

National Treasury  
**STRATEGIC PLAN**  
2013/2017



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



National Treasury  
**STRATEGIC PLAN**  
2013/2017

The 2013/17 National Treasury Strategic Plan (Update) is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

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National Treasury  
**STRATEGIC PLAN**  
2013/2017

**OFFICIAL SIGN-OFF**

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



**Lungisa Fuzile**  
Director-General



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REPUBLIC OF SOUTH AFRICA







## MINISTER'S STATEMENT OF POLICY AND COMMITMENT

South Africa's economy has continued to grow in a weak global environment, but the pace of growth remains inadequate to address the challenges of poverty, inequality and unemployment.

Over the period ahead, government has prioritised public-sector infrastructure investment, and will increasingly align its work to the broad strategic framework of the National Development Plan (NDP). Over time, this approach will promote faster economic growth, generate jobs, create new opportunities for emerging businesses and yield the revenue needed to meet South Africa's long-term development goals.

Since the global financial crisis took hold in 2008, government expenditure has provided an important cushion for the economy. This supportive spending was made possible by the prudent use of public resources in the preceding years, which had created fiscal space. Because South Africa entered the crisis with relatively low levels of debt and a low budget deficit, government was able to support economic activity and maintain social expenditure.

In response to the period of global turmoil and our own recession in 2009 government has increased debt from R450 billion in 2008 to more than R1 trillion today. This was done to ensure that social expenditure is maintained and to provide support to the economy. This has eroded South Africa's debt position relative to its peers, which calls for the stabilisation of the level of public debt over the medium term. This will require a significant reduction in the primary deficit – the difference by which expenditure (excluding interest payments) exceeds revenue.

Even though the gap between expenditure and tax revenues has widened, we continue to support economic recovery as well as maintain social expenditure. As a result the rate of growth in expenditure for the current financial year will be 2.3 per cent in real terms. The 2013 Budget projects that apart from interest payments, the fastest-growing expenditure category over the next three years will be real capital spending. Increasing investment in infrastructure will boost the economy's capacity and efficiency, and improve the living standards of all South Africans.

We remain resolute in our commitment to support economic recovery. But with limited fiscal space, we must do more with less! This demands focused and unflagging efforts to improve the quality, efficiency and impact of public spending. We must prioritise investments that improve citizens' quality of life and those that strengthen economic capacity. We must reduce wasteful expenditure and eliminate corruption.

## MINISTER'S STATEMENT OF POLICY AND COMMITMENT - cont

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It is also against this background that the Ministers Committee on the Budget will oversee a review of expenditure to analyse patterns of public spending, including personnel spending. The reviews will also help government identify opportunities to improve value for money. In addition, I have commissioned a review to assess whether current tax policy is appropriate to support government's policy objectives, including fiscal sustainability.

With challenges come opportunities. South Africans need to unify and give effect to the sound plans that we have adopted. While the global economic outlook remains weak, there are many areas of opportunity for South Africa, particularly in our own neighbourhood – the African continent. Let us seize them!



**Pravin J. Gordhan**  
Minister of Finance



## OVERVIEW OF THE ACCOUNTING OFFICER

This is the first update of the five-year Strategic Plan that the National Treasury tabled in Parliament in April 2012. The Treasury's strategic objectives remain unchanged, but as described in this document and the accompanying Annual Performance Plan, we have adjusted our tactical approach to account for the weaker-than-expected economic environment.

The National Treasury has also improved the presentation and detail of the Annual Performance Plan. Performance indicators and targets have become more concrete and measurable, and less operational. Further adjustments in years to come will lead to continuous improvements.

The 2013 Budget marks the beginning of a process through which government departments and agencies will align their planning and expenditure to the NDP. Over the longer term, this integration will strengthen alignment between NDP priorities and budgets, and improve coordination across complementary areas of policy and expenditure. The National Treasury will continue to focus on raising the level of inclusive economic growth, contributing to the NDP objectives of reducing poverty and inequality.

The current economic environment requires continued focus on the sustainability of both expenditure and revenues. The National Treasury has prepared a long-term fiscal report that projects expenditure trends over the next 15 to 25 years based on demographic trends and economic scenarios modelling the main components of social spending, including social grants, health and education expenditure.

The National Treasury will continue to advance South Africa's interests through its participation in multilateral institutions, including the Group of 20, the International Monetary Fund and the World Bank. The National Treasury will also focus on structures and processes to improve coordination between government institutions in areas of cooperation with BRICS countries.

I would like to thank the Minister and Deputy Minister of Finance for their leadership, wisdom and strategic guidance in these challenging economic times, in which government confronts an array of complex concerns. I would also like to thank my colleagues in the National Treasury, who continue to exhibit exceptional commitment and dedication to public service.

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

**Lungisa Fuzile**  
Director-General

## VISION AND MISSION STATEMENT

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### VISION

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

### MISSION AND OBJECTIVES

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

### VALUES

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

### LEGISLATIVE MANDATE

The National Treasury's legislative mandate is based on chapter 13 of the Constitution. As set out in the Public Finance Management Act (PFMA) (1999) and other laws governing financial and fiscal affairs, the Treasury is mandated to promote the national government's fiscal policy and the coordination of macroeconomic policy; ensure the stability and soundness of the financial system and financial services; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions.

### PARLIAMENTARY SERVICES

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

## UPDATED SITUATIONAL ANALYSIS

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### GLOBAL ECONOMIC ENVIRONMENT

There are signs of improvement in the world economy. Policy actions during 2012 helped to avert new economic and fiscal crises in advanced economies. Yet buoyancy in world markets and improved sentiment should be assessed in the context of continued and widespread risk. Many advanced economies contracted during the fourth quarter of 2012 and global growth prospects are expected to improve only marginally, from 3.2 per cent in 2012 to 3.5 per cent in 2013.

Notwithstanding the moderate projected improvement, a lasting recovery in the world economy faces several challenges, ranging from high levels of public and private debt, high levels of long-term and youth unemployment to issues of global coordination and the existence of structural economic constraints. More rapid progress depends to a large degree on credible policy actions that promote increased confidence and investment, while securing fiscal sustainability.

### DOING THINGS DIFFERENTLY

The past five years have seen financial resources being managed in the context of a global financial crisis, and government recognises the need to become more strategic in the years ahead. Whilst it is important to recognise the lasting economic risks and negative effects of the crisis, it is clear that a concerted effort is required to exit the crisis in a manner that offers our society the best possible prospects in the years ahead.

The 2013 / 14 budget is the first one formulated after the recent adoption of the National Development Plan (NDP). In the same manner that the NDP considers the means and journey to a brighter future, the National Treasury has become more active in ensuring that available resources are directed towards elevating the rate of inclusive economic growth and ensuring long-term fiscal sustainability.

