflect on the premise on which the PFMA is predicated. The legislation, it appears, envisages that treasuries would play less of a “policing” role in keeping check on trends in expenditure.

1.5.4.1.3 Allocative efficiency

The second function of treasuries with respect to budgeting is to ensure allocative efficiency, which implies ensuring that allocations among programs mirror priorities and favour performing programs (more effective programs). However, reallocation gets a bit complex between votes. This gets even more difficult in the context of non-performing pro-poor programs, as reallocating funds away from such programs can be misconstrued to be reallocation of resources away from pro-poor programs, unless the funds are used for other pro-poor programs.

1.5.4.1.4 Operational efficiency

One of the focal areas of recent reforms is improving the efficiency in the delivery of public goods and services. This is about ensuring that government delivers more for the same or lower resource outlays; it is about minimising cost or ensuring value for money. Without good performance information, it is impossible to assess operational efficiency. Introduction of performance information and publication thereof is intended to lay a basis for evaluating operational efficiency of programs.

There are two ways in which governments, through the budget office, can accomplish operational efficiency.

The first is through a tight grip (capping and setting of ceilings or even cutbacks) on selected components of expenditure. In this method enforcing operational efficiency relies on the budget office playing a very central role in determining line item allocations within votes and monitoring budget execution, accordingly. Presumably, in extreme cases, there may be treasury approvals sought before certain activities are undertaken or expenditures are incurred (e.g. treasury approval for posts and hiring of personnel).

Where this approach is followed, there might be some blurring of lines of accountability between relevant sections of the treasury and the line function department.

The second approach, which is more consistent with the spirit of the PFMA, is through fixing the overall vote or program allocations and leaving it to the managers/accounting officers' discretion to effect efficiency gains in service delivery. This is the approach that is underpinned by the reforms that are under way in SA and in many parts of the world.

This approach is premised on the view that if managers are given discretion within preset but reasonably flexible rules and have predetermined outputs to strive for, they are likely to perform better. The main focus of managers is more on the results they are trying to achieve and less on procedures that they are required to follow in the process.

While the latter approach makes intuitive sense and has appeal, its success depends almost entirely on availability and appropriate use of reliable performance information at different stages in the budget-making and execution process. There are preconditions for its successful implementation. The approach represents a paradigm shift, from focusing on inputs to focusing on outputs and outcomes, where the latter are clearly spelt out; first in the strategic plan of departments; secondly in the performance contracts of managers and thirdly they must be reflected in the departmental annual reports alongside financial statements and Auditor-General's reports.

Information is critical to help managers make informed decisions; it is needed to inform resource allocation decisions and as a means of accounting for the use of resources.

The latter approach is more consistent with the spirit of the PFMA, and is at the heart of the reforms that are currently under way. Evidently, under this approach treasuries are challenged to redefine their role in relation to budgeting, expenditure management and accounting for results.

Now that they are supposed to play a less role in determining line item expenditures (as these are left to the discretion of managers), it is in their interest to ensure that there exists credible performance information which can be presented alongside requests for funds so that decision makers can make informed decisions. They also have to ensure that there is regular reporting on outputs against expenditures incurred so that the executives, parliament/legislatures and the public (tax payers) are able to assess whether indeed they are getting value for money.

The two approaches are predicated on a different culture and ethos, and call for different *modus operandi* for treasuries in executing their functions.

Because the first approach is supposed to represent the past, it is the second approach that is of particular interest in South Africa at this point in time, as it is more in line with the PFMA and the reforms that are being implemented currently.

In an environment where more discretion is given to managers/accounting officers as envisioned in the PFMA it is vitally important that treasuries play a central if not leading role in the development, popularisation and publication of useful performance information.

It seems doubtful that treasuries can abandon some of the activities of the old approach before the building blocks of the new approach are in place, and still ensure that spending agencies are economy, effectiveness and efficiency. It appears that one of the preconditions for switching from the old (Exchequer Act-type) approach to the new (PFMA based) approach is existence of credible performance information.

1.5.4.1.5 Budget reforms to improve budgeting & accountability

It is the interest of treasuries to ensure that they create an environment in which performance measures with the attributes set out above are generated as proceed with the implementation of reforms underpinned by the PFMA. The reforms require that treasuries should play an active strategic role in influencing budgetary and accountability practices. For instance the initiatives that are currently under way aimed at improving the quality of budget documents and reports on expenditure and performance are key to reinforcing accountability for performance in Government.

Regarding budgeting, the following steps should be considered as possible ways in which use of budget documents and reports can be institutionalised:

Strategic and performance plans should be developed for each sector, with a reasonable degree of uniformity to allow comparability and benchmarking across provinces. Steps have already been taken to do this, but there is scope for improving and refining with the view of ensuring that there are fewer, more meaningful and more useful measures.

Because the performance budget documents are intended for Parliament and Legislatures, it is vitally important that they “approve” the strategic plan formats and performance measures, as they would use them to assess the performance of a department after the end of the financial year. The approval need not have a legal status, but must be formal.

The latter is important, as at the end of a financial year when Parliament and legislatures receive financial statements and annual reports, they need to be able to evaluate actual performance against what department undertook to deliver at the beginning of the financial year as set out in their strategic and performance plans.

Given how Parliament and Legislatures are structured, with portfolio committees for each sector and finance committees, with specific roles for each it might make more sense for these committees to have joint sessions to consider certain budget documents and reports or at least to have a process for exchanging or sharing information to close gaps in the system. A similar approach could prove very useful in considering section 76 legislation. The latter also requires interaction and coordination between the National Council of Provinces and the finance and portfolio committees in the provincial legislatures.

It would strengthen treasuries to ensure that there is interaction among the key players referred to above. Treasuries need to develop structured relationships with Legislatures and Parliament so that there is shared understanding of the information that is made available to support Parliament and Legislatures in playing their oversight role both in terms of content and formats.

At the same time they need to take initiative to ensure that there is buy-in to these reforms in Cabinet, EXCOs, Parliament and Legislatures to ensure that they also change their approach in considering budget proposals and approving them. In the medium to long term, budget proposals should be considered and approved on the strength of the deliverables set out in the performance plans. Similarly, performance bonuses of managers should be awarded on the basis of their success in achieving the pre-agreed outputs set out in their contracts.

1.5.4.1.6 Infrastructure planning, implementation & monitoring

The prioritisation of infrastructure investment and the design of current funding and reporting arrangements put treasuries at the centre of infrastructure planning, implementation, monitoring and reporting. Treasuries – national and provincial - should play a strong leadership role at different stages of infrastructure planning and delivery.

With rising infrastructure allocations, treasuries are charged with ensuring that resource allocation within each sphere is consistent with Government’s priorities.

This requires that within each sphere (and each province) there should be an overall infrastructure plan, which in the case of a province should flow from a provincial growth and development strategy where these exist.

A provincial infrastructure plan should identify priority provincial infrastructure: both social and economic. It should also demonstrate a reasonable balance between building or construction of new infrastructure to reach out previously excluded areas, and maintenance of existing stock where this is still needed.

Infrastructure plans should increasingly begin to reflect integration and coordination between spheres. In this regard, to the extent feasible, IDPs should provide some basis for inter-governmental coordination in planning.

Treasuries also have a critical role to play in facilitating adoption of good practices by line departments with respect to project identification, evaluation, prioritisation and selection. Increasingly, sectors like education and health should be encouraged to develop standard procedure and objective criteria for determining infrastructure needs. Such criteria could also inform design of infrastructure to match the nature (temporary or permanent) of demand.

While not advocating application of cost-benefit analysis techniques for all economic projects, it appears that it is good practice to subject projects of certain size (in money terms and in relation to impact on the economy) to slightly more rigorous assessment.

In the same way that the building of major hospitals like (Inkosi Albert Luthuli and Nelson Mandela Hospitals) was co-funded by provinces and national Government, some economic projects of national significance require co-funding.

However, for this to work it may be necessary to introduce some form of joint approval of projects between national and provincial government (and where necessary, local government).

It may also be worthwhile for treasuries to spearhead new approaches to project approval. Currently Parliament and Legislatures do not approve project explicitly, instead they appropriate amounts that are equivalents of cash flow projections broken down by year.

One possibility worth considering is to introduce some explicit approval by Cabinet, EXCO, Parliament and Provincial Legislatures of individual projects beyond a certain threshold.

1.5.4.1.7 Role in implementation & reporting

The role of treasuries in implementation goes beyond monitoring trends in expenditure, and ensuring that these are consistent with budgeted amounts and cash flows.

Consistent with the reforms underpinned by the PFMA as pertains to other programs, it is essential that reporting on infrastructure expenditure should include performance information that reflects physical progress with implementation of projects.

Given that in some cases, some projects do not start on schedule while others might proceed faster than originally planned, treasuries should begin exploring playing a more active role in facilitating movement of funds in-year among projects. In this way underspending would be minimised.

1.5.4.1.8 Capacity issues

One of the challenges facing the country insofar as infrastructure delivery is concerned is weak capacity. Firstly, treasuries need to enhance their capacity to do some of the activities set out above. Secondly they need to assist line departments responsible for actual delivery in building their capacity to deliver infrastructure.

Some treasuries have taken steps to enhance their capacity to meet these challenges by, for example, dedicating capacity to infrastructure activities. Others need to follow suite or work out alternative ways performing the activities they are expected to perform.

With respect to departments, two broad types of capacity are often identified: project management capacity (with all the facets of it) and highly specialised technical skills such as consulting engineers, surveyors, and others.

Without these types of skills effective and efficient infrastructure delivery is impossible. There is a range of options that are worth exploring in relation to enhancing institutional capacity to deliver infrastructure better: Making use of Government agencies where the capacities required exists. The Development Bank of Southern Africa (DBSA) has assisted some province and municipalities with program management. Similarly, some provinces make use of the South African National Roads Agency (SANRAL) to build certain roads or to provide certain technical expertise required in major projects. So far support through these initiatives resulted from provinces taking initiative to approach the institutions in question. Perhaps, it might prove more productive to identify more succinctly the types of capacity needed in each province (and municipality), and set up mechanisms for making pooling such capacity for the benefit of the country.

Some provinces have created agencies similar to SANRAL. It is unclear whether these have provided the solution, if so, what makes them work better than departmental in-house arrangements.

1.5.4.1.9 Championing the implementation of PFMA

Following discussions from previous Lekgotla, and given the assessment made in the paper titled “Is the PFMA leading to better accountability” it is evident while the PFMA is a very good piece of legislation, the improvements in financial management expected to derive from its implementation are not automatic.

They require concerted effort from a range of organs of state, institution and individuals that the PFMA assigns specific responsibilities. Treasuries have a key catalytic role to play in championing PFMA implementation in the budgeting, in-year monitoring and reporting cycles.

For instance, despite evidence of improvement in the quality of financial information reported in the sections 32 (from provinces) and 40 (for national), it is doubtful if the information is used sufficiently within department to assess the state of their finances during the year and to take corrective action where necessary.

Similarly, there are variations among provinces with respect to use of information by treasuries to monitor spending trends in departments and alerting EXCO and legislatures of emerging trends, and where signs of problems are identified, have corrective action taken.

With regard to aspects such as audit committees and the extent to which they support or fail to support financial improvement in departments. Treasuries should not be reluctant to engage departments where there is evidence that these are not working so that correction action can be taken. In instances where weaknesses are due to sharing of these committees, it is also within the right of treasuries to propose different arrangements.

1.5.4.2 STRATEGIC GOALS

The Provincial Treasury's strategic goals consist of the following:

1.5.4.2.1 Fiscal framework

The Provincial Treasury needs to stay current on new developments, design and support new solutions for wealth creation. They are a force for change. The provincial fiscal policy framework must be based on provincial socio-economic analysis and key service delivery trends.

1.5.4.2.2 Budget Management

The aim is the alignment of budgets with the fiscal policy framework. It's made up of the following subsets, i.e. spending efficacy (allocation process and the promoting of effective and efficient delivery of services), function shifts and in-year-monitoring (reporting, monitoring, fraud analysis and spending pressures). The scope of this function will include provincial departments, public entities and local authorities. The Provincial Treasuries' involvement within local authorities are focused on the incorporation of IDP's, financial health assessment in conjunction with the Department of Local Government, function shifts and delegations of National Treasury.

1.5.4.2.3 Asset & Liability Management

There are four facets within the asset management environment, i.e. supply chain management, PPP's, cash management and systems. Supply chain management includes the whole concept of PPP's (alternative procurement / acquisition process) as well as the cycle of demand planning, the acquisition / procurement phase, logistics and the process of disposal (including depreciation planning) and closes the cycle with a performance or value for money assessment phase. The scope of supply chain management includes goods, services and immovable property. Cash management deals with banking and investment aspects (Exchequer account management) as well as cash flow management (PMG Management). The acquisition, operation and maintenance and credibility of systems in line with departmental and Provincial Treasury requirements are also an important subset of the asset management environment. The following issues are related to liability management, i.e. debt management, creditors, budget pressures, contingencies and force majeure.

1.5.4.2.4 Accounting

Promote accountability through substantive (interpretative and eventually accrual accounting) reflection of financial activities of the Province as well as compliance with nominal bookkeeping standards. The Provincial Treasury must prepare consolidated financial statements (chart of accounts = income statement + cash flow statement + balance sheet) for provinces (departments and public entities).

1.5.4.2.5 Fiscal Discipline

Fiscal discipline refers to the enforcing of national and provincial norms and standards and ensuring the proper functioning of the intergovernmental system, internal controls, risk management processes and the accountability chain. National and provincial norms and standards include the setting of two types of standards, i.e. nominal compliance to the relevant prescripts (regulatory framework, reporting requirements and timelines) and substantive compliance which entails the benchmarking (quality) of financial management and financial functionaries (CFO structures) standards.

