

National Treasury
STRATEGIC PLAN

2015/19



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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2015/19

The **2015/19 National Treasury Strategic Plan** is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

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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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MINISTER'S FOREWORD



The slowdown in economic growth since 2012 has highlighted structural constraints in the domestic economy. While progress has been made on several fronts – such as talks to establish a more sustainable labour-relations environment, and administrative reforms to reduce red tape obstacles to more rapid growth remain in place.

Achieving faster and more sustainable growth and large-scale job creation requires structural shifts in the economy, stronger supply-side value chains, higher exports, moderation in wage increases and, crucially, growing private-sector investment based on confidence in the long-term business environment.

The integrated reforms required to achieve these goals are outlined in the National Development Plan (NDP), and are addressed in the Medium-Term Strategic Framework (MTSF).

Maintaining a prudent macroeconomic and fiscal policy stance that promotes low inflation, low interest rates and a competitive real exchange rate – and which narrows the budget deficit and stabilises the public-sector debt ratio – will provide a platform to strengthen structural change across the economy.

It is in this context that the 2015 Budget presents a story about making the right choices in order to change the trajectory of our economy and society. In short, the 2015 budget is about four things:

- Narrowing the budget deficit
- Improving the quality of spending
- Reducing constraints on the economy and
- Continued support for programmes that benefit the poor the most.

The 2015 Budget builds on the progress made in recent years in limiting the growth of government expenditure. Bloated budgets for employee compensation have been curtailed and cost-containment measures have begun to yield results. Over the medium term, government will take a number of steps to strengthen budget controls. New Treasury instructions will contain costs and additional controls on personnel budgets will be designed. Procurement reforms will be rolled out, including an online tender system that enhances public scrutiny, strengthens competition and levels the playing field for small businesses.

These measures, combined with hard budget constraints and strong oversight by Parliament, other institutions, the public and the media will help to ensure that accounting officers across government direct limited resources to policy priorities. Tighter budgets are an opportunity to eliminate waste, improve efficiency and change the way government does business.

Despite the expected weakness in the global economy as a whole, particular regions and sectors provide growth opportunities. South African firms are well placed to take advantage of rising demand on the African continent. To help businesses realise these opportunities, the capabilities of the state are being enhanced, critical public investments are being made and regulatory obstacles are being identified.

MINISTER'S FOREWORD - continued

TRANSFORMING URBAN SPACES

South Africa's urban infrastructure must be renewed. Population growth places enormous pressure on ageing transport systems, roads, housing, water and other amenities. Moreover, apartheid spatial planning dominates the urban landscape. Over the next three years, government will expand investment in the urban built environment, using resources more effectively to transform human settlements, and drawing in private investment to support more dynamic and inclusive economic growth.

In this period of low global growth which is forecast to continue over the next several years, South Africa has begun to promote structural reforms needed for the long term. Implementing the NDP and the MTSF, delivering social and economic programmes and completing critical infrastructure projects are intended to improve growth potential. Reducing macroeconomic imbalances, including narrowing the budget deficit as a proportion of GDP and consolidating the debt ratio, will provide a sound and predictable basis for achieving these structural reforms.



Nhlanhla Nene

Minister of Finance

OVERVIEW OF THE ACCOUNTING OFFICER



This five-year Strategic Plan is being tabled in Parliament amidst concerns that the global economy is going through a protracted period of slow growth punctuated by volatility. Whilst the National Treasury's mandate and objectives remain unchanged, it is this context, together with domestic challenges and aspirations, which will define our approach to managing the country's fiscal resources.

In an environment where fiscal resources are scarce and the challenges large, it is critical that spending is carried out with great care and sharp focus. It is also important to remember that improved efficiency will not on its own reposition the South African economy in line with our

aspirations. The National Development Plan articulates the need for structural change to make the economy not only sustainable but also inclusive, capable of bringing about the long-term social gains for which our society yearns.

The 2015 Medium Term Expenditure Framework (MTEF) continues to prioritise investment, as is clear from the fact that capital spending is the fastest-growing element of non-interest expenditure. As a consequence, spending on capital remains stable at over R800 billion over the period ahead while the deficit will be reduced. Although taxes are being moderately increased, reduced spending on consumption is a clear feature of the budget. Through the Chief Procurement Office, we shall drive efficiency of spending throughout the state.