The active effort to shift public spending from consumption to investment is clear and an important one. The NDP targets gross fixed capital formation to be at the rate of approximately 30 per cent of GDP by 2030, with public sector investment reaching 10 per cent of GDP. This is important both for economic growth and delivery of services to the general public.

### PROTECTING THE TAX BASE AND ENSURING FISCAL SUSTAINABILITY

A stable tax base and sustainable public finances anchor South Africa's economic stability. The National Treasury and the South African Revenue Service will continue to protect the tax revenue base to support the fiscus, while ensuring that the system remains fair. In keeping with this approach, government has announced a review of the present tax system to ensure that it continues to support long-term policy objectives of inclusive growth, employment, development and fiscal sustainability. The tax system plays an important role in economic growth – it provides commercial incentives for private enterprises to behave in ways that ultimately influence profound issues, ranging from employment rates and investment decisions to the extent and quality of public services rendered to all citizens. Tax reforms in the period ahead will be adjusted to offer incentives aligned with the aims of increasing employment and promoting inclusive economic growth.

Government spending will also be guided by the principles of countercyclical, debt sustainability and intergenerational

## UPDATED SITUATIONAL ANALYSIS - cont

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fairness. In order to ensure fiscal sustainability, the National Treasury has prepared a long-term fiscal report which projects trends over the next 15 – 25 years, based on demographic trends and plausible economic scenarios modelling the main components of social spending, including social grants, health and education expenditure. Whilst preliminary indications are that the current fiscal policy and spending mix is sustainable, some vulnerability would remain unless government builds fiscal space beyond the medium term. This insight will receive due consideration in the months and years ahead.

### IMPROVING THE QUALITY OF PUBLIC SPENDING

An expenditure review or reviews, focused on personnel expenditure, options for savings and improved value for money and on the performance and objectives of key programmes of government and public entities, will be undertaken in collaboration with the Department of Performance Management and Evaluation (DPME). Government will continue the fight against corruption. The frequency and nature of matters that continue to occur in our democratic society indicate that there remains much to do, if we are to improve the quality of spending of public funds. We will remain resilient and resolute in rooting out corruption and introducing innovative approaches to procurement in government. In this respect, the Office of the Chief Procurement Officer will be established with greater momentum over the period ahead.

### PROMOTING EMPLOYMENT

Youth unemployment rates remain unacceptably high, with more than 40 per cent of the economically active population under the age of 30 remaining jobless. Several factors undermine prospects for young job-seekers, and government interventions to encourage the private sector to hire more young workers have not yet yielded the intended results.

The NDP suggests a range of labour activation policies to help young people enter into formal employment. Government recognises the need to share the costs of expanding job creation with the private sector. To strengthen its broad range of existing job creation programmes, government will table a proposal in Parliament for a youth employment tax incentive to help young people enter the labour market, gain experience and access career opportunities more readily. A similar tax incentive will be made available for eligible workers of all ages within special economic zones.

### ADVANCING SOVEREIGN INTERESTS

The National Treasury will continue to defend and advance sovereign interests. In this regard, it will remain highly vigilant to identifying potential and emerging economic risks and opportunities, whether locally, regionally or globally. With global economic circumstances being as they are, it is critical to being a vigilant, responsive and nimble role player on our economic landscape.

## UPDATED SITUATIONAL ANALYSIS - cont

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### ORGANISATIONAL ENVIRONMENT

Over the past several years, the National Treasury has made a concerted effort to ensure that its structure is aligned to its strategy, and that the department and its plans remain relevant and responsive to the challenges that emerge over time.

The strategic objectives published in the National Treasury's Strategic Plan (2012/16) remain unchanged. The evolving economic environment, however, requires some operational adjustments. In particular, two reforms that have been under consideration for several years are being moved into the active phase: the Government Technical Advisory Service (GTAC) and the Office of the Chief Procurement Officer (OCPO).

### GOVERNMENT TECHNICAL ADVISORY CENTRE

The GTAC was established as a government component in terms of the Public Service Act (1994, as amended in 2007). This entity, which remains part of the public service, provides state agencies with support and advice to improve the value of public spending. GTAC will initially be staffed by people migrating from the Technical Assistance Unit and the Public-Private Partnerships Unit of the National Treasury.

GTAC was established during 2012 and careful consideration has since been given to implementing its operations. Although intensive work has been completed in this regard, much remains to be done. An interim management committee comprised of senior National Treasury officials has been appointed to drive this process, which should be concluded over the year ahead.

Once the transition of services presently offered by these units is completed, complementary and additional services will be considered for inclusion. Over time, GTAC is intended to become a centre of excellence that can build capacity, share knowledge and make a diverse range of skills available to help resolve complex and chronic challenges in government. Examples of the types of specialists that GTAC is envisaged to render more accessible to government include those knowledgeable in the areas of development, political economy and project finance. In essence, GTAC will contribute to reducing the scale of the implementation challenge that faces government initiatives on various fronts.

This change, once completed, will result in amendments to the structure of Programme 8: Technical and Management Support and Development Finance. While GTAC will exist as a government component, it will operate with greater autonomy than that of a trading entity. The head of GTAC will be accountable for the entity's operations and will report to the Minister of Finance.

### OFFICE OF THE CHIEF PROCUREMENT OFFICER

The OCPO was announced by the Minister of Finance during the 2012 Budget Speech. Planning and preparatory work has taken place over the past year. In the months ahead, the office will be launched as a functioning service in the National Treasury as part of our commitment to ensuring sound stewardship of public resources.

## UPDATED SITUATIONAL ANALYSIS - cont

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The OCPO aims to modernise the procurement system across national, provincial and local government, as well as public entities and government agencies. Such procurement must be fair, equitable, transparent, competitive and cost-effective. In this regard, the OCPO will establish and maintain systems to ensure the efficient, effective and transparent use of financial and other resources to improve service delivery

The strategic objectives of the OCPO are to:

- Improve the performance and efficacy of the state procurement system and state assets, achieving value for money and quality service delivery.
- Develop and implement a procurement regulatory environment responsive to government's policy goals.
- Use public spending to contribute to sustainable economic, social, and environmental development.
- Modernise state procurement with information technology.
- Realise the benefits of strategic sourcing.
- Achieve savings in government spending.
- Improve supplier and stakeholder relations.
- Increase compliance with the procurement legislative environment.
- Enhance governance, and increase state accountability and transparency.
- Improve the capability and performance of procurement officials.