1.5.4.2.6 Resource acquisition and management

Key capabilities are to ensure that present revenue sources are utilized to their full potential; predicting ebbs and flows in national revenue transfers to provinces and/or in provincial revenue sources; provide for smoothing/buffering of dips in either national or provincial revenue flows and correctly estimate such requirement; accurate forecasting and budgeting for revenues, correct estimation of loan financing (including knowledge of capital markets) and the applicable criteria; the ability is there to constructively engage the national treasury and the FFC on the economic criteria or principles (formula driven or not) underpinning the vertical and horizontal divisions.

1.5.4.2.7 Capacity Building

It should focus on two levels of training, i.e. functional (nominal requirements) and financial management (substantive requirements). Access to accredited training institutions should be facilitated.

1.5.4.2.8 Intergovernmental Relations

Provincial treasuries liaise with various national, provincial and local government forums / committees such as the TCF and its sub-committees, budget forums, FFC, etc, besides having to accept a range of responsibilities for local government fiscal prudence.

1.5.4.2.9 Client orientation & focus

Client Orientation and Client Focus involves collecting and utilising client performance information, maintaining accessibility by clients and managing concerns and complaints. Furthermore, it involves setting basic requirements for clients to report on our performance and thereby determine client satisfaction. The primary clients of Provincial Treasury are other departments.

1.5.5 INFORMATION SYSTEMS

The Provincial Treasury relies on the following information systems to monitor and report on its performance:

1.5.5.1 TRANSACTION PROCESSING SYSTEM

The Provincial Treasury makes use of the Basic Accounting System (BAS), Personnel and Salary System (Persal), Logistical Information System (LOGIS).

The reliability of most of the above-mentioned systems is dependant on the users of those systems.

1.5.5.2 ACCOUNTING INFORMATION SYSTEM

BAS is mainly used as the accounting information system. As it is a fairly new system (less than a year in operation) its reliability could not be tested to the full up to this point in time.

1.5.5.3 INFORMATION REPORTING SYSTEMS

The Provincial Treasury utilises BAS, Vulindlela, loss control, Logis (balanced score card) and Persal as electronic information reporting systems. In addition, the Provincial Treasury also uses the In-year-monitoring system to not only present to program managers a report on their respective expenditure and revenue performance levels as well as projections for the remaining period, but also to comply to the PFMA by submitting to National Treasury the monthly state of revenue and expenditure for the Provincial Treasury, as a whole, during a financial year. The Provincial Treasury converted to BAS since 1 April 2003 and successfully closed all its transactions on FMS for 2002/03. The Provincial Treasury is also in the process of assisting twelve remaining departments in the Province to convert from the FMS to BAS on 1 April 2004.

1.5.6 DESCRIPTION OF STRATEGIC PLANNING PROCESS

The MEC's support and backing was gained as a first step, whereafter the focus shifted to the involvement of senior staff, which ultimately impacted directly on the success of implementing the strategic plan. In achieving the latter, the following process was followed:

Senior management was requested to identify the main focus areas of the Provincial Treasury. Evolving from this, broad strategies were identified. By using this together with the current strategic plan, restructuring initiatives and prescribed formats senior management had to compile a new five year strategic and performance plan as well as an annual performance plan for the Treasury with the officials of Financial Management providing secretarial support during the process.

Meaningful consultation sessions per component were held in an endeavor to ensure full understanding and buy-in of the new five year strategic and performance plan as well as an annual performance plan.

2 PART B: PROGRAM & SUB-PROGRAM PLANS

This section deals with the details of the four programs.

2.1 PROGRAM 1: STRATEGIC MANAGEMENT SERVICES

Program / SUB-PROGRAM	Objective of program / SUB-PROGRAM
1.1 Strategic Management Services	Provide leadership, strategic management in accordance with legislation, regulations, policies and ensure appropriate support service to all other programs.
1.2 Office of the MEC	To set priorities and political directives in order to meet the objectives of the department.
1.3 Management Services	To translate policies and priorities into strategies for effective service delivery and to manage, monitor and control performance.
1.4 Corporate Services	To provide an internal enabling function and support service to the other programs with regard to human resources management and development, Financial management, legal services, Information Technology and Communication service.
1.5 Financial Management	Provide Chief Financial Officer service to the Accounting Officer.
1.6 Internal Audit	To provide an independent and effective Internal Audit support function for the vote

2.1.1 SITUATION ANALYSIS

Analyse and put into practice actions to stabilize the budget where necessary and determine changes in allocations as well as any rectifications that may be necessitated through inconsistencies arising.

2.1.1.1 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Budget alignment towards PGDP	Set priorities & political directives in order to meet the objectives of the Province
PGDP alignment of resource allocation	Create an appropriate environment within treasury functions
Timeous tabling of the budget	Create sufficient financial capacity in the Province in order to roll out the programs of the executive body

2.1.1.2 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

The major constraint is the current deficit and in the strategic overview information and detail is given on how to deal with it.

2.1.1.3 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

In sketching the provincial recovery plan it is important to look at where the Province comes from in terms of its financial management. The background is as follows:

- In 1998, Section 100 status was declared due to uncontrolled expenditure.
- The period 1999 to 2003 was marked by bringing spending under control through centralisation. Major under-spending was also recorded with the net effect of accumulation of reserves and build up of surpluses and interest revenue.
- In May 2003 there was a substantial increase in procurement thresholds in departments and cash started to flow.

- In the 2003/04 financial year the system overheated. Huge overspending was recorded. Pressures on budgets especially in Education and Social Development occurred. The accumulated reserves from previous years became depleted resulting in minimum interest revenue.
- The outcome of 2003/04 was worse than expected and required incisive remedies.

The Province had an over expenditure of R623 million as at 31 March 2004 for the financial year 2003/04, but registered a bank overdraft of R744 million as at 31 March 2004. This was further exacerbated by the fact that the main budget appropriation for 2004/05 included a budget deficit of R563 million excluding a R150 million budgeted as interest revenue, which at the start of the financial year was unachievable mainly due to the revenue and expenditure outcomes of 2003/04 and the depletion of the capital base. The sum of the overdraft i.e. R744 million plus the deficit budget for 2004/05 of R563 million plus the non-collection of interest revenue of R150 million resulted in a true deficit of R1 457 million for the 2004/05 financial year. With the start of the financial year the Social Development department projected an over-expenditure to the tune of R1 200 million which was later revised downwards to R853 million bringing the total provincial exposure to R2 310 million. Increased allocations from the adjustment estimates in 2004/05 of R730 million (R550 million for Social Security grants) have assisted in reducing the above-mentioned projected deficit to R 1580 million. In addition, new fiscal discipline measures were introduced resulting in R598 million voluntary surrenders by departments and public entities in 2004/05 towards alleviation of the projected deficit which brought this number down to R982 million. The deficit has been adjusted from R563 million to R131 million, but Social Development is still projecting to overspend by R311 million by the end of 2004/05 bringing the projected shortfall at the end of the financial year to approximately R1,2 billion.

The Province also accumulated liabilities and debts, most of which related to the non-roll over of conditional grants. These known liabilities amounted to approximately R899 million. Added to this was a further interest revenue risk in 2005/06 of R195 million. This brings the overall provincial exposure to around R2 300 million.

In addressing this negative financial position of around R2 300 million, departments were given four options in which they can finance the provincial deficit in which each department has been requested to surrender a portion of its equitable share baseline allocation to finance the overall provincial deficit. In essence the options were as follows:

- Option 1 suggests dealing with the financial problem in one financial year;
- Option 2 deals with the problem over a period of 2 years;
- Option 3 allows for the deficit to be spread over a period of 3 years; and
- Option 4 is divided into two components namely to first service interest bearing debt in year 1 to avoid any amounts being spend on interest charges and deal with the other debts in year 2.

Provincial Exco approved option four as the most favourable option and the 2005/06 MTEF budget was crafted around this option.

The following tables provide more detail as to how the above decision affected provincial departments.

Provincial recovery plan: year 1							
DEPARTMENT	Total Indicative	Conditional Grants	Equitable Share & Own Revenue	Prorata Factor	Share of Deficit	Revised Equitable Share & Own Revenue	Revised Indicative (Inc. Cond. Grants)
Premier	250,797	-	250,797	0.01	17,246	233,550	233,550
Legislature	90,064	-	90,064	0.00	6,193	83,870	83,870
Health	6,210,891	811,448	5,399,443	0.25	371,299	5,028,144	5,839,592
Social Development	10,117,678	9,688,309	429,369	0.02	29,526	399,843	10,088,152
Public Works	1,985,787	675,330	1,310,457	0.06	90,115	1,220,342	1,895,672
Education	11,819,802	217,867	11,601,935	0.54	797,820	10,804,115	11,021,982
Housing	1,030,263	593,915	436,348	0.02	30,006	406,342	1,000,257
Agriculture	781,406	55,552	725,854	0.03	49,914	675,940	731,492
Economic Affairs	475,313	-	475,313	0.02	32,685	442,627	442,627
Transport	339,000	-	339,000	0.02	23,312	315,688	315,688
Treasury	259,257	-	259,257	0.01	17,828	241,429	241,429
Sport	284,988	2,670	282,318	0.01	19,414	262,904	265,574
Safety	12,515	-	12,515	0.00	861	11,655	11,655
TOTAL	33,657,761	12,045,091	21,612,670	1	1,486,220	20,126,450	32,171,541

Provincial recovery plan : year 2							
DEPARTMENT	Total Indicative	Conditional Grants	Equitable Share & Own Revenue	Prorata Factor	Share of Deficit	Revised Equitable Share & Own Revenue	Revised Indicative (Inc. Cond. Grants)
Premier	250,797	-	250,797	0.01	10,439	240,358	240,358
Legislature	90,064	-	90,064	0.00	3,749	86,315	86,315
Health	6,210,891	811,448	5,399,443	0.25	224,743	5,174,700	5,986,148
Social Development	10,117,678	9,688,309	429,369	0.02	17,872	411,497	10,099,806
Public Works	1,985,787	675,330	1,310,457	0.06	54,546	1,255,911	1,931,241
Education	11,819,802	217,867	11,601,935	0.54	482,912	11,119,023	11,336,890
Housing	1,030,263	593,915	436,348	0.02	18,162	418,185	1,012,100
Agriculture	781,406	55,552	725,854	0.03	30,213	695,642	751,194
Economic Affairs	475,313	-	475,313	0.02	19,784	455,529	455,529
Transport	339,000	-	339,000	0.02	14,110	324,889	324,889
Treasury	259,257	-	259,257	0.01	10,791	248,466	248,466
Sport	284,988	2,670	282,318	0.01	11,751	270,567	273,237
Safety	12,515	-	12,515	0.00	521	11,994	11,994
TOTAL	33,657,761	12,045,091	21,612,670	1	899,593	20,713,077	32,758,168

Overall, the province has made huge improvements in getting the Province to restore both fiscal discipline and fiscal credibility. The table below depicts the financial position in terms of where the Province found itself on 1 April 2004, its fiscal recovery plan in terms of what it has done so far to address the negative financial position as well as the projected outcome at the end of March 2005.

Issues	1 April 2004	Projections 31 March 2005
	R,000	R'000
Overdraft	(744,098)	(744,098)
Budget Deficit	(562,528)	(131,408)
Interest risk non collection	(150,000)	0
Projected over-expenditure Social Development)	(1,200,000)	(311,000)
Liabilities and Debt	(899,593)	(899,593)
Shortfall & Projected shortfall	(3,556,219)	(2,086,099)
Less:		
Add back: Liabilities & Debt to be settled in year 2		899,593
Shortfall & Projected cash shortfall	(3,556,219)	(1,186,506)
Other info included in the above calculations		
New money: 2004/05 adjustments estimate (equitable share and conditional grants)		730,245
Department and Public Entities surrenders		598,339
Revised deficit		131,408
Unallocated Reserve		27,636

2.1.2 SUB-PROGRAM 1.1: OFFICE OF THE MEC

2.1.2.1 SITUATION ANALYSIS

The existence of this component is to assist the MEC for Finance in fulfilling his legislative, political and administrative roll as member of the Provincial Cabinet. During the past year the performance of the MEC required him to improve the liquidity position of the Province and together with improved financial performance of provincial departments to make it possible to focus on more long-term strategic objectives. This was done via the introduction of budget austerity measures throughout the Province to alleviate the cash flow crisis which the Province is facing.

The key challenges are the further development of secretarial, administrative and office support services, the filling of critical posts and the effective implementation of the Provincial Growth and Development Plan (PGDP). **Short-term:** One of the biggest challenges facing the office of the Minister is capacity building and further challenges include training and reskilling of current staff and establish mentors for tin house training. **Long-term:** To maintain a coherent and focused team and to strengthen relationships with all other Provincial departments. To maintain fiscal discipline and awareness of budgets

2.1.2.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Successful outcomes on budget allocations	Ensure that the budgets are PGDP aligned and are pro poor orientated
Successful oversight on departments budgets	Tighter fiscal discipline on spending of departments budgets
Unnecessary overspending in departments is curtailed	Ensure that the minimum of disruptions occurs in the execution of duties

The optimising of the services rendered by the office in order to assist the MEC to attain and consistently broaden the economic base of the province through synergy and quality in service delivery, reducing economic and social inequalities and creating employment via stimulatory incentives and the redirection of resources and opportunities to that part of the population that needs it most.

2.1.2.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Lack of suitably qualified personnel addressed.

Risk of Provincial departments overspending in 05/06.

Effective use of the IYM monitoring tool.

2.1.2.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

✚ Effective use of IYM

✚ Efficacy of spending analysis of treasury

2.1.3 SUB-PROGRAM: MANAGEMENT SERVICES

2.1.3.1 SITUATION ANALYSIS

Up to 31 March 2004 the functions of Accounting Officer of Vote 12 were delegated to the SGM: Corporate Services whilst the Head Official Treasury / Head of Department were primarily task with the transversal treasury functions as set out in Section 18 of the PFMA. With the implementation of the uniform program / budget structures for the Treasury sector the functions of both Head Official Treasury and Accounting Officer will be vested within the Head of Department.