Broad self-awareness is important to our success in these challenging times, and it is critical that all stakeholders recognise that our success can only be realised through collective effort. Government alone cannot guarantee structural change in the economy. Private sector investment is vital to improving our economic outlook. Government will continue to work hard to ignite and sustain confidence in South Africa's future by dealing with regulatory and other obstacles. We will also build on successful examples of public-private partnership such as the Renewable Energy Independent Power Purchase Programme, involving independent producers.

National Treasury will continue to advance the country's interests through its participation in multilateral institutions including the Group of 20 Finance Ministers and Central Bank Governors (G20), the International Monetary Fund and the World Bank. South Africa's participation in the G20 forum of leading economies will remain focused on finding collective solutions for reviving global economic growth. The National Treasury will also play its part in rendering the BRICS-led New Development Bank and African Regional Centre operational.

I would like to take this opportunity to extend a very warm welcome to the Deputy Minister of Finance to the Treasury, and to wish the Minister every success in his new role. From the very first moment that they assumed their new roles, they provided strong and insightful leadership on a wide range of issues under consideration. This Strategic Plan is the product of collective thinking and of robust debate among an exceptional and committed team. I am always appreciative of their efforts.

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

Lungisa Fuzile
Director-General

VISION AND MISSION STATEMENT

VISION

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

MISSION

The National Treasury supports economic growth and development, good governance, social progress and rising living standards through the accountable, economic, efficient, equitable and sustainable management of South Africa's public finances, maintenance of macroeconomic and financial sector stability, and effective financial regulation of the economy.

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

National Treasury's legislative mandate is based on Chapter 13, Section 216(1) of the Constitution, which calls for the establishment of a national treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances. This role is further elaborated in the Public Finance Management Act (1999). The department 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. Accordingly, there have been no significant changes to the National Treasury's legislative and other mandates.

PARLIAMENTARY SERVICES

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

SITUATIONAL ANALYSIS

ECONOMIC ENVIRONMENT

A weak global economic recovery is projected for the next several years, with growth forecast to rise from 3.3 per cent in 2014 to 3.5 per cent in 2015 and 3.7 per cent in 2016. These projections have been revised downwards in recent months and are likely to have consequences for all developing economies.

Among advanced economies, growth is picking up in the United States of America (USA) but economic activity remains tepid in Europe and Japan. Weak domestic demand and falling inflation expectations have prompted the central banks of Europe and Japan to introduce additional monetary stimuli, which should support growth rates slightly above 2014 levels.

Despite lower commodity prices, the growth outlook for sub-Saharan Africa remains robust, averaging an annual 5 per cent over the next three years. Economies in the region have diversified over the past decade, attracting increased foreign direct investment and benefiting from rising investment in ports, electricity capacity and transportation. Buoyant growth in agriculture and services has also broadened economic activity. For net oil importers, the decline in oil prices should offset lower non-oil commodity export prices in the short term. However, the region faces significant risks. These include uncertainty about the consequences of lower commodity prices for investment; unresolved security issues; and weak European demand.

ELECTRICITY SUPPLY AND THE ECONOMY

The South African economy faces a difficult few years. Some of the difficulties are the result of a weak global outlook while others have to do with the structure of our economy. The net result is that economic growth is likely to remain subdued over the medium term, rising from a projected 2 per cent of GDP in 2015 to 3 per cent in 2017.

Inadequate electricity supply will be a serious constraint to output and exports over the short term. Government is working with Eskom to limit the impact of power cuts. Measures include stepping up maintenance to ensure reliability of supply; renewing existing co-generation agreements with private firms and entering into new ones; and expediting the completion of new power stations. At the end of 2014, government invited independent power producers to build coal-fired power stations providing up to 2 500MW of electricity. Efforts are also under way to secure additional supply from gas and renewable sources. Together, these efforts will improve the availability of electricity over the medium term, and plans are under way to ensure that the country can generate sufficient energy to power its economy over the long term.