It is envisaged that the OCPO will ultimately minimise procurement-related corruption in government while, at the same time, rendering the system of supply-chain management in government more accessible and innovative. Amongst the first initiatives of the OCPO will be to enhance the existing system of price referencing, in order to set fair value prices for certain goods and services. It will also pilot procurement transformation programmes in the Departments of Health and Public Works, nationally and in the Provinces. Once successful, a broader rollout of these programmes will be led by the OCPO.

The OCPO will be introduced as a distinct programme in the National Treasury during 2014/15. This will result in corresponding adjustments to the structure of Programme 5: Financial Accounting and Reporting and, to a lesser extent, other programmes.



## UPDATED SITUATIONAL ANALYSIS - cont

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### STRATEGIC OUTCOME ORIENTED GOALS OF THE INSTITUTION

#### PROGRAMME 1: ADMINISTRATION

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

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

This programme has two divisions, namely Economic Policy, and Tax and Financial Sector Policy. The programme provides policy advice to promote growth, employment and macroeconomic stability. This programme contributes to Outcome 4: Decent employment through inclusive growth. Focus in terms of this outcome relates to specific aspects of Output 1: Faster and sustainable growth, and Output 3: Multi-pronged strategy to reduce youth unemployment.

#### PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

This programme consists of three divisions: Public Finance, Budget Office and Intergovernmental Relations. Previously, these divisions fell under Programme 2. The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. This programme contributes to Outcome 9: A responsive, accountable, effective and efficient local government system, Output 6: Improve municipal financial and administrative capacity, Outcome 12: An efficient, effective and development-oriented public service and Output 3: Business processes, systems, decision rights and accountability.

#### PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

The programme manages government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. This programme seeks to oversee and enable state-owned companies to meet government's policy objectives in a financially and fiscally sustainable manner and to promote sound corporate governance.

#### PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

This programme is made up of two divisions: the Office of the Accountant-General and Specialist Functions. The programme aims to facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

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

#### PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Work in the programme is given effect by one division – International and Regional Economic Policy. It facilitates the deepening of South Africa's role in regional and international economic integration.

## UPDATED SITUATIONAL ANALYSIS - cont

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

This programme is dedicated for the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.

### **PROGRAMME 8:** TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE

The purpose of this programme is to provide specialised infrastructure development planning and implement support and technical assistance to aid capacity building in the public sector.

### **PROGRAMME 9:** REVENUE ADMINISTRATION

This programme comprises transfers made to the South African Revenue Service for purposes of undertaking core tax administration activities and maintaining the information technology competencies that support these operations.

### **PROGRAMME 10:** FINANCIAL INTELLIGENCE AND STATE SECURITY

This programme essentially comprises transfers made to the Financial Intelligence Centre to combat financial crimes, including money laundering and terror-financing activities.

## PROGRAMME 1: ADMINISTRATION

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

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

There are four sub-programmes:

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

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Reputation	Misinterpretation National Treasury's policies and statements by stakeholders, resulting in damage to confidence in the economy	Utilise media briefings to clarify policies and statements  Regular engagement with media by delegated officials
Scarcity of human resources	Limited availability of human resources with required knowledge and skills	Talent management strategy in place  Chartered Accountant Academy and internship programmes  External bursar programme
Inadequate knowledge management	Inadequate access to and sharing of business knowledge	Knowledge sharing portals  Record management processes  Central registry and filing plan
Disruption to business systems	Non-availability of systems thereby causing disruption to business processes and loss of information	Business continuity, disaster recovery and emergency plans  Alternative operating sites

## PROGRAMME 1: ADMINISTRATION - cont

Risk	Risk Description	Mitigation Strategy
Security breaches	Security breaches resulting in leakage of sensitive information, loss of assets, safety concerns	Screening and vetting processes Encryption and password controls Document classification and access control mechanisms
Fraud and Corruption	Fraud and corruption resulting in financial losses and reputational implications	Anti-corruption plan aligned to Minimum Anti-Corruption Capacity requirements Integrated Corruption Case Management Framework Screening and vetting processes Delegation of authority and segregation of duties
Office accommodation scarcity	Current office accommodation not supporting increased business needs	Base line and future growth accommodation needs assessment Office accommodation optimization project

## STRATEGIC OBJECTIVES

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

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

## PROGRAMME 1: ADMINISTRATION - cont

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

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

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

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

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

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

There are six sub-programmes:

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

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

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Security breaches	Covered under Programme 1	
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

Strategic objective 2.1	
Objective statement	Building economic research capacity in academic/research institutions, with the broad objective of promoting economic research relevant to South Africa
Baseline	Publication of research papers and discussion documents
Justification	The Constitution, 1996, the PFMA, 1999 and the Minister of Finance's service delivery agreement
Links	Programme 3: Public Finance and Budget Management

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

Strategic objective 2.2	
Objective statement	Providing policy advice on the financial sector in relation to the regulatory framework and supporting legislation
Baseline	A functional financial sector regulatory system
Justification	The Constitution, 1996, the PFMA, 1999 and the Minister of Finance's service delivery agreement
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management

Strategic objective 2.3	
Objective statement	Providing tax policy advice, tax revenue analysis , tax revenue forecasting and drafting the annual tax legislation
Baseline	An effective, equitable and efficient tax policy and tax administration system
Justification	The Constitution, 1996, the PFMA, 1999 and the Minister of Finance's service delivery agreement
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management, Programme 3: Intergovernmental Relations

Strategic objective 2.4	
Objective statement	Advice on macro and microeconomic policy, macroeconomic projections and modelling, monetary policy framework and economic sector strategies
Baseline	Robust and sustainable economic growth, stable consumer price trajectory, increased levels of employment
Justification	The Constitution, 1996, the PFMA, 1999 and the Minister of Finance's service delivery agreement
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management

## PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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

**Strategic objective:** Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. Key activities include:

- *Preparation of the national Budget* – Prepare recommendations to the Ministers' Committee on the Budget that give effect to government's economic, fiscal, social and development goals.
- *Production and publication of the national Budget* – Publish the *Budget Review, Estimates of National Expenditure* and the MTBPS and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance.
- *Public policy and programme development* – Contribute to public policy and programme development, through support for planning, policy and programme analysis, budgeting and project management, including support for public finance reform in provinces and municipalities.
- *Infrastructure investment planning and budgeting* – Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and project analysis, advice on financing alternatives, support for municipal development, and financial assistance for neighbourhood development projects. These activities are complemented by Programme 8 activities (Technical and Management Support and Development Finance).
- *Monitoring and analysis of public expenditure and service delivery* – Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment.