The Head Official Treasury faces a wide range of responsibilities and demands, many of which are notably strategic in respect of Government's political and economic direction, more specifically related to the Provincial Growth and Development Plan. The responsibilities of the Head Official Treasury demand extraordinary strategic, political, technical and managerial skills, effort and commitment. During 2004/05 and Operations Manager was appointed to support the Head Official Treasury and raise his capacity to respond to the strategic, policy and organisational challenges that he faces.

Strategic support to the Head Official Treasury is based on interventions in managerial support and co-ordination, targeted policy support and co-ordination and streamlined administrative support and coordination. Management services is responsible for the provision of effective operations services, the rendering of departmental strategic planning services, the provisioning of transversal policy opinions, policy advise and protocol development, drafting of contracts and agreements, the coordination of donor funding transversally and the implementation of management improvement initiatives.

2.1.3.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Rendering of operations management services	Operations services that facilitate the smooth running and the attainment of objectives of the Department
Rendering of departmental strategic planning services	Departmental strategic objectives aligned to the PGDP priority programs Approval of the strategic plan for the Department
Rendering of transversal policy opinions and policy advise	Policy opinions and advise that is client focused and that facilitate service delivery to the poor
Develop transversal policy and protocol development	Policy and protocol development that is directed towards streamlining service delivery and eliminate red-tape

Strategic goals	Strategic Objectives
Drafting of contracts and agreements	Facilitate the drafting of contracts and agreements that protect the interest the state, aligned with legislative requirements and that facilitate service delivery
Coordinate donor funding	Transversal donor funding coordination and facilitation aligned with legislative requirements. Participate in coordinating a donor funder conference in 2005/06
Implementation of financial management improvement initiatives	Full implementation of financial management reforms in concert with Departments and the Legislature
Translates policies and priorities into strategies for effective service delivery and to manage, monitor and control departmental and provincial performance	Full budget alignment to PGDP priorities and tracking of performance over the MTEF through efficacy assessments of lead and support departments in delivery of objectives
Provide financial governance coaching and mentoring to Accounting Officers.	Deploy financial governance experts in any area to assist with risk management.

2.1.3.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

Insufficient record-keeping by departments on donor funding (receipts and expenditure).

Donor-funder register and implementing of proper reporting in line with legislation on donor funding by 31 March 2006.

Lack of coordination between branches internally.

Breaking down the “silo mentality” within branches through better operations management.

Proper monitoring mechanism to track delivery on PGDP programs.

Efficacy assessments to be done on strategic plans over the MTEF together with monitoring tool and mechanisms to be implemented by the Office of the Premier.

2.1.3.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship between Treasury and the Provincial Departments.
- ✚ To improve the quality of financial and non-financial information in the provincial publications inclusive of effective use of the in year monitoring tool

2.1.3.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Give program support	Program budget aligned to PGDP	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Manage the Performance Agreements and Work-plan agreements in the program	Effective performance management and assessment of all employees in the program.	Pay progression implemented.	Pay progression implemented	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.
Implement the Ikhwezi Lomso quality improvement model in the program	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Centralised controls	Treasury becoming more user friendly.	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury
Strengthen team work within the program and amongst other programs	Changed attitude and role of treasury as an enabler department.	Silo effect still evident	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.
Implement standards according to the Batho Pele requirement	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Standards not yet in place.	Process re-engineering commenced.	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients

2.1.4 SUB-PROGRAM: COROPORATE SERVICES

2.1.4.1 SITUATION ANALYSIS

The corporate services SUB-PROGRAM provides strategic leadership, management and administrative support to the Provincial Treasury.

During the 2004/05 financial year all key critical positions were filled which to a large extent addressed the major skills shortages faced during the previous financial years. An overall assessment of the existing services for the 2004/05 financial year highlighted the following areas:

- ✚ The Total Quality Management division with a Departmental Customer Care Centre has been established resulting in greater alignment to the principles of Ba-
tho Pele and the adopted Ikhwezi Lomso Excellence Model.
- ✚ The adoption, role out and implementation of the Departmental Performance Management and Development System.
- ✚ Successful integration of Human Resource Planning into broader strategic planning processes of the Department.
- ✚ Strengthening of the overall internal control environment as part of a corporate services risk management roll out strategy.

The biggest demand on this component is to address the high employee turn-over rates faced during previous years through structured climate studies, development of op-
timal retention strategies and advancement of diversity through optimal recruitment and placement of staff.

2.1.4.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Provision of high quality strategic Human Resource Man- agement services.	Provision of general and strategic HR Services aligned to Provincial Treasury needs and objectives. Provision of best practice HR documents and records management services. Provision of best practice benefits and services support. Provision of effective recruitment and services in line with the departmental EE and HR Plan. Promotion and advancement of co-operative and sound employment relationships in line with best practices. Identification, provision and promotion of strategic skills development interventions. Development, alignment and management of organizational structures and practices to stay in line with the changing requirements of the Treasury. Designing and implementation of strategies to promote integrated employee wellness. Promotion of broader transformation agenda of the Public Service White Paper on Transformation.
Promotion of Quality Management improvement and an organizational excellence culture.	Management of the Ikhwezi Lomso Excellence Model. Development and management of Customer Care Centre.

Strategic goals	Strategic Objectives
	Integration of Batho Pele principles to all departments' principles.
Provision of a cost effective ICT infrastructure and service.	Promotion of secure ICT infrastructure that complies with modern standards. Promotion of an effective and efficient user support service. Provision and maintenance of an EDMS. Develop and maintenance of fully functional, informative departmental website.
Provision of Security and Facilities Management throughout the Department.	Improvement in the National Information Security Standards.

2.1.4.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Some of the key challenges facing the component over the strategic period entail the following:

- ✚ Ensuring strategic fit between broader provincial plans, demands and requirements and the internal service delivery capability within the organisation.
- ✚ Facilitate the implementation of a corporate culture and climate to fast track service delivery and a high performance and high commitment work ethic.
- ✚ Ensuring 100% compliance to the adopted Performance Management and Development System on a continuous basis.
- ✚ Full alignment of well defined performance measures with the Provincial, Growth and Development Plan
- ✚ Implementation of a sound communication and information technology support infrastructure

In order to meet the key challenges stated above, the following priorities have been identified:

- ✚ Build high level competencies to establish a superior internal service delivery capability.
- ✚ Implement and strengthen the adopted Ikhwezi Lomso Quality Improvement measures.
- ✚ Implement and maintain an Electronic Document Management System.
- ✚ Ensure full compliance to the adopted performance management and development system.
- ✚ Develop, implement and maintain an effective corporate communication strategy.
- ✚ Implement measures to attract and retain scarce skills.

- ✚ Strengthen measures to address and manage internal controls weaknesses and audit risks.

2.1.4.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

In conjunction with the priorities identified to meet the identified challenges, the following planned quality improvement measures have been adopted:

- ✚ Full integration and harmonisation of performance measures with the adopted Ikhwezi Lomso Excellence Model.
- ✚ Enhancing the risk management oversight function through a strengthened integrated risk management committee.

2.1.5 SUB-PROGRAM 1.4: FINANCIAL MANAGEMENT (OFFICE OF THE CFO)

2.1.5.1 SITUATION ANALYSIS

This SUB-PROGRAM consists of three components, namely Financial Management, Supply Chain Management and Internal Control.

2.1.5.1.1 Financial Management

Financial Management is responsible for the facilitation and efficient execution of the overall financial transactions for the department. It covers critical areas such as budget preparation and monitoring, payment of departmental salaries, payment of suppliers and the recording, maintenance and reconciliation of transactions on BAS. This unit interacts extensively with all other units within the department to ensure that efficient, effective and economic processes and controls are maintained.

This component spearheads the implementation and application of new accounting legislation and frameworks and ensures that they are effectively executed within the department.

2.1.5.1.2 Departmental supply chain management

The abolishment on 30 November 2004 of the Eastern Cape Provincial Tender Board in terms of the Provincial Tender Board Act (No. 2 of 1994) and the simultaneous / subsequent rescission of the Provincial Tender Board Regulations and Procurement Delegations, culminated in the superseding with effect from 1 December 2004 of the aforementioned Act, Regulations and Delegations by the Supply Chain Management (SCM) Framework.

The introduction of the SCM Framework necessitated the replacement of the former Procurement and Logistical Services by the newly created SCMU in order to comply with the new SCM requirements.

Evidently, the SCMU has over the years operated without the guidance of a Senior Manager and key support staff. The resulting leadership vacuum hindered institutional readiness / preparedness necessary to bring to bear prompt vestment of Supply Chain Management within the component.

Subsequent appointments of key officials to fill vacant critical posts enabled the SCMU to make great strides to entrench sound SCM principles within the SCMU environment in order to serve as a strong model for emulation by other Departments within the Province.

The SCMU continues to proudly uphold particularly the prescripts of Section 38(1) (a) (iii) of the PFMA which strongly advocate an SCM system that is fair, equitable, transparent, competitive and cost-effective.

Over the years this component has been operating without a Senior Manager and key support staff. This has resulted in this section not being able to achieve the level of maturity and institutional readiness envisaged in former years.

2.1.5.1.3 Internal control

The Internal Control Unit has been established within the department with its core areas of responsibility being the pre-audit, risk assessment and internal control evaluation. This unit serves to assist the Accounting Officer in ensuring compliance with Section 38(a) (1) of the PFMA. Internal control ensured that financial procedures within Provincial Treasury functioned in accordance with financial prescripts. It ensures that weaknesses identified by the Office of the Auditor General are investigated and that controls are put in place prevent these. Pro-actively advise the Office of the CFO where internal controls appear to be weak or ineffective.

Rendering of an internal control management and review service to departmental clients in order to ensure the smooth running of the department.

2.1.5.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Completion of high quality Annual Financial Statements	Achieving an unqualified audit report
Payment of suppliers in terms of the requirements of the PFMA	Payment of suppliers within 30 days
Promoting of good financial governance	Compliance with appropriate accounting practices
Vestment of appropriate SCM governance, Policies, Procedures and Processes within the department.	Integrated and consistent SCM practices within the department

Strategic goals	Strategic Objectives
Deployment of appropriate departmental archiving and records management strategy.	Implementation of an efficient and effective records management system in compliance with the National Archives Act.
Promotion of a healthy, safe and secure working environment	Strategic sourcing of security services, office accommodation and cleaning and sanitation services.
Proper internal control measures and risk management within Provincial Treasury	Ensure good corporate governance and risk management.

2.1.5.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Financial Management

Constraints:

- ✚ Some of the key challenges are to improve budget management by ensuring that the expenditure variance remains within a 2% margin of the Provincial Treasury's allocation within the next three years and to provide high-level information timely.
- ✚ Budgets not aligned to outcomes and performance measures.
- ✚ Inability to ensure that the payment cycle of suppliers is in compliance with the PFMA.
- ✚ Lack of appropriate tools to ensure effective implementation of the required accounting framework.

Corrective measures:

- ✚ Continuous workshops to improve budget preparation and expenditure forecasting and monitoring
- ✚ Streamline procurement to payment processes and to reduce red tape

Supply Chain Management

Constraints:

- ✚ Low levels of competency of SCM support staff
- ✚ Inadequate departmental readiness for implementation of SCM processes
- ✚ Unfunded mandate for maintenance of departmental accommodation and facilities.
- ✚ Lack of a shared vision for archiving and records management

Corrective measures:

- ✚ Empowerment, coaching and training of SCM support staff
- ✚ Customisation and deployment of SCM policies procedures and processes to suite departmental environment
- ✚ Establishment of an SLA with the Department of Public Works to promote interdepartmental working relations and support.
- ✚ Facilitation of a provincial archiving and records management steering committee to develop a common strategy

Internal Control

Constraints:

- ✚ A challenge for Internal Control is to reduce the Provincial Treasury's risk profile
- ✚ Lack of an appropriate reporting system, results in inefficiencies and delays

Corrective measures:

- ✚ Establish and deploy proper risk management strategies
- ✚ Acquisition of an appropriate management information system for monitoring and reporting

2.1.5.4 Description of planned quality improvement measures

- ✚ Greater emphasis on capacity building to improve competencies and quality of support services
- ✚ Improvement of management and information systems to accommodate future legislative and operational requirement

2.1.6 SUB-PROGRAM 1.5: DEPARTMENTAL INTERNAL AUDIT SERVICES

This sub-program currently resides with the Office of the Premier as a shared service. The province is waiting for National Treasury to finalise the proposal of moving it to Provincial Treasury to be in line with the proposed restructuring of Provincial Treasuries.

2.1.7 RECONCILIATION OF BUDGET WITH PLAN

The changes of expenditure (if possible in nominal and real terms) by overall program and SUB-PROGRAM should be shown and the rate of change in spending of past years compared with that projected for the MTEF period.

Programme 1: Strategic Management Services								
Sub Programme	Actual 2002/3	Actual 2003/4	Estimate 2004/5	Average Annual change (%)	Budget 2005/6	Target 2006/7	Target 2007/8	Average Annual change (%)
1.1 Office of the MEC	1,983	2,206	2,613	15.04%	3,173	3,424	3,744	8.66%
1.2 Management Services	2,292	2,905	4,740	47.10%	13,643	16,855	17,952	14.13%
1.3 Corporate Services	47,739	48,828	45,234	-2.59%	46,172	49,811	54,465	8.64%
1.4 Financial Management	12,804	19,867	31,253	56.47%	29,082	31,377	34,315	8.66%
1.5 Internal Audit	-	-	-	-	-	-	-	-
Total per Programme	64,818	73,806	83,840	13.72%	92,070	101,467	110,476	9.51%

2.2 PROGRAM 2: SUSTAINABLE RESOURCE MANAGEMENT

To provide professional advice and support on Provincial economic analysis, fiscal policy, public finance development and management of the annual Provincial budget process and co-ordinate the implementation of the Municipal Finance Management Act (Act 56 of 2003) (MFAM) and ensure that municipalities develop the skills to comply with the Act. There are five SUB-PROGRAMS:

SUB-PROGRAMS	Strategic Objectives
2.1. Program Support	To provide for the administrative cost, capacity development and the salary of the program manager.
2.2 Economic Analysis	To provide for provincial economic and social research and analysis, that informs the fiscal policy development and annual budget process, thereby contributing to the provincial growth and development plan.