Enhanced tax incentives will promote greater energy efficiency. Interventions such as the solar water heating initiative and grants to municipalities under the Energy Efficiency and Demand Side Management programme will encourage households to use energy more efficiently. The evolution towards cost-reflective electricity prices will encourage firms to reduce consumption and to direct investment towards less energy-intensive sectors.

ENSURING FISCAL SUSTAINABILITY

Since 2012, government has pointed out that a deterioration of the economic environment would warrant a reconsideration of expenditure and revenue plans. Despite the implementation of a spending ceiling, weak economic growth has produced a persistently large budget deficit.

SITUATIONAL ANALYSIS - continued

While fiscal policy has supported the economy for the past seven years, this countercyclical approach has reached its limits. The budget deficit is largely structural and cannot be reduced through a cyclical upturn in revenues. Accordingly, the 2015 Budget proposals will:

- Reduce the expenditure ceiling by R25 billion over the next two years, compared with the 2014 Budget baseline
- Increase personal income tax rates and the general fuel levy, raising an additional R16.8 billion in 2015/16
- Strengthen budget preparation and expenditure controls to improve the efficiency of resource allocation and the composition of spending
- Withhold additional resources for changes to personnel numbers
- Ensure that the financing of state-owned companies does not increase national government's budget deficit.

Given weak economic conditions, these proposals have been designed to limit the dampening effect on growth in the short term. The slowdown in spending growth is less pronounced in 2015/16, with the weight of expenditure consolidation shifted to the second year of the framework.

To support the economy, development finance institutions plan to expand their loan books by 33 per cent over the next two years. From 2017/18, real expenditure growth will be more closely aligned with long-term average real GDP growth. This reform will bolster fiscal sustainability while allowing the budget to play a more predictable role in stabilising the economy.

The main budget expenditure ceiling has been in place since 2012 and remains a cornerstone of the fiscal framework. Government is on track to achieve the 2014/15 spending target set in the 2014 Medium Term Budget Policy Statement (MTBPS). Between 2003/04 and 2009/10, growth in real expenditure averaged 9 per cent. This is projected to stand at 2.5 per cent in 2015/16 and to decline to 0.7 per cent in 2016/17.

BUILDING CRITICAL INFRASTRUCTURE AND RAISING PRODUCTIVITY

The public-sector infrastructure programme has begun to reduce constraints to growth. Transnet's seven-year R310 billion capital investment programme is modernising the freight logistics network, introducing more than 1 000 new locomotives and upgrading railways, ports and the pipeline infrastructure. Sixty trains now run daily between Durban and Johannesburg, compared with fewer than 20 a decade ago.

Telecommunications investments in the construction and upgrading of fibre-optic and mobile networks, and the introduction of municipal WiFi, will boost information technology access and affordability. Faster, cheaper and more accessible broadband is critical to support small businesses and overall competitiveness.

EMPLOYMENT CREATION AND BUILDING SKILLS

Various incentives and programmes have been introduced to assist job seekers and to build skills. In 2013/14, the Expanded Public Works Programme created over 1 million jobs of varying duration. To date, the Jobs Fund has created 30 701 permanent jobs and trained 75 163 work seekers. In December 2014, the Employment Tax Incentive supported the employment of over 216 000 young workers, from a peak of 268 000 in August. Expanding education

SITUATIONAL ANALYSIS - continued

is key to developing the skills required in the modern economy, and over the past three years 92 new schools have been built as part of the accelerated school infrastructure development initiative and two new universities opened their doors last year.

REGULATORY AND BUSINESS ENVIRONMENT

A number of regulatory reforms and administrative improvements have been put in place to enhance business conditions and confidence. These include the South African Revenue Service customs modernisation programme; streamlined company registration processes; amendments to the Competition Amendment Act (2009) which increase penalties for anticompetitive behaviour; the regulator's recent reductions in mobile telecommunication rates; and government's One Environmental System, which will shorten the process of obtaining mining, environmental and water licences. Draft legislation to establish a transport economic regulator, to be tabled in 2015, should promote greater competition in the sector.