The programme is organised into three divisions:

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

This programme contributes to the achievement of all government's strategic outcomes, but with special reference to:

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



## PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Misinformed budget decisions	Budget decisions based on incorrect information impacting resource allocations and budget and reporting frameworks	Information validation processes Supervisory processes Highly qualified, knowledgeable and experienced officials Stakeholder engagement processes Continuous access to developments in the relevant environments
Third party non-compliance	Non-compliance by stakeholders with the conditions of grant frameworks, deadlines, processes, systems, governance requirements, methodologies, etc.	Robust stakeholder engagement processes Third party support programmes Functions dedicated to specific stakeholders / support areas Professionalisation of the civil service
Validity of information	Poor quality of reported information	Information validation processes Supervisory processes Editing processes
Counterparty risk	Increased demand to meet requirements of development partners (donor countries)	Donor recipient institutions encouraged to have exit strategies in place
Security breaches	Covered under Programme 1	
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

## PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

### STRATEGIC OBJECTIVES

Strategic objective 3.1	Preparation of the national budget
Objective statement	Prepare a national budget that gives effect to government's economic, fiscal, social and development goals
Baseline	Preparation of a national budget that supports government's long-term policy and strategic priorities, within a fiscal framework that will ensure sound and sustainable financial policies and the effective, efficient and appropriate allocation of public funds
Justification	South Africa's growth, employment, development and social cohesion goals have to be pursued within a sound and sustainable fiscal policy framework that supports countercyclicality, debt sustainability and intergenerational equity
Links	Outcome 12

Strategic objective 3.2	Production and publication of the national budget
Objective statement	Publish the <i>Budget Review</i> , <i>Estimates of National Expenditure</i> and MTBPS and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance
Baseline	Preparation of the appropriate budget publications annually, through the effective and efficient management of a budget preparation process that ensures that the budget is aligned to government's fiscal policy guidelines and public expenditure priorities
Justification	<p>The budget preparation process is designed to ensure that the key drivers of the national budget are delivered, which include:</p> <ul style="list-style-type: none"> <li>• A long-term fiscal sustainability report providing an overview of economic, demographic, revenue and expenditure trends over the longer term in order to encourage public discussion and parliamentary oversight of social commitments and the long-term costs of existent programmes</li> <li>• A budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with draft completed by end-September each year</li> <li>• A division of revenue between national, provincial and local government aligned with budget framework and medium-term expenditure priorities, with draft completed by end-September each year</li> </ul>
Links	Outcome 12

Strategic objective 3.3	Public policy and programme development
Objective statement	Contribute to public policy and programme development, and do sound planning, budgeting and project management, including increased support to public finance reform in provinces and municipalities
Baseline	<p>The main focus is on public policy and programme development, with specific focus on the following aspects:</p> <ul style="list-style-type: none"> <li>• Oversight of budget planning in national departments, provinces and local government</li> <li>• Advice on and analysis of sectoral policies and programmes, which includes national allocations, intergovernmental transfers to provinces and local government</li> <li>• Advice on financial and budgetary aspects of public policy and spending proposals</li> </ul>

## PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

Justification	The objective will contribute to policy and programme development in various sectors, in preparation for the roll-out of major new policy initiatives, including the implementation of National Health Insurance, social security reform, policies to improve service delivery at all levels of government, the reform of the local government fiscal framework to ensure it supports local government to improve service delivery, and increased investment in infrastructure planned by government
Links	Outcome 12

<b>Strategic objective 3.4</b>	<b>Investment in infrastructure</b>
Objective statement	Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and public-private partnerships, support for cities to improve their infrastructure investment, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects
Baseline	Analysis, evaluation, monitoring, policy and financing recommendations for major infrastructure projects in various sectors at national, provincial and local government level  The focus will be on improving the quality of capital planning leading to more efficient budget allocations and capital expenditure
Justification	This objective will focus on providing credible plans to better support the delivery of infrastructure in line with government's policy priorities, aimed at ensuring cost-effective and well-planned infrastructure investment and maintenance  This involves facilitating and monitoring infrastructure planning and delivery in provincial and local government in order to improve delivery of infrastructure
Links	Outcomes 9 and 12

<b>Strategic objective 3.5</b>	<b>Monitoring and analysis of public expenditure and service delivery</b>
Objective statement	Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment
Baseline	Monthly and quarterly monitoring of expenditure of national departments, provinces and municipalities and providing appropriate analysis of expenditure trends in the form of expenditure reports  Publishing monthly and quarterly monitoring reports, providing ad hoc reports in the form of specific expenditure reviews and producing analytical publications like the provincial budgets and expenditure review  Review and where necessary reform financial management capacity
Justification	This objective focuses mainly on budget execution, which involves the monitoring and evaluation of public expenditure, to assess the impact and to evaluate the efficiency and effectiveness of government expenditure  The oversight of budget execution is focused on national departments, provinces and local government  There is also a focus on strengthening institutional, organisational, individual and stakeholder capacity and providing clear direction in terms of roles, responsibilities and accountability, to improve service delivery and efficiency
Links	Outcomes 9 and 12

## PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

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

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

The programme consists of the following sub-programmes:

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

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Sovereign rating risk	Risk of a downgrade in the sovereign rating	Sovereign credit worthiness rating methodology  Engagement with rating agencies and investor roadshows  Prudent fiscal framework
Liquidity risk	Inability to raise cash when needed for funding purposes	Proactive engagement with the BCC  Diversified funding processes and funding strategy  Robust monitoring and forecasting
Fiscal Contingent Liability	Implicit and explicit contingent liabilities materialising on government	Guarantee certification processes  Monitoring processes for State Owned Enterprises  Ongoing monitoring of the banking environment  Fiscal Liability Committee oversight

## PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - cont

Risk	Risk Description	Mitigation Strategy
Fiscal risk	Government's surplus cash not optimally invested	Ongoing monitoring and review of the investment environment and investment rates Investment benchmarks / ratios specified and maintained  Participation on relevant committees
Debt Portfolio Risk	Unsustainable debt portfolio leading to additional financial costs	Debt benchmarks / ratios specified and maintained  Diversification of funding instruments  Smoothing redemption profile
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

### STRATEGIC OBJECTIVES

Strategic objective 4.1	Ensure sound management of government's cash resources
Objective statement	Government's liquidity requirement to be met within credit risk guidelines
Baseline	Forecasting of R3.1 trillion of cash flows Quarterly reviewing of government's investment rates and adherence to credit risk benchmarks in order to preserve capital Surplus cash of nine provinces and 57 state-owned entities pooled
Justification	In order for government to meet its financial commitments short-, medium- and longer-term cash flow forecasting is required
Links	This objective will ensure that money is available in the right amount and currency at the right time to improve the management of surplus cash in the public sector and to ensure that optimal returns on surplus cash reduces the carry cost of cash holdings