SUB-PROGRAMS	Strategic Objectives
2.3 Fiscal Policy	<p>To provide fiscal policy advice, determine the Medium Term Fiscal Framework, develop and optimize the provincial revenue base and develop a provincial borrowing framework.</p> <p>To determine the overall financing envelope for the MTEF including the administering the medium term revenue planning process, assessing and optimizing national revenue, ensure effective and efficient development of provincial revenue including the assessments of revenue trends and compilation and submission of revenue reports.</p>
2.4 Budget Management	<p>To oversee the departmental allocation process aligned with provincial policies/growth and development plan.</p> <p>To provide advice, drive the MTEF and annual budget process and determine annual budget allocations per department including resource shifts between departments.</p>
2.5 Public Finance is consisting of two components: Namely: 2.5.1 Provincial Government	<p>This unit will also be responsible for Treasury relations with other Provincial departments.</p> <p>To provide departmental economic and financial policy advice, ensure budget implementation and enhance service delivery.</p>
2.5.2 Local Government	<p>To drive and coordinate the Provincial Treasury responsibilities in terms of the Local government: Municipal Finance Management Act, 2003 (MFMA).</p> <p>Promote sound provincial and municipal financial management.</p>

2.2.1 SITUATION ANALYSIS

At present, Program 2 is divided into three components namely; Budget Office, Cash Management and Municipal Finance. Budget Office is sub-divided into five components; Budget Management-Welfare and Economic Cluster, Budget Management Health and Education Cluster, Capital Budgeting, Economic Analysis Unit and Internal Revenue Management. Our Budget Office incorporated the Budget Management function, the Fiscal policy and Economic Analysis Unit. The key issue now is to separate Budget Management and Public Finance, and to integrate the Municipal Finance into the Public Finance. A major shift is the Capital Budgeting and Cash management Services, which have been incorporated under Asset and Liabilities Management in Program 3.

Currently, there is a CFO Support initiative, which enhances the capacity in the provincial departments, and also strengthens the Financial Management performance. This initiative will be reviewed in the next MTEF period, and will be phased out as soon as the departments have improved their financial management skills.

Economic Analysis (EA): The Economic Analysis unit was set up two years ago to determine the macroeconomic and socio-economic environment, within which the provincial budget is formulated and implemented. However, it has since been dormant, and through out the years we have been utilizing the services of the Department of Economic Affairs, Environment and Tourism, and the parastals like ECSECC and ECDC.

An economic analysis unit will be responsible for the assessment of impact of budget policy objectives on selected economic variables, providing a link between Macro and Micro policy issues.

Fiscal Policy: Initially, Fiscal Policy has been part of Budget Office; however, with the current strategic direction that the treasuries are taking, this unit will now be a SUB-PROGRAM on its own. The unit will ensure that the provincial government finances its service delivery obligations in a sustainable and equitable manner.

Key challenges over the MTEF include concerted efforts in pursuit of other sources of revenue, and to have a research paper on his imposition of a provincial fuel levy The Revenue Retention Policy will also be finalised and implemented during the 2005/06 financial year. The management of Equitable Share and Conditional Grants will also be a key focus area of this program together with coordinating provincial inputs on the Division of Revenue Bill.

The unit will closely scrutinize large outstanding amounts due to departments, or apparent under-collections that persist in certain departments that do not institute a sharp and effective focus on efficient debt collection and the establishment of a component that can effectively deal with borrowing, guarantees and other financial commitments.

The year 2005/06 will be spent building capacity to take up its responsibilities that include development of the borrowing framework.

Budget Management: Budget Office is responsible for producing the annual budget and the Medium-Term Expenditure Framework. The departmental spending and revenue plans that are underpinned by the departmental policies and strategic priorities informed by the PGDP drive the whole functioning of this unit. There is Cabinet Budget Committee (CBC) which is supported by this unit a secretariat.

Public Finance: The Public Finance component has also been part of Budget Office, being a key link between the Provincial Treasury and budget teams of provincial departments to encourage the development of sound budgeting practices, effective and efficient expenditure and revenue management inclusive of in-year monitoring and co-operative relationships. Services entail key activities related to in-year expenditure monitoring, which includes identification and appropriate interventions related to under spending, overspending, spending risks/pressures and the quantifying thereof. For the Public Finance team to achieve better budgeting they are dependent on developing good cooperative relationship, with their line departments. As there would be Sectoral analysis, they would enhance policy and expenditure management and monitoring provincial departments. The MFMA has a direct impact on the work of the Public Finance component, the magnitude and extent dictated by the provisions in the MFMA and the delegation of powers and functions by the National Treasury.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

A full assessment was done of the draft annual budget (2005/06) to ensure that the allocations are aligned with policy priorities.

The prescribed In-Year Monitoring (IYM) reports have been augmented with deepened analytical narrative reports to encourage the development of interpretive skills in the Treasury and provincial departments.

Expenditure Review 2004 was made available as an internal working document, which is an accessible resource on the spending of provincial departments.

Similarly Local Government Review for 2004 was made available as an internal working document. The documents, inter alia, discuss the difficulties with regard to inter-governmental fiscal relations.

Key challenges for Public Finance in collaboration with the other SUB-PROGRAMS over the strategic plan period entail the following: Strategic Plan 0405

The involvement of IYM narrative reports by the narrative departments by the departments and therefore feedback from Provincial Treasury remains a challenge. That would assist in having a deeper understanding of expenditure and budget figures. The In Year Monitoring would be used as an early warning tool to improve expenditure management.

The continuation of the reforms related to budget formats and strategic plans sector and otherwise to improve the measurability of objectives and service delivery.

The departments of Education, Health and Social Development are major spenders in the Province and thus impose the greatest risks on limited financial resources. The Department of Education is very much challenged. On the number of educators they are employing and managing the decreasing number of learners. Within the department of Health employing key professional staff within the various hospitals and clinics remains a key challenge. The increasing number of beneficiaries within social security net is a major challenge which is associated to poverty levels in our Province.

The introduction of the MFMA as it relates to functions both in the Provincial and Local spheres poses some challenges. Currently, Provincial Treasury and the Local government have drafted a memorandum of understanding as there are overlaps in the systems Act and MFMA.

The MFMA roll-out has not yet been fully costed as the full implication are still being assessed with the assistance of two advisors that have been placed in Provincial Treasury through National Treasury.

2.2.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Apart from the specific objectives and priorities, which will be discussed below, two generalized goals will be pursued and they are:

- To foster professionalism in attitudes, values, ethics, management and supervision, coaching, mentoring and career development.
- To create synergy and integration within and between components.

2.2.2.1 ECONOMIC ANALYSIS

The responsibility of the unit would be to check the macroeconomic forecast in particular in growth and their impact on the provincial sphere & equitable share. It will also look at the economic and social benefit on the decision that is taken by both the National and Provincial government on certain policies.

A comprehensive strategy for growth and development that in our Province is driven through the PGDP will be a focus in the coming years.

2.2.2.2 FISCAL POLICY

In the Unit's policy advice function, the unit must design tax instruments that can optimally fulfill their revenue raising function. There has to be a strong focus on the three departments which are the Provincial revenue generators being; i.e. the Gambling Board under the leadership of Economic Affairs, Motor Vehicle licenses which are managed by the Transport and Patients fee structure managed by Department of Health. The conditional grant funding must be integrated in the provincial planning. There needs to be improvement in the collection of revenues by municipalities on behalf of the Province.

2.2.2.3 BUDGET MANAGEMENT

The budget management team will continue working with departments to enhance and strengthen the measurable objectives, outputs measures and service delivery targets information. The costing of the various departmental policies would have to maintain carefully for better fiscal management and planning. Working together with the physical infrastructure unit would assist in improving the planning, co-ordination and monitoring of infrastructure spending and projects of a capital nature.

2.2.2.4 PUBLIC FINANCE

A priority is the successful fulfilling of the envisaged role of the Provincial Treasury in terms of the MFMA as well as the optimal placement of functions between the Provincial and Local spheres of government.

Apart from catering for technical adjustments the Adjustments Estimate will also be used to augment annual budget priorities, in particular adjustments

Fiscal discipline should not only be exercised by departments to remain within budget, but also to ensure that expenditure is in accordance with the relevant program description, appropriately directed to policy priorities.

2.2.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Advent of Municipal Finance brought more pressure on the depleted human resource capacity and warrants focus on the linkages between both the local and provincial sphere of government. With MFMA was only enacted on the 1 July 2004, it was very difficult to appoint personnel as the functional structure was not yet in place.

The Budget Reforms as introduced by National Treasury posed challenges on the compliance and integrity of information produced in the new economic reporting formats. The non-availability of historical and current data throughout the province is the phenomenon that needs continuous improvement. These reforms are ensuring that the departments are reporting accurately on their historical years.

2.2.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

As quality improvements can be difficult to measure adequately in quantitative terms, this section provides for a narrative account of planned interventions to improve the quality of the services the department provides through this particular program. Quality improvements will be appraised through both narrative reports and quantitative indicators (see next section). In planning quality improvements, reference should be made to the relevant national policies.

2.2.5 SUB-PROGRAM: PROGRAM SUPPORT

Manage the resources of the program efficiently.

2.2.5.1 SITUATION ANALYSIS

The responsibilities of the program manager demand extraordinary technical and managerial skills, effort and commitment in support of the organization as a collective.

The program support is responsible for the provision of effective program operations, the rendering of strategic planning services, the provisioning of transversal and program specific policy opinions, policy advice and protocol development, drafting of contracts and agreements, the coordination of donor funding transversally and the implementation of management improvement initiatives.

2.2.5.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Rendering of program support	Facilitate the smooth running and the attainment of objectives of the program.
Rendering of programmatic strategic planning services	Programmatic strategic objectives aligned to the PGDP priority programs. Inputs to the strategic plan for the Department
Rendering of transversal and program specific policy opinions and policy advise	Policy opinions and advise that is client focused and that facilitate service delivery to the poor
Develop program specific protocols and process re-engineering	Program specific processes and standards that is directed towards streamlining service delivery and eliminate red-tape
Implementation of financial management improvement initiatives	Full implementation of financial management reforms in concert with Departments and the Legislature
Translates policies and priorities into strategies for effective service delivery and to manage, monitor and control program performance	Full budget alignment to PGDP priorities and tracking of performance over the MTEF through efficacy assessments of lead and support departments in delivery of objectives

2.2.5.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

Lack of coordination between branches internally.

Breaking down the “silo mentality” within branches through better program support and management.

Proper monitoring mechanism to track delivery on PGDP programs.

Efficacy assessments to be done on strategic plans over the MTEF together with monitoring tool and mechanisms to be implemented by the Office of the Premier.

2.2.5.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship between programs in Treasury and the Provincial Departments.
- ✚ To improve the quality of financial and non-financial information in the provincial publications inclusive of effective use of the in year monitoring tool

2.2.5.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Give program support	Program budget aligned to PGDP	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Manage the Performance Agreements and Work-plan agreements in the program	Effective performance management and assessment of all employees in the program.	Pay progression implemented.	Pay progression implemented	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.
Implement the Ikhwezi Lomso quality improvement model in the program	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Centralised controls	Treasury becoming more user friendly.	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury
Strengthen team work within the program and amongst other programs	Changed attitude and role of treasury as an enabler department.	Silo effect still evident	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.
Implement standards according to the Batho Pele requirement	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Standards not yet in place.	Process re-engineering commenced.	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients

2.2.6 SUB-PROGRAM: ECONOMIC ANALYSIS

This SUB-PROGRAM provides for provincial economic and social research and analysis that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy.

2.2.6.1 SITUATIONAL ANALYSIS

The Economic Analysis unit was set up two years ago to determine the macroeconomic and socio-economic environment, within which the provincial budget is formulated and implemented. However, it has since been dormant, and through out the years we have been utilizing the services of the Department of Economic Affairs, Environment and Tourism, and the parastals like ECSECC and ECDC.

The department took an initiative of establishing the Joint Economic Policy and Research Unit (JEPRU) in collaboration with the University of Fort Hare. Due to recruitment complexities the initiative could not take off.

2.2.6.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

The key priority for the 2005/06 financial is to enhance the level of capacity in this unit and ensure that it forges links with Budget Management unit. This synergy will assist in determination of the macroeconomic outlook, particularly the economic growth and its impact on the provincial sphere and the determination of the provincial equitable share.

From a provincial perspective, this unit will have to develop a comprehensive strategy for growth and development which in the Province is driven through the PGDP alignment processes and link that strategy with the provincial resource allocation process or budgetary process.

2.2.6.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

As indicated earlier, this unit was non-operational for the past two years, due to recruitment complexities at that time. However, for the 2005/06 budget has been made available for the unit to be fully operational and also for the filling of critical positions.

2.2.6.4 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Conducts provincial economic research, policy analysis.	Statistical analysis reports reflecting the demographics of the province.	Using two entities which provide statistical reporting	Using two entities which provide statistical reporting	Develop an integrated modelling capacity.	Half- Year econometric forecasting model	Half- Year econometric forecasting model
Provide fiscal policy development that contribute towards enhancing sustainable economic growth and skills development.	No of job created, No of people trained and sustainable economic growth in the province.	Section was dormant, but using ECSECC and Department of Economic Affairs	Section was dormant, but using ECSECC and Department of Economic Affairs	Integrated growth strategy	Management of risks associated with different departmental policies	Management of risks associated with different departmental policies

2.2.7 SUB-PROGRAM: FISCAL POLICY

Render fiscal policy through:

- ✚ Establishing policies for effective control of Budget aggregates: (total Revenue and Spending).
- ✚ Providing fiscal policy advice, determine the Medium Term Fiscal framework, develop and optimise the provincial revenue base and develop the provincial borrowing framework.