INCENTIVES, NEW SECTORS AND NEW BUSINESS

The establishment of special economic zones, a range of tax incentives and grant funding for upgrading equipment and processes should help local companies to become more competitive. The turnover tax and venture capital tax incentives were revised in 2014. In 2013/14, the Research and Development Incentive approved 428 projects valued at R2.9 billion. Operation Phakisa (Hurry up) has established "delivery labs" to cut red tape and speed up rollout. The first two such labs focused on the ocean economy (offshore fishing oil, marine transport and aquaculture) and health services. As a result of the first lab, Transnet National Ports Authority announced R9.65 billion in infrastructure projects at Saldanha Bay.

Important structural changes are under way in agriculture, manufacturing and mining and are expected to boost long-term growth potential.

- Since 2010, manufacturing has increased gross fixed-capital formation by a compound annual average of 10.3 per cent, with a focus on replacing or upgrading machinery and equipment. This has improved local firms' international competitiveness and boosted exports.
- In clothing, footwear and textiles, new production and clustering systems enable firms to respond flexibly, with short lead times, to local demand. Such changes could substantially boost job creation.
- Mining production and investment have shifted towards newer, better-performing export sectors such as iron ore, coal and manganese.
- Agriculture has become more export focused. Labour-intensive horticultural exports (such as grapes, citrus and tree nuts) are growing as a share of output, replacing highly mechanised grain exports such as maize. Investment growth has averaged over 10 per cent since 2010.

There are notable developments in emerging sectors such as oil and gas. The port of Saldanha has seen significant increases in rig-repair and fabrication work, with new operators and private investors. A planned oil servicing zone in the Saldanha Industrial Development Zone will service and supply the African industry, and government will encourage exploration of shale and offshore gas. Recent investment in the country by Google and Amazon suggest the potential to expand entrepreneurial and technology-based firms, demonstrating the sophistication of the economy and possible avenues for future growth.

SITUATIONAL ANALYSIS - continued

ORGANISATIONAL ENVIRONMENT

The National Treasury remains measured and consistent in its approach to improving the organisational environment, rising to challenges through a culture of self-awareness and performance excellence. It continues to make a concerted effort to ensure that its structure is appropriate for achieving the organisation's strategic objectives, and those of government at large.

Key organisational focus areas over the medium-term include:

- Promoting economic policy coherence around the objectives of growth and jobs
- Addressing risks on the public sector balance sheet
- Executing a credible budget process that allocates resources sustainably to policy priorities, and is in line with spending plans
- Exercising public finance management oversight responsibilities, including capacity building, that delivers value for money
- Making the financial sector serve South Africa better
- Building a happy and effective institution that is a centre of excellence
- Implementing a strategic communications and outreach programme that addresses stakeholders.

Expected increases in spending on compensation of employees, from R689 million in 2014/15 to R825 million in 2017/18, are mainly attributable to cost of living adjustments. The department has heeded the call to curb excessive growth on compensation of employees and has implemented Cabinet-approved budget reductions of R40.5 million, R42.1 million and R46.4 million respectively over the medium term. This has led to a sharper focus when evaluating funded positions in the establishment, carefully prioritising posts which are critically important to fill.

Amongst the notable additions to the National Treasury structure to be filled over the period ahead are those described below.

FINANCIAL SECTOR POLICY

In addition to being responsible for developing policy on the regulation of the financial sector in South Africa, the unit also aims to improve the national savings rate through reforms to the legislative framework governing the savings industry, and to work towards implementing retirement reform proposals.

Enabling legislation for the Twin Peaks model for regulation and oversight in the financial sector was introduced in 2013/14. In terms of this model, the financial services industry and related structures will have two regulators: a prudential regulator, which will operate within the Reserve Bank; and a new market conduct regulator, which will be established within a restructured Financial Services Board. A new unit will be created to focus on providing analysis of financial market conduct in line with the Twin Peaks model.

INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

After Cabinet's endorsement of a change in direction of the IFMS project, considerable work has been undertaken by the National Treasury, the Department of Public Service and Administration and the State Information Technology Agency to lay the foundation for this change.

SITUATIONAL ANALYSIS - continued

The project has gained momentum and the team has grown, primarily with the establishment of a programme management office. The Office of the Accountant-General then identified the need to establish dedicated institutional capacity to ensure that the positive momentum continues and that the myriad of matters arising as a result are addressed appropriately.