Strategic objective 4.2	Exercise oversight over public enterprises to enable the achievement of government's policy objectives in a financially sustainable manner
Objective statement	To exercise oversight over public enterprises to enable the achievement of government's policy objectives in a financially sustainable manner
Baseline	Corporate plans and annual financial statements of public enterprises reviewed; applications in terms of the PFMA and for funding, guarantees and borrowing limits reviewed; guarantees being monitored, existing processes to be strengthened and standardised
Justification	Ensure compliance with the PFMA and enable public enterprises to meet government's policy objectives in a financially and fiscally sustainable manner
Links	This links to Programme 3 through informing allocations of funding to public enterprises

## PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - cont

<b>Strategic objective 4.3</b>	<b>Optimal debt management and funding of government borrowing requirement</b>
Objective statement	Government's funding requirement to be met while ensuring the debt servicing costs remain sustainable
Baseline	Borrowing R207 billion in 2012/13
Justification	For government to meet its expenditure commitment it needs funding for the shortfall between revenue and expenditure
Links	This objective will ensure that funds are available to finance expenditure and other obligations and that an optimal debt portfolio mix ensures that debt servicing remains within sustainable parameters

<b>Strategic objective 4.4</b>	<b>To minimise and mitigate risks emanating from government's fiscal obligations</b>
Objective statement	To minimise and mitigate risks emanating from the debt portfolio, sovereign credit rating and financial contingent liabilities
Baseline	To target risk guidelines on the domestic debt portfolio of 70/30 fixed versus non-fixed rate debt and foreign debt not exceeding 20 per cent of total debt, maintain sustainable debt levels and sound relations with rating agencies
Justification	To ensure that government's debt and contingent liabilities remain sustainable
Links	This objective seeks to ensure that government's debt-service cost remains within sustainable levels

## PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

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

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

The programme consists of the following sub-programmes:

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

This programme contributes towards the aims of Outcome 12: An efficient, effective and development-oriented public service, which includes Output 3: Business processes, systems, decision rights and accountability.

## PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Third Party Poor Performance	Non-compliance, deviation and / or incorrect application of frameworks	Support Strategy Plan (SSP) for each prioritised client  Functions dedicated to specific stakeholders / support areas
Poor Implementation of initiatives	Support not sustainable post implementation	SSP include skills transfer terms and conditions.  Engagement with heads of respective departments and municipal manager with respect to MFIP technical support. Enforcement of SSP penalty clause
Inadequate reporting	Inability to provide the Standing Committee on Public Accounts with information on the financial management performance of public sector institutions.	Regular review of a Financial Management Capability Maturity Model to assess the financial management capability of departments and municipalities
Incorrect application of policies	Misinterpretation and/or incorrect application of products (policies, standards, frameworks, by stakeholders.	Consultative workshops  Technical reviews of guidelines  Policy support programmes
SCM Fraud	Inappropriate use of state funds and allocation of contracts to non-deserving Service Providers.	Establishment of Chief Procurement Office  Enhanced relationships with other government agencies  Support programmes on legislation and financial management systems  Transversal bid and contract management processes  Compliance monitoring mechanisms  Restricted / black listed service provider databases maintained
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	



## PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

### STRATEGIC OBJECTIVE

Strategic objective 5.1	
Objective statement	To enforce compliance with public sector financial management legislation in each sphere of government
Baseline	Annual financial management progress reports to Parliamentary Oversight Committees
Justification	The Constitution, 1996, the PFMA, 1999 and the Local Government: Municipal Finance Management Act, 2003
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

Strategic objective 5.2	
Objective statement	To support public-sector institutions to execute their financial management functions effectively, efficiently, economically and transparently
Baseline	Uniform Treasury norms and standards
Justification	The Constitution, 1996, the PFMA, 1999 and the Local Government: Municipal Finance Management Act, 2003
Links	Financial Reporting for National Account sub-programme Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management Programme 4: Asset and Liability Management

Strategic objective 5.3	
Objective statement	To facilitate capacity development for the enhancement of skills and competency levels across each sphere of government
Baseline	Public-sector capacity-building framework and related strategy
Justification	The Constitution, 1996, the PFMA, 1999, and the Municipal Finance Management Act, 2003
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

Strategic objective 5.4	
Objective statement	To exercise oversight over supply-chain management policies and procedures in government
Baseline	Public sector supply-chain management policies, procedures, norms and standards Financial management capability maturity model Most recent audit reports on the state of supply-chain management in government
Justification	The Constitution, 1996, the PFMA, 1999, the Municipal Finance Management Act, 2003, and the Preferential Procurement Policy Framework Act, 2000
Links	Financial Management Policy and Compliance Improvement sub-programme Programme 3: Public Finance and Budget Management

## PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING - cont

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Strategic objective 5.5	
Objective statement	To maintain existing financial systems and renew these as required to exercise comprehensive financial management
Baseline	Retaining an average of 98 per cent systems availability during working hours Present status of integrated financial management system development and rollout
Justification	The Constitution, 1996, and the PFMA, 1999
Links	Programme 3: Public Finance and Budget Management Outcome 12: An efficient, effective and development oriented public service, Output 3: Business processes, systems, decision rights and accountability

## PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

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

**Measurable objectives:**

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

There are nine sub-programmes:

- *Management* supports the planning, monitoring and implementation of the programme's activities. The Office of the Deputy Director-General oversees South Africa's representation in international and regional financial institutions; manages bilateral and multilateral relationships on behalf of the National Treasury, as well as plans, implements and monitors programmes and activities that advance South Africa's national interests.
- *International Economic Cooperation* facilitates South Africa's contribution to the shaping of the international, financial and development policies through its participation in regional and global institutions and forums, as well as through strategic bilateral engagements.

The remaining sub-programmes, including the *Common Monetary Area Compensation; Financial and Technical Support; the African Development Bank and African Development Fund; the World Bank Group; the Collaborative Africa Budget Reform Initiative; the Commonwealth Fund for Technical Cooperation; and the International Funding Facility for Immunisation*, transfer funds to various institutions in accordance with South Africa's participation in the associated forums.

## PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Misinformed decisions	Competing international agendas not in alignment with South Africa's policy programmes	SA delegates with clear mandates based on validated information  Research and validation processes  Lobbying processes  International relationships  Consultative processes
Fiscal Contingent Liability	Reliance by SADC States on financial support from South Africa	International relationships  Consultative support processes
Ineffective collaboration	Insufficient NT representation in international policy decision making processes impacting financial planning	Establishment of advisory groups  Increased consultative processes
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

### STRATEGIC OBJECTIVE

Strategic objective 6.1	Advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagement and negotiation at financial and economic forums
Objective statement	Actively promote South Africa's financial and economic relations in bilateral and multilateral forums Formalise the process in which we disseminate knowledge on regional developments to key regional and national stakeholders Negotiate a new country partnership strategy with the African Development Bank and World Bank Conclude International Monetary Fund-South Africa Article 4 consultation
Baseline	Participate in bilateral and multilateral forums Informal consultations with key regional and national stakeholders Current country partnership strategy expires in 2012 Existing annual mechanism for engagement
Justification	The objective speaks directly to the mandate of the two chief directorates within the division
Links	

## PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

Strategic objective 6.2	Increase Africa's voice and South Africa's influence in international institutions and forums
Objective statement	<p>To formalise the contribution of the Committee of Ten African Finance Ministers and Central Bank Governors on issues on the Group of 20 agenda</p> <p>To support the reform of the Group of 24 making this a more effective developing country caucus on especially Group of 20 issues</p> <p>To push for greater voice and participation of South Africa and African countries within the Bretton Woods institutions</p> <p>To push for reforms of processes and consultations within the World Bank to deliver increased opportunity for engagement on content by developing countries</p>
Baseline	<p>The Committee of Ten African Finance Ministers and Central Bank Governors convenes on an ad hoc basis</p> <p>This group has a total of six meetings (two at ministerial level) in an annual cycle</p> <p>The quota and voice reforms are ongoing in a range of formal and informal caucus groups, and culminate in decisions at governors' level</p> <p>The International Development Association working group was set up at the end of the IDA16 replenishment; it will report recommendations to the next IDA mid-term review</p>
Justification	To increase the voice of African economies in international policy decision making in the finance, economic and development discourse
Links	In line with a range of national policy positions, including Outcome 11

Strategic objective 6.3	Lead the reform of the governance and administration structures of African institutions
Objective statement	<p>Represent South Africa's interests at the African Development Bank, African Union Commission (Economic Affairs) and the United Nations Economic Commission for Africa</p> <p>Enhance South Africa's shareholding and influence at the African Development Bank and its concessionary lending window</p> <p>Play a prominent role in the establishment of the African Development Bank's Regional Resource Centre in Pretoria to improve the efficiency of the Bank's services in the region</p> <p>Work towards ensuring effective financial administration of the Secretariat, through the Southern African Development Community (SADC) Finance Committee</p> <p>Contribute towards the review of SADC's Regional Indicative Strategic Development Plan</p>
Baseline	<p>South Africa holds the permanent Executive Director position in the third constituency for the southern African region at the African Development Bank</p> <p>Acquired additional shares at the African Development Bank (shareholding currently at 4.53 per cent) and commenced with the first instalment to the African Development Fund 12</p> <p>African Development Bank's Board decision to nominate South Africa as a pilot country for the establishment of a Regional Resource Centre</p> <p>Current chair the Finance Sub-Committee and member of the Finance Committee</p> <p>SADC Regional Indicative Strategic Development Plan is currently under review</p>
Justification	To ensure more effective functioning of the African institutions, to better serve their members
Links	In line with a range of national policy positions, including Outcome 11

## PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - cont

Strategic objective 6.4	Promote integration and strengthen links within Africa by creating an enabling environment for economic activity
Objective statement	<p>Within the sub region, Southern African Customs Union (SACU) member states will conclude negotiations to put in place a new revenue sharing arrangement for the customs union that comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland</p> <p>The unit will play a leading role in presenting and negotiating South Africa's proposals to review the SACU agreement, in collaboration with the Department of Trade and Industry</p> <p>Over the planning period, the unit will actively engage in multilateral efforts to ensure the full implementation of SADC's Finance and Investment Protocol</p> <p>Over the medium term, the unit will explore South Africa's possible membership of the Africa Export and Import Bank and the Africa Reinsurance Corporation</p>
Baseline	<p>A new SACU revenue sharing formula currently being negotiated</p> <p>SADC Finance and Investment Protocol ratified in 2011</p> <p>South Africa is not a member of the African Export and Import Bank and the Africa Reinsurance Corporation</p>
Justification	Regional economic integration is a South African priority
Links	In line with a range of national policy positions, including the NDP 2011–2030, Outcome 11, Africa Action Plan and so on

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

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

**Measurable objective:**

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

This programme consists of three sub-programmes:

- *Civil Pensions and Contributions to Funds*, which consists of post-retirement medical benefits, injury on duty and special pensions, provides for medical subsidies to retired civil servants and pension payments to injured, disabled and deceased civil servants and former struggle veterans.
- *Military Pensions* provides for the payment of military pension benefits and medical claims arising from injuries sustained during various wars, including the liberation wars. The payment includes pension payments, medical assistance including devices and other related expenses in terms of the Military Pensions Act (1976).
- *Other Benefits* provides for the processing and payment of benefits to former members of the legislative assembly of the now redundant Venda, Transkei and Ga-zankulu governments, former judges or their widows in terms of the Judges' Remuneration and Conditions of Employment Act (1989) and payment of pensions to former state presidents.

### STRATEGIC RISKS

Risk	Risk Description	Mitigation Strategy
Falsified information	False claims leading to duplicate and/or over payments	Claim verification processes
Misappropriation of funds	Unauthorised payment or theft of funds as a result of systems/internal controls override.	Centralised of banking account changes. Bank account verification processes Segregation of duties
Cost overruns	Cost overruns affecting budgeting for benefit payments	Historic trends based budget Budget processes (MTEF, ENE and adjustment budget)
Scarcity of human resources	Covered under Programme 1	

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

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### STRATEGIC OBJECTIVE

Strategic objective 7.1	
Objective statement	Administration of a portfolio of pensions in terms of processing of member applications and making payments as required by applicable legislation to eligible applicants and recipients The focus is to constantly improve the quality of our service offering to our customers by paying benefits and pensions on a timely basis
Baseline	Baseline performance is measured from 1 April 2010 where paying benefits within 60 days from receipt of correct documentation was the target
Justification	This objective aims to focus management for effective and efficient administration of Programme 7 pensions
Links	Programme 7 is a National Treasury programme administered by the Government Pensions Administration Agency through a service level agreement



## PROGRAMME 8: TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

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**Purpose:** Provide specialised infrastructure development planning, improve financial management and implementation support, and provide technical assistance to aid capacity building in the public sector.

**Measurable objectives:** Promote public and private investment in infrastructure and public services by providing technical support for organisational strengthening and capital expenditure planning. This includes advising on public-private partnerships, project management, infrastructure service delivery and financing alternatives for capital projects.