2.2.7.1 SITUATIONAL ANALYSIS

In the past this unit was known as Internal Revenue Management and have been part of Budget Office. Its main focus area focus areas was strengthening the internal revenue collection strategy and determine correct revenue baselines for departments. With the current strategic direction that the treasuries are taking, this unit will now be a SUB-PROGRAM on its own.

2.2.7.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

This SUB-PROGRAM provides fiscal policy advice, determine the Medium Term Fiscal framework, develop and optimise the provincial revenue base and develop the provincial borrowing framework.

The unit will ensure that the provincial government finances its service delivery obligations in a sustainable manner.

2.2.7.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

The key challenge over the MTEF period includes concerted effort in pursuit of other sources of revenue and to have a research paper on the imposition of a provincial fuel levy. The unit will have to produce a position paper that will be a basis of debate toward crafting recommendations to EXCO and the Legislature on the matter.

The non-paying-over to province of motor vehicle licenses by some other municipalities creates an imbalance in the revenue projection at the beginning of financial year and the actual collection during year. The unit will closely scrutinise outstanding large amounts due to departments, or apparent under-collections that persist in certain departments and make ensure that they are recovered.

In the coming year (2005/06) this unit will put aside resources that will deal effectively with building capacity in the departments so that they take full responsibility in revenue collection challenges.

2.2.7.4 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base 2004/05 year (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Presentation of the discussion paper on horizontal and vertical split in the Equitable share formula.	Recommendation and approval of the proposals by FFC and National Treasury.	N/A	N/A	Proposals submitted.	Final Report	Study complete
Presentation of the analytical paper analyzing Provincial Equitable share and Conditional Grant transfers	Position papers, policy briefs, reports and memoranda	N/A	Internalise National Treasury papers	Quarterly reports and Memo's.	Quarterly reports and Memo's	Quarterly reports and Memo's
Position paper on fuel levy to various stakeholders	Recommendation and the approval of the position paper at various stages of consultation.	N/A	Discussion Paper available	Proposals submitted and accepted	Final Report	Study Complete
Strengthen revenue collection strategy to revenue generating departments	Monthly progress reports per department	In Year Monitoring Reports.	In Year Monitoring Reports	In Year Monitoring Reports	In Year Monitoring Reports	In Year Monitoring Reports
Assess viability of municipal revenue budgets to ensure sustainability.	Acceptance of the recommendations by Municipal Council Treasuries.	N/A	N/A	50 % Acceptance by Council	70 % Acceptance by Council	80 % Acceptance by Council

2.2.8 SUB-PROGRAM: BUDGET MANAGEMENT

This SUB-PROGRAM oversees the provincial allocation process aligned with provincial policies/ growth and development strategy

1. Establish policies for effective control of Budget aggregates: total Revenue and Spending.
2. Align of budgets to PGDP's, Strategic and Performance Plans, IDP's.
3. Effective monitoring of aggregate budgets.
4. Set credible expenditure and revenue budgets.
5. Render effective technical and strategic support to departments.
6. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.

2.2.8.1 SITUATIONAL ANALYSIS.

Budget Management is part of the Budget Office whose main output is to produce the annual budget statement and Medium Term Expenditure Framework to the relevant stakeholders including EXCO. Budget Management focuses mainly in the consolidation and the preparation of the Appropriation Bill for tabling by the MEC for Finance in the Provincial Legislature. It is still the responsibility of the unit to drive the MTEF and annual budget process. The unit is currently working with all other SUB-PROGRAMS including Internal Revenue Management, in this regard budget formulation includes expenditure component and revenue budget.

Budget reforms, which include sector specific strategic plans and generic formats are still a priority for this unit. In terms of the National Treasury Directive, all departments should have sector specific strategic plans and link the budget to these plans.

2.2.8.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES.

This unit will continue to work with departments and strengthen the measurable objectives, outputs measures and services delivery targets information. The linkages of costed strategic plans to the Provincial Growth and Development Plan is the key priority for this unit. The departments are always encouraged by the unit to draw their operational plans from the strategic plans that are linked to the PGDP.

2.2.8.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

The budget reforms that are introduced by National Treasury pose a challenge on the compliance and integrity of information produced in the new economic reporting formats. However, workshops have been conducted for all departments and as from 2004/05 financial year departments have started using these formats. The budget submissions for 2005/06 were submitted in these formats.

These attempts are give a certain level of comfort in terms of compliance and the quality of the information that has been submitted is attempting to a larger extent to address these constraints.

2.2.8.4 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Consolidate annual medium-term budget policy objectives targeted to reduce socio-economic disparities and improve financial management of resources.	Submission of provincial medium-term budget policy statement to EXCO.	N/A	N/A	100 % compliance	100 % compliance	100 % compliance
Determination of allocation per function to ensure alignment to PGDP. and IDP's	Equitable allocation of resources per function and acceptance by EXCO	Review documents available	60 % compliance	70 % improved coordination between OTP, Provincial Treasury and departments	80 % improved coordination between OTP, Provincial Treasury and departments	80 % improved coordination between OTP, Provincial Treasury and departments
Exercise oversight function over annual budget.	Budget performance reports per policy areas.		Section 32 and 40 reports for all departments	Section 32 and 40 reports for all departments	Section 32 and 40 reports for all departments	Section 32 and 40 reports for all departments
Tabling of the annual budget	Submission of budget documentation in line with prescribed formats and timelines to Legislature.	February	March	March	March	March
Adjustment Appropriation Act Provincial Adjustments Estimate	Tabling within prescribed timeframes Responds to problem situations or emergencies in provinces Monitor budget database for the province			Two times a year November, February and March	Two times a year November, February and March	Two times a year November, February and March
Co-ordinate Benchmark exercise	Alignment of budget with IDP's and Provincial priorities	January	January	January	January	January

2.2.9 SUB-PROGRAM: PUBLIC FINANCE

This SUB-PROGRAM provides departmental policy advice, ensures budget implementation, enhances service delivery and ensures customer care with respect to departments.

1. To provide departmental policy advice, ensure budget implementation, enhance service delivery and ensure customer care.
2. Facilitate alignment of budgets to PGDP's, Strategic and Performance Plans, IDP's.
3. Effective monitoring of aggregate budgets
4. Render effective technical and strategic support to departments.
5. To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
6. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
7. Provide strategic leadership in Supply Chain Management, Infrastructure Coordination and Public Private Partnership projects

2.2.9.1 SITUATIONAL ANALYSIS

This unit has always been an integral part of the Budget Office that was providing fiscal policy advice, providing budgetary support to departments and advising the Executing Authority on departmental and Sectoral matters.

The key focus areas on the Sectoral financing and budgeting was monitoring of financial management and expenditure to enhance the service delivery.

For this unit to achieve its objectives, there are fundamental activities that needed high priority and attention that included amongst others:

Policy analysis

Policy development support

Technical assistance on systems and project management.

2.2.9.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Amongst other policy initiatives that this unit undertake to perform is the successful fulfilling the envisage role of the Provincial Treasury in terms of the municipal Finance Management Act in the both Provincial and Local sphere of government.

Ensures that the database of all municipalities is developed and maintained, in this regard certain municipalities will be prioritized in order to gain momentum and ensure the success of the project.

Ensures fiscal discipline in the implementation of approved budget and in the execution of the legislative mandate and agreed policy priorities.

2.2.9.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM.

The achievements of certain objectives in the implementation of the MFMA were recorded a challenge in the past two years, however, the enactment of this act give more powers to the administrative arm of government to augment the human resource capacity as well as financial support in the budgetary process.

The legacy of the past created a void in the document and information management among certain municipalities. One of the priorities of this unit is to develop and maintain and databases of all 45 municipalities. This is quite an involved exercise and the strategy is to apply a phased approach as per agreed criteria.

2.2.9.4 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year (estimate) 2004/05	Year 1 (budget) 2005/06	Year 2 2006/07	Year 3 2007/08
Compile In Year Monitoring Reports; (Section 40(4) (Section 32(2))	Expenditure in support of overall policy goals and attainment of efficiency in expenditure	All Section 32(2) and 40(4) reports compiled and submitted to relevant stakeholders.	Improved spending levels and utilisation of IYM as a management tool.	Improved spending levels and utilisation of IYM as a management tool.	Improved spending levels and utilisation of IYM as a management tool.	Improved spending levels and utilisation of IYM as a management tool.
Provide Sectoral and departmental policy advice for sustainable growth and development	Support financial and non-financial reports for the each sector	Analysis reports on Sectoral on the alignment of strategic plans to PGDP produced and sent to relevant departments for comments	Improved alignment between budgets, strategic plans and PGDP.	Improved alignment between budgets, strategic plans and PGDP	Improved alignment between budgets, strategic plans and PGDP	Improved alignment between budgets, strategic plans and PGDP
Co-ordination of IGFR information in collaboration with budget management.	Timely submission of information	Sector IGFR information consolidated from departments and submitted to Nat Treasury for publication of IGFR Document	Non-financial data and financial information to reconcile for service delivery improvement.	Non-financial data and financial information to reconcile for service delivery improvement.	Non-financial data and financial information to reconcile for service delivery improvement.	Non-financial data and financial information to reconcile for service delivery improvement.

Approved Service delivery and Budget Implementation plan	Submission of Departmental Business plans linked to Strategic Plans	All departments submitted their costed business plans	Linkages Business Plans to strategic plans and PGDP.	Linkages Business Plans to strategic plans and PGDP	Linkages Business Plans to strategic plans and PGDP	Linkages Business Plans to strategic plans and PGDP
Focusing on 12 priority areas	Implementation of recommendations	MFMA not enacted yet				
Assist in the budget preparation	Budget statements are produced on time	Budget statement 1 and 2 produced and form part of tabled Provincial Budget statement	Both Budget statements have service delivery measures per program.	Both Budget statements have service delivery measures per program	Both Budget statements have service delivery measures per program	Both Budget statements have service delivery measures per program
Co-ordinate financial and non-financial data to establish Municipal databases	Develop and maintain the databases	MFAM not yet enacted				

2.2.10 RECONCILIATION OF BUDGET WITH PLAN

The changes of expenditure (if possible in nominal and real terms) by overall program and SUB-PROGRAM should be shown and the rate of change in spending of past years compared with that projected for the MTEF period.

Programme 2: Sustainable Resource Management								
Sub Programme	Actual 2002/3	Actual 2003/4	Estimate 2004/5	Average Annual change (%)	Budget 2005/6	Target 2006/7	Target 2007/8	Average Annual change (%)
2.1 Programme Support	1,211	1,476	2,144	34.72%	6,786	7,322	8,008	8.66%
2.2 Economic Analysis	-	-	-	-	-	-	-	-
2.3 Fiscal Policy	1,069	985	1,614	26.53%	3,364	3,630	3,970	8.66%
2.4 Budget Management	8,436	7,162	6,047	-15.32%	3,082	3,325	3,637	8.66%
2.5 Public Finance	7,576	2,997	2,444	-48.54%	9,545	10,299	11,263	8.66%
Total per Programme	18,292	12,620	12,249	-19.55%	22,777	24,576	26,878	8.66%

2.3 PROGRAM 3: ASSETS & LIABILITIES MANAGEMENT

This Program exists to provide policy direction, facilitating the effective and efficient management of physical and financial assets, PPPs and liabilities, through the following strategic objectives:

- ✚ Maintain fiscal discipline through policies and control expenditure and revenue
- ✚ Contributing to economic, efficient and effective service delivery
- ✚ Provide strategic leadership in Supply Chain Management, infrastructure delivery and Public Private Partnership (PPP) projects.
- ✚ Efficient management of the Provincial Revenue Fund.
- ✚ Efficient management of existing and new Financial management systems and manage the transition to IFMS.
- ✚ Establish and ensure implementation of policies for effective management of assets and liabilities.
- ✚ Monitor compliance with the PFMA, MFMA, accounting policy, regulations and guidelines.
- ✚ Render effective technical and strategic support to departments.
- ✚ Strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.

Program 3 consists of the following four SUB-PROGRAMS:

3.1 Program support	To provide for the cost related to efficient running of the program
3.2 Asset Management	To facilitate the effective and efficient management of physical and financial assets.
3.3 Liabilities Management	To facilitate the effective and efficient management of liabilities.
3.4 Supporting interlinked Financial Systems	To provide for the oversight and management of existing financial systems and the transition to the Integrated Financial Management System enhancing compliance with the PFMA and other relevant legislation.

2.3.1 SITUATION ANALYSIS

The introduction of Financial Management reforms in government entrusts Provincial Treasuries with a responsibility of ensuring that Government's physical and financial assets as well as its liabilities are well managed. Eastern Cape Provincial Government currently administers thirteen Pay-Master General Accounts and other liabilities such as State guarantees. This Program is key to service delivery by Government as it ensures that adequate liquidity in the Provincial revenue fund and proper cash flow management are maintained. The introduction of the Supply Chain management (SCM) framework further highlights the need for well co-ordinated processes if success is to be achieved. All aspects of supply chain management and resultant infrastructural projects require close monitoring and efficient cash management in order to ensure sustainability. Process support by financial systems cannot be overemphasized. The main transversal financial systems currently in use by Provincial Treasury include BAS, PERSAL, and LOGIS. The province has also invested in a system for infrastructural monitoring. Government's account transactions with its bankers are made possible by use of the CAMS system. Provincial treasury has also signed up as a member of the Corporation for Public Deposits (CPD) that is a part of the Inter-governmental Cash co-ordination (IGCC).