The unit, which is now partially staffed, is expected to evolve functionally in line with project progress over time. Initially it is focused on procurement and planning. Once successfully implemented, the stress will shift towards matters of transition and implementation and, several years later, towards maintenance and on-going systems improvements.

OFFICE OF THE CHIEF PROCUREMENT OFFICER

The Office of the Chief Procurement Officer (OCPO) has been an area of intense activity and focus over the recent past. Plans are now firmly in place and organisational capacity required for delivering on them has been identified. Primary areas of increased capacity include those related to transversal contracts, procurement related to infrastructure development and the conduct of government procurement in a manner that increases opportunities for small business and the youth of our country.

To increase centralised coordination of procurement in government, particularly of commodities commonly procured in small volumes by most departments, the capacity of the unit coordinating transversal contracts will be increased considerably.

In deliberations relating to procurement and the functions of the OCPO, it became clear that the approach to government purchases of goods and services is distinct from purchases of infrastructure. Organisational capacity for considering and leading policy relating to procurement of capital items and infrastructure will be established over the period ahead.

The procurement policy unit in the OCPO will also be refocused, in line with the organisational strategy. Policies will be interrogated and adjusted where necessary, in order to reduce the administrative burden and increase the number of economic opportunities available to small, medium and micro enterprises (SMMEs) and young people in South Africa. The necessary capacity to optimise the effectiveness of government procurement and enable it to contribute towards an inclusive economy will be acquired. Policy considerations relating to SMME development, broad-based black economic empowerment (B-BBEE), and set-asides in respect of government procurement will be amongst the first to receive attention in this regard.

BUDGET SUMMARY

VOTE 7: NATIONAL TREASURY RESOURCE PLAN

R million	2015/16					2016/17		2017/18	
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total	Total	
MTEF allocation									
Administration	366.7	353.8	3.6	9.2	-	379.5	398.8		
Economic Policy, Tax, Financial Regulation and Research	133.9	105.9	27.6	0.5	-	142.6	153.8		
Public Finance and Budget Management	257.0	215.1	40.6	1.3	-	275.8	294.8		
Asset and Liability Management	3 116.9	92.3	-	0.6	3 024.0	98.1	104.5		
Financial Accounting and Supply Chain Management Systems	751.4	664.6	82.0	4.7	-	825.4	883.0		
International Financial Relations	1 247.4	48.9	851.8	0.1	346.7	1 314.4	1 380.2		
Civil and Military Pensions, Contributions to Funds and Other Benefits	3 962.9	61.2	3 901.8	-	-	4 173.2	4 381.9		
Technical Support and Development Finance	3 143.9	406.3	2 737.6	-	-	3 278.2	3 331.7		
Revenue Administration	9 434.4	-	9 434.4	-	-	10 433.5	11 415.6		
Financial Intelligence and State Security	4 542.8	-	4 542.8	-	4 793.0	5 033.7			
Subtotal	26 957.3	1 948.1	21 622.1	16.4	3 370.7	25 713.8	27 378.2		
Direct charge against the National Revenue Fund									
Provincial equitable share	382 673.5	-	382 673.5	-	-	405 264.6	428 892.5		
Debt service costs	126 440.4	126 440.4	-	-	-	140 970.9	153 376.0		
General fuel levy sharing with metropolitan municipalities	10 658.9	-	10 658.9	-	-	11 223.8	11 785.0		
National Revenue Fund payments	121.0	-	-	-	121.0	-	-		
Total expenditure estimates	546 851.1	128 388.5	414 954.5	16.4	3 491.7	583 173.1	621 431.7		