Objectives include the following:

- Build public-sector client capacity by offering a combination of diagnostic services, organisation development, and programme and project implementation support over the medium-term expenditure framework period.
- Improve capacity in public-private partnerships and capital projects planning and oversight by providing advisory support in development and implementation.
- Assist the National Treasury in its regulatory function as and when requested.
- Build sustainable capacity in selected municipalities and provincial departments of health, education and public works to improve infrastructure delivery through the implementation of the infrastructure delivery improvement programme over the medium term.
- Strengthen the capacity of provincial treasuries and municipalities to fully implement the Municipal Finance Management Act (2003) and associated financial reforms by appointing technical experts, complemented by more than 1 500 financial-management graduate interns.
- Support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage 3rd party public and private sector development towards improving the quality of life of residents in targeted underserved neighbourhoods (townships generally) via the implementation of long term strategic plans and catalytic project plans.
- Improve the long-term employment prospects for unemployed people, particularly youth and women, by promoting innovative and partnership-based approaches to job creation and business opportunities, and supporting project development in the implementation of the Jobs Fund over the medium term.

This programme consists of the following sub-programmes:

- *Technical Support and Development Finance Programme Management* provides advisory and capacity-building initiatives focused on public-private partnerships, project management, infrastructure service delivery and public finance information systems.
- *Local Government Financial Skills Development* provides for transfers to municipalities and assists them in implementing the Municipal Finance Management Act as part of capacity-building efforts to modernise financial management in local government.
- *Neighbourhood Development Partnership Grant* aims eradicate spatial inequality towards the creation of liveable, sustainable, resilient, efficient and integrated human settlements. The sub-programme also facilitates the employment of local labour and supports expanded public works programmes in local government.
- *Gautrain Loan* – a R4.2 billion loan was provided to Gauteng Province in 2009/10 for the Gautrain project.
- *Municipal Finance Improvement Programme* provides technical assistance to selected municipalities and provinces to support other capacity-building efforts and strengthen those institutions.
- *Employment Creation Facilitation*, which includes the Jobs Fund, supports innovative approaches and initiatives that contribute to the development of the economy and the provision of sustainable job opportunities.

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

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- *Integrated City Development Grant* has been introduced to support city planning and implementation of built environment programmes, including improved governance and planning, human settlements, public transport and environmental sustainability and climate resilience.

### TECHNICAL SUPPORT AND DEVELOPMENT FINANCE PROGRAMME MANAGEMENT

This sub-programme is responsible for the programme's overall management and the operating costs of three specialist advisory teams – the Technical Assistance Unit, the Public-Private Partnership Unit and the infrastructure delivery improvement programme. These will be merged into the newly formed GTAC during 2013. Processes will also be put in place to migrate the Municipal Finance Improvement Programme sub-programme into GTAC during 2013, as the memorandum of understanding with the Development Bank of Southern Africa runs until 31 March 2014.

- The Technical Assistance Unit provides programme and project implementation support to all government organisations. It has a portfolio of about 100 projects in progress. It will continue to provide technical support relating to public finance challenges, while building capacity in client environments.
- The Public-Private Partnership Unit focuses on concluding public-private partnership agreements compliant with Treasury regulations, increasing oversight capacity and promoting investment in public services, especially in social services, transport and municipal infrastructure. Major projects in progress include support for the Department of Energy in the procurement of renewable energy independent power producers, support for the Department of Health in the revitalisation of tertiary hospitals and associated medical facilities, and assistance to the Passenger Rail Agency of South Africa in its rolling stock replacement and modernisation programme.
- The infrastructure delivery improvement programme focuses on building sustainable capacity to deliver infrastructure in the provincial departments of treasury, education, health and public works. It will continue to mobilise and deploy technical assistants to these departments and to closely monitor implementation.

### LOCAL GOVERNMENT FINANCIAL SKILLS DEVELOPMENT GRANT

This sub-programme aims to strengthen the ability of selected municipalities and entities to effectively and efficiently deliver public infrastructure and ensure ongoing management and maintenance. This will primarily be achieved by expanding the existing skills base. Registered professionals in the built environment will provide training, mentoring and coaching. The grant programme is administered in collaboration with the Provincial and Local Government Infrastructure chief directorate of the Intergovernmental Relations division.

### NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT

This sub-programme provides support to municipalities in conceptualising and implementing long-term township regeneration programmes, with an emphasis on enabling and complementing private-sector investment in urban development. This is achieved through targeted catalytic development projects and leveraged third-party investment in prioritised nodes and corridors. A total number of 265 project plans (cumulative) were approved in 2012/13, with a grant value of R3.15 billion.

## **PROGRAMME 8: TECHNICAL SUPPORT AND DEVELOPMENT FINANCE - cont**

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### **GAUTRAIN LOAN**

Repayment of the R4.2 billion loan to Gauteng Province, which was provided in 2009/10 to contribute to the investment requirements of the Gautrain project, is scheduled to begin in 2013, with the last payment due in 2017.

### **MUNICIPAL FINANCE MANAGEMENT GRANT AND IMPROVEMENT PROGRAMME**

This sub-programme provides a package of technical and financial assistance to municipalities to strengthen compliance with the Municipal Finance Management Act and to modernise municipal financial management. Municipal financial improvement initiatives are supported through a grant programme overseen in collaboration with the Municipal Financial Management Unit in the Office of the Accountant-General.

### **EMPLOYMENT CREATION FACILITATION**

The Employment Creation Facilitation sub-programme supports research and innovation to create jobs, encourage development and broaden participation in the economy.

The Jobs Fund, administered by the Development Bank of Southern Africa on behalf of the National Treasury, co-funds projects in the public and private sector in four broad areas: enterprise development, infrastructure investment, support for work-seekers and institutional capacity building. The programme aims to create 150 000 sustainable jobs over a five-year period. The fund selects projects and allocates funds through an open, competitive process, based on pre-defined and widely publicised criteria. Implementation of projects from the first round of approvals began in 2012. A second round of proposals is under review, and the third call for proposals has been issued.

The sub-programme also supports a research programme on employment, income distribution and inclusive growth, based at the Southern African Labour and Development Research Unit at the University of Cape Town.

### **INTEGRATED CITY DEVELOPMENT GRANT**

This sub-programme provides implementation support for cities in four critical areas: governance and built environment planning, human settlements management, public transport, and environmental sustainability and climate resilience. The grant will finance technical assistance, peer learning and collaborative performance reviews linked to incentives to strengthen planning and delivery capacity. It will also target infrastructure spending to transform the spatial form of South African cities so that they are more inclusive, productive and sustainable. The sub-programme facilitates national policy and regulatory reviews to empower cities to perform their functions effectively.