2.3.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Compliance with both the Public Finance Management Act (PFMA) and prescripts from the Department of Public Service and Administration (DPSA) are key in ensuring that Government assets and liabilities are well managed. Risks associated with inefficiency and/or negligence should be minimized. The Provincial Growth and Development Plan (PGDP) attach importance to monitoring and evaluation of projects to ensure sustainability. Partnerships with the private sector through the Public Private partnership (PPP) initiative are of strategic importance to Government service delivery. The Expanded Public Works Programs (EPWP) employment creation initiatives through the use of infrastructure funding allocation aimed at converting infrastructure projects to labour based projects has been prioritized to ensure attainment of these employment creation objectives. The Infrastructure Delivery Improvement program (IDIP) or the Infrastructure toolkit is a pilot initiative of National Treasury in conjunction with the Construction Industry Development Board (CIDB). This toolkit is being piloted nationally in selected provincial departments and once refined will be rolled out to all provincial departments.

2.3.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

The broad challenges facing this new program include:

- Poor Infrastructure plans in Departments.
- Management of Government contracts.

- Lack of skilled capacity – especially in Project management
- Lack of integration of existing Financial Information Systems
- Settlement of the Provincial deficit in the MTEF period
- Poor link between cash management and budgeting resulting in over-expenditure or under-expenditure.
- Lack of a unit and trained personnel to manage Partnerships with the private sector
- Lack of a financial systems capacity
- The initiative to develop an Integrated Financial Management System (IFMS) at the National level will alleviate some of the system none-compliance issues. Ad hoc interventions such as developing an in-house management information system will be pursued. Developing and implementation of monitoring and evaluation tools for infrastructural projects is currently underway.

Training interventions will be accelerated during the next five years as a way of addressing the aforementioned challenges. The introduction of a well manned and functional financial systems helpdesk will serve as a first point of call for users of financial systems in the Province. A system to assist with overall cash management will be developed. Close coordination with other Government Departments in the form of forums aimed at fostering communication will be encouraged.

2.3.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

Being transversal in nature, the service offerings by Program 3 will require regular compliance and quality improvement checks and measures. The following interventions are proposed:

- ✚ Communication to share and disseminate information through holding of regular meetings with all stakeholders (National, Provincial and Private sector).
- ✚ Setting up of advisory and specialist project teams to make recommendations
- ✚ Ensuring that training is only received by accredited and validated service providers
- ✚ Peer review within the program will be encouraged.
- ✚ Strict adherence to performance agreements by all officials in the Program
- ✚ Use of information and communication technology to enhance efficiency, compliance, reliability, integrity, confidentiality, availability and effectiveness.

2.3.5 SUB-PROGRAM: PROGRAM SUPPORT

Manage the resources of the program efficiently.

2.3.5.1 SITUATION ANALYSIS

The responsibilities of the program manager demand extraordinary technical and managerial skills, effort and commitment in support of the organization as a collective.

The program support is responsible for the provision of effective program operations, the rendering of strategic planning services, the provisioning of transversal and program specific policy opinions, policy advice and protocol development, drafting of contracts and agreements, the coordination of donor funding transversally and the implementation of management improvement initiatives.

2.3.5.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Rendering of program support	Facilitate the smooth running and the attainment of objectives of the program.
Rendering of programmatic strategic planning services	Programmatic strategic objectives aligned to the PGDP priority programs. Inputs to the strategic plan for the Department
Rendering of transversal and program specific policy opinions and policy advise	Policy opinions and advise that is client focused and that facilitate service delivery to the poor
Develop program specific protocols and process re-engineering	Program specific processes and standards that is directed towards streamlining service delivery and eliminate red-tape
Implementation of financial management improvement initiatives	Full implementation of financial management reforms in concert with Departments and the Legislature
Translates policies and priorities into strategies for effective service delivery and to manage, monitor and control program performance	Full budget alignment to PGDP priorities and tracking of performance over the MTEF through efficacy assessments of lead and support departments in delivery of objectives

2.3.5.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

Lack of coordination between branches internally.

Breaking down the “silo mentality” within branches through better program support and management.

Proper monitoring mechanism to track delivery on PGDP programs.

Efficacy assessments to be done on strategic plans over the MTEF together with monitoring tool and mechanisms to be implemented by the Office of the Premier.

2.3.5.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship between programs in Treasury and the Provincial Departments.
- ✚ To improve the quality of financial and non-financial information in the provincial publications inclusive of effective use of the in year monitoring tool

2.3.5.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Give program support	Program budget aligned to PGDP	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Manage the Performance Agreements and Work-plan agreements in the program	Effective performance management and assessment of all employees in the program.	Pay progression implemented.	Pay progression implemented	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.
Implement the Ikhwezi Lomso quality improvement model in the program	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Centralised controls	Treasury becoming more user friendly.	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury
Strengthen team work within the program and amongst other programs	Changed attitude and role of treasury as an enabler department.	Silo effect still evident	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.
Implement standards according to the Batho Pele requirement	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Standards not yet in place.	Process re-engineering commenced.	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients

2.3.6 SUB-PROGRAM: ASSET MANAGEMENT

This SUB-PROGRAM provides for the facilitation of the effective and efficient management of physical and financial assets.

- ✚ Establish and ensure implementation of policies for effective management of assets and liabilities
- ✚ Ensure proper management of the Provincial Revenue Fund.
- ✚ Render effective technical and strategic support to departments.
- ✚ To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
- ✚ To provide for the management and implementation of existing financial systems and the transition to the Integrated Financial Management System (IFMS) enhancing compliance with PFMA and other relevant legislation.
- ✚ Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
- ✚ Provide strategic leadership in Supply Chain Management, Infrastructure delivery models and Public Private Partnership projects.

2.3.6.1 SITUATION ANALYSIS

Financial Management reforms in government entrust Provincial Treasuries with a responsibility of ensuring that Government's physical, financial and infrastructure assets are effectively and efficiently managed, monitored and reported on. In striving to fulfil this mandate, the following was achieved during the 2004/05 financial year:

2.3.6.1.1 Financial assets

- The key performance objective of Cash Management is to ensure adequate liquidity in the Provincial Revenue fund to fund the needs of the provincial government for the purposes of service delivery
- Audit of the provincial revenue fund Annual financial statements was done for the first time during the 2004/05 financial year.
- The Corporate Access Management System (CAMS), which is an electronic banking system provided by the provincial bankers FNB, is used to make daily transfers to PMG accounts of departments and is also used by both Cash Management and departments to view daily bank balances.
- Provincial treasury has also signed up as a member of the Inter-governmental Cash co-ordination (IGCC) and has opened an account with the Corporation for Public Deposits (CPD) at the Reserve Bank. This account is part of the Provincial Revenue Fund and is used for all major transfers and investments of the revenue fund.

2.3.6.1.2 Physical assets

Eastern Cape Province is a “hot spot” of underdevelopment and poverty. Roads, clinics and schools are a burning issue that needs to be addressed accordingly, as a province we are trying to clear out some of our infrastructure projects. In attempting to clear out some of our backlogs, the provincial spending on Infrastructure has always been close to budget, with optimal quality spending being emphasized.

During the 2004/05 financial year the section strove to achieve:

- ✚ Develop a system for Infrastructure monitoring and reporting
- ✚ Ensure the availability of a credible, quality database of project information
- ✚ Facilitate the development of a GIS component of infrastructure monitoring
- ✚ Support the Infrastructure Delivery Improvement Program(IDIP)
- ✚ Facilitate the Provincial Program Steering Committee(PPSC)
- ✚ Encourage the realization of socio-economic benefits to the province
- ✚ Monitoring of spending on Infrastructure projects

2.3.6.1.3 Supply chain management

Supply Chain Management (SCM) seeks to bridge the gap between traditional methods of procuring goods and services, the control thereof and obsolescence planning.

During the 2004/05 financial year, the SCM section was involved in:

- ✚ Developing and issuing of Provincial Supply Chain Management instructions.
- ✚ Conducting workshops on the SCM Framework.
- ✚ Repeal the Provincial Tender Board Act.
- ✚ Establish a Technical Review Committee to assist accounting officers of various departments that do not have sufficient capacity to deal with SCM functions.
- ✚ Issue of a Blue print to assist accounting officers to develop departmental SCM Systems
- ✚ Assisting departments with the establishment of Supply Chain Management units.

- ✚ Facilitating the training of officials

2.3.7 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Compliance with the Constitution of the Republic of South Africa, the Public Finance Management Act (PFMA), Municipal Finance Management Act (MFMA) and Division of Revenue Act are key in ensuring that Physical and Infrastructure, and financial assets are well managed. Other important areas for compliance are:

The Preferential Procurement Policy Framework Act

The Broad Based Black economic Empowerment Act

The Supply Chain Management Regulations

The Sita Act

The Promotion of access to information act, Of 2000

The Promotion of Administrative Justice act

The Construction Industry Development Board Act

The Provincial Growth and Development Plan (PGDP) attaches importance to monitoring and evaluation of projects to ensure sustainability in this regard infrastructure and strategic Infrastructure projects in the PGDP should be well monitored and reported on to ensure that these all important targets are met. The SCM will be a tool in monitoring and measuring the achievements of the PGDP objectives

The Expanded Public Works Programs (EPWP) employment creation initiatives through the use of infrastructure funding allocation to convert infrastructure projects to labour based projects has been prioritized to ensure attainment of these employment creation objectives.

The Infrastructure Delivery Improvement program (IDIP) or the Infrastructure toolkit is a pilot initiative of National Treasury in conjunction with the Construction Industry Development Board (CIDB). This toolkit is being piloted nationally in selected provincial departments and once refined will be rolled out to all provincial departments.

The IDIP in the Eastern Cape Province is aimed at the Departments of Education and Roads and Transport. The toolkit was welcomed as attempting to address and improve the monitoring and reporting systems which links infrastructure projects within the financial accounting system and will enable the province to submit infrastructure

plans, which list planned projects. The position of these departments had been further strengthened by the receipt of a technical assistant for each pilot department to facilitate the rollout of the toolkit.

Land and Buildings of government structures are valuable assets that should be optimally utilized, there is currently an opportunity to improve the management of physical assets. National Treasury has issued an Asset management guideline to improve the efficiencies physical asset management

A protocol manual has been designed for the achievement of the operational and strategic objectives of managing the provincial financial resources effectively and efficiently.

The continuation and strengthening of relationship between Provincial and National Treasury, within the confines of the IGCC, is of strategic importance as the province has committed itself in substantially reducing its deficit/debt during the MTEF period.

Through the austerity measures and prioritization of financial resource allocation, the provincial treasury will attempt to identify and accumulate much needed reserves to eliminate the provincial debt going forward.

2.3.7.1 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Physical/Infrastructure Assets:

The challenges faced by this section are amongst others, the capacity issues; however currently structural adjustments are being contemplated to overcome this issue.

Credibility of data has been established, however due to the continuous updates in data required, data received by be distorted, this issue needs to be closely monitored to ensure that this credibility is not threatened

In fulfilling our DORA and PFMA mandate, the quality of the narrative of the infrastructure business plans need to be addressed especially in the departments which are not part of the pilot phase of the Infrastructure Delivery Improvement (IDIP), this is currently being addressed and will be strengthened by continuous involvement and communication and participation with the departments on this issue.

There are currently gaps in the monitoring and reporting system, however a system has been developed to deal with this issue and once rolled out, this issue will be addressed.

Cash Management

Though the province has an obligation to deal with the debt that has accumulated from 2002/03, this may be seen as having a negative impact in the realisation of the objectives of the PGDP. Key to these challenges as envisaged in this important policy document is the eradication of deep rooted poverty in the province where statistics show that some 67% of the provincial population lives below the poverty datum line. The other important challenge facing the province is the concentration of provincial expenditure to social services rather than economic and infrastructural development to promote growth and curb unemployment.

These challenges require the provincial treasury to properly plan and monitor the utilisation of financial resources and to direct such over the planning period to the systematic eradication of poverty and promotion of economic growth. A strategy to intensify the capacity building of treasury officials in financial management needs to be explored.

Supply Chain Management

Effective implementation of the system is handicapped mainly by the following:

- Inadequate qualitative and quantitative capacity within the Provincial Treasury and departments.
 - The current skills level of officials is not up to the required level.
 - There are insufficient personnel to perform all the functions within the SCM units.
- The credibility of the reports currently generated is lacking
- Lack of commitment and support of senior officials in embracing the new system.

Measures planned:

- Approval and populating of new organizational structures for SCM
- Intensive training of all officials involved in the execution of SCM activities
- Introduction of a reporting tool to accurately measure the achievement of government set objectives.
- Obtain buy in from all stakeholders through various forms of engagement

2.3.7.2 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

Physical/Infrastructure Assets

The following interventions are proposed:

Communication to share and disseminate information through holding of regular meetings with all stakeholders (National, Provincial and Private sector).

Continuation on the Provincial Program Steering Committee meetings (established in 2004/05) to identify infrastructure challenges and address these accordingly

Rollout of the Infrastructure Monitoring and reporting system

Monitor progress on the establishment of a credible fixed asset register

Monitor and assist in providing information in the development of the GIS component of the monitoring system

Ensure that credibility of infrastructure data is maintained through continuous analysis

Ensure that quality infrastructure business plans are on hand, through guidance from the IDIP

Restructuring of the Infrastructure component such that infrastructure service delivery is not threatened

Use of information and communication technology to enhance efficiency, compliance, reliability, integrity, confidentiality, availability and effectiveness.

Cash Management

The following interventions are proposed:

Promote partnership with other stakeholders to improve the efficiency of cash forecasting in the short, medium and long term

Engaging of National Treasury for the improvement of financial reporting for the Provincial Revenue Fund.

The integration of budgeting and cash management in order to improve monitoring of expenditure against cash flows to avoid bank overdrafts.

The redesign and implementation of the policy protocol manual for effective and efficient management of financial assets.

Enhance capacity of officials to perform more effectively and efficiently.

Supply Chain Management

The following interventions are proposed:

Improved communication with all stakeholders e.g. establishment of a SCM forum.

Capacity building through workshops, road shows and formal training.

Provision of hands on support to departments.

Streamlining of SCM processes.

2.3.7.3 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Develop and implement policies for the effective management of assets	Policies developed and implemented for cash management, asset registers, PPP, SCM	Procurement reforms started	Credible SCM policy consistent with National Framework	Credible SCM policy consistent with National Framework	Credible SCM policy consistent with National Framework	Credible SCM policy consistent with National Framework
To ensure effective Cash flow Management	Effectively match transfer of funds with cash flow projections	Timely transfer of funds related to departmental requisitions	Restore financial discipline	Restore negative financial position	Restore negative financial position	Eliminate negative financial position
To maintain accurate financial accounting records for the PRF	Capacity building on cash management Revenue control and cash flow management	Investment of Surplus funds	Preparation of PRF annual financial statements.	Restore liquidity	Restore liquidity	Restore liquidity
Implement, monitor, SCM framework	Collect information on the socio-economic impact of SCM policy (PPPFA compliance).	Updated database (BEE, ABE, PPPFA, limits (number of quotations,	Provide access to Government tenders	Provide access to Government tenders	Improve and stimulate local economic activity	Improve and stimulate local economic activity

2.3.8 SUB-PROGRAM: LIABILITY MANAGEMENT

This SUB-PROGRAM provides for the facilitation of the effective and efficient management of liabilities through:

- ✚ Rendering effective technical support to departments.

- ✚ Monitoring compliance with the PFMA, MFMA, accounting policy, regulations and guidelines.
- ✚ Facilitate the effective and efficient management of liabilities.

2.3.8.1 SITUATION ANALYSIS

Liabilities management includes the procurement of loans, guarantees and the monitoring of management of the departments payables, loans and guarantees. Currently the Provincial Government is administering thirteen pay-master general accounts including that of the Provincial Legislature. The province needs the current average of 46 days it is currently taking to settle its obligations after the invoice date. The financial system [BAS] records the date of the invoice instead of the date of receipt of the invoice and this has to be corrected. The provincial departments also issue housing loan and motor-vehicle guarantees to its employees which also present an opportunity to improve management thereof. To date no request has existed for the procurement of loans/guarantees. It is envisaged however that should the need arise in the future, this SUB-PROGRAM will be responsible for the administration and monitoring thereof. The main challenges will be to establish a credible and sound database of all loans/guarantees that are to be negotiated, ensure the timeous repayment and the effective monitoring of such loans/guarantees.

2.3.8.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

In terms of Section 18 [1] [c] of the PFMA the Provincial Treasury has the responsibility of the promotion and enforcement of transparency and effective management of liabilities. Close monitoring and support to Departments to ensure that contractual obligations are settled in accordance with the law will be enforced. State guarantees will be monitored closely to minimize Government's risk exposure. Redemption of state guarantees and other debt will be done in accordance with the Public Service regulations as well as the Constitution of South Africa.

Ensure that contractual obligations are settled In accordance with law.

2.3.8.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Implementation of monitoring and evaluation tools readily available in the area of creditor management will be explored by the SUB-PROGRAM.

2.3.8.4 DESCRIPTION OF THE PLANNED QUALITY IMPROVEMENT MEASURES

Development of a data base of housing state guarantees and issuing of Provincial Treasury Circular on the handling of state guarantees in accordance with the National Treasury guidelines.

Implementation of the Creditor Management System to comply with the PFMA in relation to the settlement of contractual obligations.

Creation of a data base of debts owed to provincial government departments including communication of policies on interest determined by the National Minister.

Analysis of payment data in the financial system and preparation of Payment Cycle and system volume reports.

2.3.8.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Provincial Liability Management Policy	Efficient management of liabilities Linked to the Provincial borrowing requirements.	Inactive	Authorisation of overdraft	Negotiate infrastructure loan	Infrastructure funding & repayment	Infrastructure funding & repayment
Debt management	Institutional capacity building to optimize borrowing.	Surplus funds	Debt repayment as per financial recovery plan.	Debt repayment as per financial recovery plan.	Debt repayment as per financial recovery plan.	Debt settled.
Effective Management of loans, guarantees and other commitments	Establishment of an age analysis of creditors Payment of creditors within prescribed period in terms of legislation Management of backlog Suspense account Overdrafts managed within prescribed time period Contingent liabilities of public entities and corporate governance	No loans	Improved payment cycle	Overdrafts managed within prescribed time period	Improved alliance with public entities	Public entities re-aligned

2.3.9 SUB-PROGRAM: SUPPORTING & INTERLINKED FINANCIAL SYSTEMS

This SUB-PROGRAM provides for the management and implementation of existing financial systems and the transition to the Integrated Financial Management System (IFMS) enhancing compliance with PFMA and other relevant legislation:

Public Service Act and Public Service Regulations

Public Finance Management Act and Treasury Regulations

Labour Relations Act and PSCBC

Income Tax Act

Various policies, guidelines published by DPSA and Provincial Departments

Human Resource & Financial practitioners and other relevant parties which need to utilise information to perform their functions.

2.3.9.1 SITUATION ANALYSIS

This SUB-PROGRAM is responsible to provide oversight and management of existing financial systems and the transition to IFMS. The systems BAS and PERSAL are implemented in all the Departments. LOGIS has been implemented in Treasury, Health, Economic Affairs, Education, Safety and Security and is presently being rolled out at Agriculture and Public Works. Vulindlela has been implemented at Treasury and Public Works.

The SUB-PROGRAM also manages the Provincial transversal Financial Information Systems costs of SITA for processing and disk storage space and the SLA with SITA.

2.3.9.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Rendering effective technical support to departments.	Ensuring system functionality and availability to all users
Providing an efficient and reliable source of information for decision making.	Ensuring that financial information systems are available to all Provincial Departments
Move towards an integrated Financial Management system.	Capacity building to ensure maximum use of Financial Information systems in the Province.

Strategic goals	Strategic Objectives
Monitor compliance with the PFMA, MFMA, Accounting Policy, regulations and guidelines.	Rendering professional support to Departments on use of systems.

2.3.9.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

One of the constraints with regard to Financial Systems is processing time and storage capacity on the mainframe. The processing and storage costs are high as a result of duplication of requests by departments. This will be addressed by coordinating these requests from a central point (Help Desk). There is a shortage of staff and a general lack of knowledge and skills of users as far as Financial Systems are concerned. Training will be provided on an ongoing basis. The loading of codes tables on BAS is problematic in departments especially the regional offices where once again there is a lack of skills. Treasury is assisting departments with this process and at the same time building capacity in the departments to perform this function. The rollout of LOGIS is dependent on the state of readiness on Departments. Infrastructure problems are still experienced in some Departments. Logis implementation is currently outsourced and the Province needs to build its own capacity.

2.3.9.4 DESCRIPTION OF THE PLANNED QUALITY IMPROVEMENT MEASURES

Establish a Provincial Help Desk for all the Financial Systems.

Active promotion and awareness of the optimal utilisation of the Financial Systems in the Province via the Provincial Forums.

Empowerment of provincial departments to take full responsibility for use of the Financial Systems

Promote and assist Departments to ensure updated, reliable information on the Financial Systems

The empowerment of provincial departments to take full responsibility for use of their Financial Systems

Ensure that PERSAL infrastructures in place

Monitor how the Financial Systems are used to identify exceptions on time to avoid forced closure.

Rollout of Logis to all remaining Departments

2.3.9.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07
Management of system	Availability and stability of financial systems 24/7	Availability and stability of financial systems 24/7 except during peak times	Availability and stability of financial systems 24/7 except with virus infiltration.	Availability and stability of financial systems 24/7	Availability and stability of financial systems 24/7
	Needs assessment conducted Enhancements effected	Aligned to the national initiative	Research on systems management.	Roll-out of management information system.	Roll-out of management information system.
	Training program on systems coordinated and implemented	Limited training	Improvement in training and involvement of national treasury	Improvement in training and involvement of national treasury	Improvement in training and involvement of national treasury
	Proper interface between systems achieved	Involved Sita	Systems integration not yet achieved	Aligned with National Treasury Initiative.	Full integration with MIS

2.3.10 RECONCILIATION OF BUDGET WITH PLAN

The changes of expenditure (if possible in nominal and real terms) by overall program and SUB-PROGRAM should be shown and the rate of change in spending of past years compared with that projected for the MTEF period.

Programme 3: Asset and Liability Management								
Sub Programme	Actual 2002/3	Actual 2003/4	Estimate 2004/5	Average Annual change (%)	Budget 2005/6	Target 2006/7	Target 2007/8	Average Annual change (%)
3.1 Programme Support	30	803	649	74.31%	928	1,001	1,095	8.66%
3.2 Asset Management	9,620	12,419	11,436	8.24%	11,722	12,648	13,832	8.66%
3.3 Liability Management	11,990	13,877	14,481	9.63%	16,266	17,550	19,194	8.66%
Interlinked Financial Systems	25,543	24,634	9,900	-31.18%	18,408	19,862	21,722	8.66%
Total per Programme	47,183	51,733	36,466	-10.83%	47,324	51,061	55,843	8.66%

2.4 PROGRAM 4: FINANCIAL GOVERNANCE

Promote accountability through substantive reflection of financial activities of the province as well as compliance with financial norms and standards.

This program consists of the following sub-programs:

Program / SUB-PROGRAM	Objective of program / SUB-PROGRAM
4.1 Program support	To provide for the cost related to efficient running of the program

Program / SUB-PROGRAM	Objective of program / SUB-PROGRAM
4.2 Accounting Services	To ensure the effective implementation of accounting practices in line with Generally Recognised Accounting Practice; prepare consolidated financial statements that reflect the financial position of the province.
4.3 Norms and standards	Ensures the development and implementation of norms and standards
4.4 Risk Management	To promote effective optimal financial resource utilisation
4.5 Provincial Internal Audit	To coordinate the activities of all provincial internal audit offices and committees.

2.4.1 SITUATION ANALYSIS

One of the strategic objectives is to improve financial governance which promotes the most effective, efficient and economic utilisation of resources in an ethical environment. This program consists of some of the most significant drivers and enablers for financial governance improvement and gives a brief description of progress made, challenges identified and recommendations for the way forward.

The drivers for improving financial governance within this program are Accounting Services, Norms and Standards, Risk Management and Provincial Internal Audit. The most significant enablers of establishing a culture of financial governance improvement are cooperative relationships between assurance providers, change management, capacity building, improved oversight and accountability. The above-mentioned enablers are integrated within the operations of each SUB-PROGRAM.

2.4.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Development and implementation of accounting policies and practices to ensure compliance with GRAP standards	Ensure the development and implementation of accounting policies and practices to ensure compliance with GRAP standards
Consolidate AFS for the provincial departments and public entities (LG)	Ensure the Consolidation AFS for the provincial departments and public entities (LG)

Strategic goals	Strategic Objectives
Render effective technical and strategic support to departments.	Ensure effective technical and strategic support to departments.
To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.	Ensure the strengthening of technical and strategic support for the institutional capacity of provincial and local government.
Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.	Ensure compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
Provide for the coordination of provincial internal audit for improved accountability and oversight	Ensure coordination of provincial internal audit for improved accountability and oversight

2.4.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Being a newly established program it is imperative that vacant posts are filled and staff be capacitated to ensure a stable environment within which identified objectives can be achieved.

2.4.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

The evolvment and eventual correct organisational placement of Communication and Information Management will be getting attention over the course of 2005/06. The relocation of Accounting Services to this program and the establishment of the latter as well as Internal Audit and Risk Management and Governance Systems will contribute to an effective and integrated Provincial Accountant General Service and Financial Governance improvement.

2.4.5 SUB-PROGRAM: PROGRAM SUPPORT

Manage the resources of the program efficiently.

2.4.5.1 SITUATION ANALYSIS

The responsibilities of the program manager demand extraordinary technical and managerial skills, effort and commitment in support of the organization as a collective.

The program support is responsible for the provision of effective program operations, the rendering of strategic planning services, the provisioning of transversal and program specific policy opinions, policy advice and protocol development, drafting of contracts and agreements, the coordination of donor funding transversally and the implementation of management improvement initiatives.

2.4.5.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Rendering of program support	Facilitate the smooth running and the attainment of objectives of the program.
Rendering of programmatic strategic planning services	Programmatic strategic objectives aligned to the PGDP priority programs. Inputs to the strategic plan for the Department
Rendering of transversal and program specific policy opinions and policy advise	Policy opinions and advise that is client focused and that facilitate service delivery to the poor
Develop program specific protocols and process re-engineering	Program specific processes and standards that is directed towards streamlining service delivery and eliminate red-tape
Implementation of financial management improvement initiatives	Full implementation of financial management reforms in concert with Departments and the Legislature
Translates policies and priorities into strategies for effective service delivery and to manage, monitor and control program performance	Full budget alignment to PGDP priorities and tracking of performance over the MTEF through efficacy assessments of lead and support departments in delivery of objectives

2.4.5.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

Lack of coordination between branches internally.

Breaking down the “silo mentality” within branches through better program support and management.

Proper monitoring mechanism to track delivery on PGDP programs.

Efficacy assessments to be done on strategic plans over the MTEF together with monitoring tool and mechanisms to be implemented by the Office of the Premier.