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

### STRATEGIC RISKS

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

### STRATEGIC OBJECTIVES

Strategic objective 8.1	Technical and advisory services
Objective statement	To build public sector clients' capacity through a combination of diagnostic services, organisation development and programme and project implementation support
Baseline	Public-sector institutions' requests for assistance to improve their capacity in order to deliver on their mandate
Justification	Government currently requires support to achieve its strategic outcomes and development goals
Links	Outcomes 4, 9 and 12

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

Strategic objective 8.2	Public-private partnerships and capital projects oversight
Objective statement	To provide increased public-private partnerships and capital projects planning and oversight by providing advisory support to all public-private partnerships and large capital projects in development and implementation and assist National Treasury in its regulatory function
Baseline	24 public-private partnership projects in implementation, 40 projects in the pipeline, with additions occurring routinely; 55 major capital expenditure projects reviewed, with 12 approved and 6 referred back for more planning
Justification	Treasury regulation 16, municipal public-private partnership regulations, Capital Budgets Committee terms of reference
Links	Outcomes 4, 5, 6, 11, 12

Strategic objective 8.3	Infrastructure delivery capacity programme
Objective statement	To help build sustainable capacity in the selected provincial departments and municipalities in order to improve infrastructure delivery
Baseline	Phase III of the infrastructure delivery improvement programme is being implemented in the selected provincial departments of education, health, public works and treasury
Justification	To improve the capacity of selected provincial departments to be able to deliver, manage and maintain social and economic infrastructure
Links	Programme 3: Public Finance and Budget Management and Outcomes 9, 12

Strategic objective 8.4	Financial management capacity-building programme
Objective statement	Strengthen the capacity of provincial treasuries and municipalities to fully implement the Municipal Finance Management Act and associated financial reforms
Baseline	Support currently provided to 8 provinces and 76 municipalities
Justification	The Constitution, 1996 and Municipal Finance Management Act, 2003
Links	Programme 5: Financial Accounting and Reporting and Outcomes 9,12

Strategic objective 8.5	Neighbourhood development partnership programmes
Objective statement	Support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage 3rd party public and private sector development towards improving the quality of life of residents in targeted underserved neighbourhoods (townships generally) via the implementation of long term strategic plans and catalytic project plans.
Baseline	A total number of 265 project plans (cumulative) were approved in 2012/13, with a grant value of R3.15 billion.
Justification	Townships are marginalised in terms of social, spatial, environmental and economic development due to apartheid policies and legislation on planning, development and resource allocation
Links	Programme 3: Public Finance and Budget Management and Outcomes 4,7,8, 9

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

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Strategic objective 8.6	Job creation challenge fund programme
Objective statement	Catalyse innovative and partnership-based approaches to job creation and promote opportunities that lead to the long-term improvement of employment prospects of the unemployed, especially for the youth and women of our country
Baseline	Support self-sustainable job creation initiatives and improve employment prospects with special focus on youth and women
Justification	To contribute to breaking the cycle of chronically high levels of unemployment over the medium to long term
Links	Outcomes 4, 5, 7

## PROGRAMME 9: REVENUE ADMINISTRATION

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

## PROGRAMME 10: FINANCIAL INTELLIGENCE AND STATE SECURITY

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



## ANNEXURE

### ABBREVIATIONS

<b>ACTT</b>	Anti-corruption task team	<b>MDM</b>	Master data management
<b>AENE</b>	Adjusted estimates of National Expenditure	<b>MFMA</b>	Municipal Finance Management Act
<b>Afdb</b>	African Development Bank	<b>MTBPS</b>	Medium Term Budget Policy Statement
<b>AU</b>	African Union	<b>MTEC</b>	Medium-term Expenditure Committee
<b>BAS</b>	Basic Accounting System	<b>MOU</b>	Memorandum of understanding
<b>BI</b>	Business intelligence	<b>OAG</b>	Office of the Accountant-General
<b>BRICS</b>	Brazil, Russia, India, China, South Africa	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>DBSA</b>	Development Bank of Southern Africa	<b>OLA</b>	Operations-level agreement
<b>DFI</b>	Development finance institution	<b>PFMA</b>	Public Finance Management Act
<b>DPSA</b>	Department of Public Service and Administration	<b>PIC</b>	Public Investment Corporation
<b>CFO</b>	Chief financial officer	<b>PMM</b>	Procurement management module
<b>ENE</b>	Estimates of National Expenditure	<b>PPP</b>	Public-private partnership
<b>FLC</b>	Fiscal Liabilities Committee	<b>QAR</b>	Quality assessment review
<b>FMCMM</b>	Financial management capability maturity model	<b>RPO</b>	Recovery point objective
<b>FMS</b>	Financial management system	<b>RTO</b>	Recovery time objective
<b>G20</b>	Group of Twenty	<b>SAA</b>	South African Airways
<b>GDP</b>	Gross domestic product	<b>SABC</b>	South African Broadcasting Corporation
<b>GEPF</b>	Government Employees Pension Fund	<b>SACU</b>	Southern African Customs Union
<b>GRAP</b>	Generally recognised accounting practice	<b>SADC</b>	Southern African Development Community
<b>GTAC</b>	Government technical advisory centre	<b>SANRAL</b>	South African National Roads Agency Limited
<b>HR</b>	Human resources	<b>SARS</b>	South African Revenue Service
<b>HRM</b>	Human resources module	<b>SASRIA</b>	South African Special Risks Insurance Association
<b>IA</b>	Internal audit	<b>SAX</b>	South African Express Airways
<b>ICT</b>	Information and communications technology	<b>SCM</b>	Supply Chain management
<b>IDM</b>	Infrastructure delivery management	<b>SCOA</b>	Standard chart of accounts
<b>IFMS</b>	Integrated financial management system	<b>SISP</b>	Strategic information systems plan
<b>IIA</b>	Institute of Internal Auditors	<b>SLA</b>	Service-level agreement
<b>ILB</b>	Inflation-linked bonds	<b>SOC</b>	State-owned company
<b>IMF</b>	International Monetary Fund	<b>SSP</b>	Strategic support plans
<b>IMM</b>	Inventory management module	<b>TB</b>	Treasury bond
<b>ISPPIA</b>	International standards for the professional practice of internal audit	<b>URS</b>	User requirement statement
<b>IT</b>	Information technology	<b>WEF</b>	World Economic Forum
<b>KM</b>	Knowledge management		





National Treasury  
**STRATEGIC PLAN**  
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