2.4.5.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship between programs in Treasury and the Provincial Departments.
- ✚ To improve the quality of financial and non-financial information in the provincial publications inclusive of effective use of the in year monitoring tool

2.4.5.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Give program support	Program budget aligned to PGDP	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Manage the Performance Agreements and Work-plan agreements in the program	Effective performance management and assessment of all employees in the program.	Pay progression implemented.	Pay progression implemented	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.	Effective performance management and assessment of all employees in the program.
Implement the Ikhwezi Lomso quality improvement model in the program	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Centralised controls	Treasury becoming more user friendly.	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury	Effective interaction with internal and external clients, satisfaction and improvement in perceptions about treasury
Strengthen team work within the program and amongst other programs	Changed attitude and role of treasury as an enabler department.	Silo effect still evident	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.
Implement standards according to the Batho Pele requirement	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Standards not yet in place.	Process re-engineering commenced.	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients	Batho Pele standards for the program specific requirements formulated, implemented and communicated to all clients

2.4.6 SUB-PROGRAM: ACCOUNTING SERVICES

This sub-program ensures the effective implementation of accounting practices in line with Generally Recognised Accounting Practice; prepare consolidated financial statements that reflect the financial position of the province.

2.4.6.1 SITUATION ANALYSIS

The movement from the cash based environment to accrual accounting is the most important initiative in this sub-program.

2.4.6.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Development and implementation of accounting policies and practices to ensure compliance with GRAP standards	Ensure implementation of accounting policies and practices to ensure compliance with GRAP standards
Consolidate AFS for the provincial departments and public entities (LG)	Ensure consolidation of AFS for the provincial departments and public entities (LG)
Render effective technical and strategic support to departments.	Ensure effective technical and strategic support to departments.
To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.	Strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.	Compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.

2.4.6.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

2.4.6.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the audit outcomes.
- ✚ To improve the quality of financial reporting.

2.4.6.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Development and implementation of accounting policies and practices to ensure compliance with GRAP standards Implementation of accounting policy, guidelines and practices in line with National Framework	Ensure implementation of accounting policies and practices to ensure compliance with GRAP standards Reports in line with formats and guidelines	Accounting policies and practices implemented and coordinated	Accounting policies and practices implemented and coordinated	Development and implementation of accounting policies and practices to ensure compliance with GRAP standards	Development and implementation of accounting policies and practices to ensure compliance with GRAP standards	Development and implementation of accounting policies and practices to ensure compliance with GRAP standards
Consolidate AFS for the provincial departments and public entities (LG) Develop and Consolidated the AFS for the province. Keep a completed set of Accounting records for audit and archival purposes	Ensure consolidation of AFS for the provincial departments and public entities (LG) Departments 100% compliant with Provincial formats and guidelines	Consolidation completed.	Consolidate AFS for the provincial departments and public entities (LG)	Consolidate AFS for the provincial departments and public entities (LG)	Consolidate AFS for the provincial departments and public entities (LG)	Consolidate AFS for the provincial departments and public entities (LG)
Render effective technical and strategic support to departments. Develop and complete Annual Financial Statements on time Facilitate the timely submission of AFS to AG, NT	Ensure effective technical and strategic support to departments. Completed set of Accounting policies implemented	Gave technical and strategic support to departments.	Gave technical and strategic support to departments.	Render effective technical and strategic support to departments.	Render effective technical and strategic support to departments.	Render effective technical and strategic support to departments.
Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.	Compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines. Reduction in the number of qualified reports	Compliance level improved.	Compliance level improved.	Compliance improved.	Compliance improved.	Compliance improved.

2.4.7 SUB-PROGRAM: NORMS & STANDARDS

The sub programme ensures the development and implementation of Norms and Standards for the province

2.4.7.1 SITUATION ANALYSIS

Norms and Standards is a significant strategic partner in the development and integration of new policies and norms and the implementation and monitoring thereof. It ensures that such policies and norms are consistent with existing prescripts and integrated with other financial management disciplines. The major constraint is that the role of this SUB-PROGRAM is misunderstood which leads to its ineffective utilisation and a progressive approach will be followed during this strategic period to rectify this situation.

This SUB-PROGRAM is responsible for ensuring that norms and standards within the financial legislative framework are developed, implemented and monitored for compliance in provincial departments, public entities, municipalities and municipal entities.

2.4.7.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Full compliance by accounting officers of normative standards	Ensure full compliance by accounting officers of normative standards
Improve the number of departments with unqualified audit reports	Ensure improvement in the number of departments with unqualified audit reports
Improve control weakness mentioned within departments.	Ensure control weakness mentioned within departments are eliminated.
Promote the conduct of performance audits	Ensure in-year and performance audits are conducted.
Improvement in the payment cycle	Reduction in the payment days
Improvement in inventory levels	Ensure better inventory levels
Promote and facilitate Normal systems closures	Ensure montly Normal systems closures

2.4.7.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

The interface of this unit with other departments is critical as they represent a treasury. It is of utmost importance that a client friendly and quality control attitude be instilled.

2.4.7.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship between programs in Treasury and the Provincial Departments.
- ✚ To improve the quality of effective monitoring tools and tracking of requests.

2.4.7.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year (estimate) 2004/05	Year 1 (budget) 2005/06	Year 2 2006/07	Year 3 2007/08
Full compliance by accounting officers of normative standards	Ensure full compliance by accounting officers of normative standards	Started research	Implemented a norms and standards unit	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Improve the number of departments with unqualified audit reports	Ensure improvement in the number of departments with unqualified audit reports	Improvement in audit opinion	Improvement in audit opinion	Ensure improvement in the number of departments with unqualified audit reports	Ensure improvement in the number of departments with unqualified audit reports	Ensure improvement in the number of departments with unqualified audit reports
Improve control weakness mentioned within departments.	Ensure control weakness mentioned within departments are eliminated.	Centralised controls	Improvement of controls	Improvement of controls	Improvement of controls	Improvement of controls
Promote the conduct of performance audits	Ensure in-year and performance audits are conducted.	In-year auditing not yet done	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.	Changed attitude and role of treasury as an enabler department.
Improvement in the payment cycle	Reduction in the payment days	Improvement evident.	Improvement continued within fiscal belt tightening.	Improvement continued within fiscal belt tightening.	Improvement continued within fiscal belt tightening.	Improvement continued within fiscal belt tightening.
Improvement in inventory levels	Ensure better inventory levels	Inventory levels monitored.	Align inventory and asset management register.	Align inventory and asset management register.	Align inventory and asset management register.	Align inventory and asset management register.
Promote and facilitate Normal systems closures	Ensure monthly Normal systems closures	90% Monthly Normal systems closures	100% monthly Normal systems closures	100% monthly Normal systems closures	100% monthly Normal systems closures	100% monthly Normal systems closures

2.4.8 SUB-PROGRAM: RISK MANAGEMENT

This sub programme promote effective optimal financial resource utilisation and risk management.

2.4.8.1 SITUATION ANALYSIS

Currently the establishment of risk management and internal audit capacity within the provincial government is being addressed on a co-sourced basis with a consortium of service providers. Being new initiatives previously not practiced within the provincial government and scarce resources in these fields, the constraint is to get buy-in and build capacity. Various initiatives have been embarked on in addressing this constraint such as the development of methodologies and frameworks, the roll-out of change management and capacity building strategies and the establishment, in conjunction with tertiary institutions and certain professional private sector institutions, of a Centre of Excellence.

To create streamlined processes within departments that generate executive decision-making information on an integrated basis and consequent internal controls aligned to the key risks, the Program: Financial Governance was expanded with the SUB-PROGRAM: Risk Management the specific mandate:

The development of a standardised and integrated risk management methodology for the ECPG as a whole, which methodology should be:

Technologically based (i.e. standardised software),

International best practice,

Integrated with risk-based internal auditing,

Complimentary to the Internal Control units within provincial departments, and

Integrated with day-to-day operational management.

The development of a financial government governance model and related norms and standards.

2.4.8.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Develop an integrated risk management plan for the Province.	Ensure effective risk profiles are established.
Develop and implement risk standards for acceptable risk levels	Ensure implementation of risk standards for acceptable risk levels
Analyze and monitor all internal and external risks and threats	Ensure analysis and monitoring all internal and external risks and threats
Minimise fraud and corruption losses	Promote a fraud and corruption zero tolerance environment

2.4.8.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

2.4.8.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

✚ To improve the working relationship between programs in Treasury and the Provincial Departments.

✚ To improve the quality of financial and non-financial information in the provincial publications inclusive of effective use of the in year monitoring tool

2.4.8.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Develop an integrated risk management plan for the Province.	Ensure effective risk profiles are established.	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Develop and implement risk standards for acceptable risk levels	Ensure implementation of risk standards for acceptable risk levels	Started research	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP
Analyze and monitor all internal and external risks and threats	Ensure analysis and monitoring all internal and external risks and threats	Conceptualization of process	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Minimise fraud and corruption losses	Promote a fraud and corruption zero tolerance environment	Fraud prevention strategy implemented.	Role of treasury as an enabler department.	Program budget aligned to PGDP	Program budget aligned to PGDP	Program budget aligned to PGDP

2.4.9 SUB-PROGRAM: PROVINCIAL INTERNAL AUDIT

The program is currently dormant in the Treasury but this situation might change during the course of the financial year in line with the discussions and debate at National Treasury. This sub-program provides for the coordination of the activities of all provincial internal audit offices and committees.

2.4.9.1 SITUATION ANALYSIS

Complimentary to the Internal Control units within provincial departments, and

2.4.9.2 POLICIES, PRIORITIES & STRATEGIC OBJECTIVES

Strategic goals	Strategic Objectives
Coordination of all internal audit units, activities in line with the provincial requirements.	Ensure coordination of all internal audit units, activities in line with the provincial requirements.
Develop and implement internal audit standards, protocols and practices	Ensure improvement in internal audit standards, protocols and practices

2.4.9.3 ANALYSIS OF CONSTRAINTS & MEASURES PLANNED TO OVERCOME THEM

Shortage of suitably qualified personnel to deliver on the above objectives.

The appointment of suitably qualified personnel to deliver on the above objectives by 31 July 2005.

Lack of coordination between internal audit units.

2.4.9.4 DESCRIPTION OF PLANNED QUALITY IMPROVEMENT MEASURES

- ✚ To improve the working relationship of internal audit.
- ✚ To improve the quality of internal audit work and the reliance placed on it.

2.4.9.5 OUTPUTS & MEASURABLE OBJECTIVES

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
Coordination of all internal audit units, activities in line with the provincial requirements.	Ensure coordination of all internal audit units, activities in line with the provincial requirements.	Internal audit a shared service situated in Office of the premier.	Internal audit a shared service situated in Office of the premier.	Migrate internal audit coordination to Treasury and decentralize to departments.	Effective internal audit.	Program aligned to PGDP in terms of public sector transformation.
Develop and implement internal audit standards, protocols and practices	Ensure improvement in internal audit standards, protocols and practices	Internal audit a shared service situated in Office of the premier.	Internal audit a shared service situated in Office of the premier.	Migrate internal audit coordination to Treasury and decentralize to departments.	Effective performance of internal audit.	Effective performance of internal audit.

2.4.10 RECONCILIATION OF BUDGET WITH PLAN

The changes of expenditure (if possible in nominal and real terms) by overall program and SUB-PROGRAM should be shown and the rate of change in spending of past years compared with that projected for the MTEF period.

Programme 4: Financial Governance								
Sub Programme	Actual 2002/3	Actual 2003/4	Estimate 2004/5	Average Annual change (%)	Budget 2005/6	Target 2006/7	Target 2007/8	Average Annual change (%)
4.1 Programme Support	2,950	281	1,577	-42.49%	870	939	1,027	8.68%
4.2 Accounting Services	3,867	5,616	5,610	18.38%	7,486	8,077	8,834	8.66%
4.3 Risk Management	-	-	-	-	-	-	-	-
4.4 Norms and Standards	10,109	17,187	10,209	0.37%	9,863	10,642	11,639	8.66%
4.5 Internal Audit	-	-	-	-	-	-	-	-
Total per Programme	16,926	23,084	17,396	1.17%	18,219	19,658	21,500	8.66%








3 CONCLUSION

One of the most important tasks of this department is meeting the challenge of improving the delivery of services. Access to public services is no longer a privilege to be enjoyed by a few; it is a rightful expectation of all citizens. This is why the guiding principle of public service transformation and reform is “service to the people – Batho Pele”.

The transformation of the Provincial Treasury is to be judged, rightly, by the practical difference people see in the everyday lives. For the year under review the department as a collective organisational community, has put a lot of effort into turning words into actions as can be evidenced by our unqualified audit opinion.

By developing stewardship, we strived to put the needs of our stakeholders first and embarked on promoting financial and fiscal intelligence within departments. In line with the spirit of the Public Finance Management Act and the Batho Pele Whitepaper, we want other provincial departments to view and experience the Provincial Treasury in an entirely new way. More accessible and responsive arrangements had been developed. As a department we have embarked on self-assessment and peer review. Through the Ikhwezi Lomso Service Excellence Program we are on a relentless search for increased efficiency and the reduction of wastage.

In the Spirit of reform, in our **Q**uest for **Q**uality and to stay relevant in this changing environment, management will have to unlearn the old and acquire new **IKHWEZI**:

-  **I**ntelligence
-  **K**nowledge
-  **H**onesty
-  **W**isdom
-  **E**nlightenment
-  **Z**eal
-  **I**nformation.

The **SERVICE DELIVERY MOTTO** by the late *Mahatma Gandhi* will continue to challenge us: “*A customer is the most important visitor to our premises. He is not dependent on us, we are dependent on him. He is not an interruption of our work; he is the purpose of it. He is not an outsider in our business, he is part of it. We are not doing him a favour by serving him, he is doing us a favour by giving us an opportunity to do so*”

I thank with gratitude, MEC Nel, for his political support and vision in moving towards a “Quality Treasury leading in service excellence”, also all members of the management team for their devotion, passion and commitment to **Ikhwezi** Lomso and every employee who individually and collectively contributed, potentialised and maximised the journey, goals and objectives of Treasury.

DR. M. C. ANNANDALE DE VILLIERS (ACTING HEAD OF TREASURY)

March 2005