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

SELECTED PERFORMANCE INDICATORS BY PROGRAMME AND RELATED OUTCOMES

Indicator	Programme	Outcome	Past			Current	Projections		
			2011/12	2012/13	2013/14		2014/15	2015/16	2016/17
Net loan debt as a percentage of GDP	Asset and Liability Management	Outcome 4: Decent employment through inclusive economic growth	32.1% (R989.7bn)	35.5% (R1 181.6bn)	38.2% (R1 379.5bn)	40.8% (R1 584.0bn)	42.5% (R1 781.3bn)	43.1% (R1 958.1bn)	43.7% (R2 151.7bn)
Value of government gross annual borrowing	Asset and Liability Management		R163.7bn	R209.4bn	R201.3bn	R229.1bn	R204.5bn	R213.4bn	R246.5bn
Cost to service debt as a percentage of GDP	Asset and Liability Management		2.5% (R76.5bn)	2.6% (R88.1bn)	2.8% (R101.2bn)	3.0% (R115.0bn)	3.0% (R126.4bn)	3.1% (R140.9bn)	3.1% (R153.4bn)
Number of active training providers delivering the municipal regulated minimum competency levels programme per year	Financial Accounting and Supply Chain Management Systems	Outcome 12: An efficient, effective and development oriented public service	46	72	24	40	43	43	43
Percentage of identified transversal contracts with strategic sourcing principles introduced per year	Financial Accounting and Supply Chain Management Systems		59% (19)	70% (14)	90% (18)	100% (15)	100% (19)	100% (14)	100% (23)
Number of individuals trained per year to assist with the implementation of financial management reforms	Financial Accounting and Supply Chain Management Systems		3 142	3 547	267	700	760	750	740
Number of neighbourhood development partnership grant projects under construction per year	Technical Support and Development Finance	Outcome 9: A responsive, accountable, effective and efficient developmental local government system	70	86	83	40	40	40	40
Total estimated third party investment leveraged ¹	Technical Support and Development Finance		-1	R1 458bn	R1 868bn	R2 500bn	R3 000bn	R3 500bn	R4 000bn
Total number of new jobs contracted for approved and active projects in the Jobs Fund	Technical Support and Development Finance	Outcome 4: Decent employment through inclusive economic growth	-1	65 121	143 914	110 000	140 000	150 000	150 000
	Technical Support and Development Finance								

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

SELECTED PERFORMANCE INDICATORS BY PROGRAMME AND RELATED OUTCOMES - CONTINUED

Indicator	Programme	Outcome	Past			Current			Projections		
			2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18		
Number of long term urban regeneration programmes ² registered per year	Technical Support and Development Finance	Outcome 8: Sustainable human settlements and improved quality of household life	-2	-2	18	18	18	18	18	18	20
Number of training placements contracted for with active private companies in the Jobs Fund per year ¹	Technical Support and Development Finance	Outcome 4: Decent employment through inclusive economic growth	-1	105 499	160 651	140 000	160 000	160 000	160 000	160 000	160 000

1. Previous data is not available as investments and projects began in 2012/13.

2. The urban regeneration programme was only launched in 2013/14.

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

EXPENDITURE ANALYSIS

The national development plan charts a growth trajectory to reduce poverty and inequality, and envisages a country in which all citizens have the required capabilities to seize available opportunities. These capabilities include education and skills, decent accommodation, nutrition, safe communities, social security and transport, facilitated by a capable state and a growing, resilient economy. Government's 2014/19 MTSF directs government to invest in infrastructure development, create jobs, transform South Africa to a low carbon economy, and bring about social transformation and unity.

National Treasury will contribute to these objectives over the medium term by focusing on the following priorities: managing national budget processes to direct public funds towards inclusive economic growth and long term financial stability; promoting a tax policy and administration that ensures sustainable growth and job creation; facilitating infrastructure development and building economically integrated cities; supporting the creation of sustainable employment; improving, modernising and monitoring procurement across government to improve value for public money; and improving government financial management and financial systems to build capability at all levels of government.

The Treasury is responsible for the main statutory transfers to provincial governments. It provides for servicing government debt and is responsible for the distribution of the general fuel levy to metropolitan municipalities. These are regarded as a direct charge against the National Revenue Fund and collectively account for 95.3 per cent of the department's budget over the MTEF period. Cabinet approved budget reductions of R4.96 billion in 2015/16, R6.4 billion in 2016/17 and R5.2 billion in 2017/18 will be effected on the main statutory transfers to provincial governments. Cabinet approved additional allocations of R1.8 billion in 2016/17 and R6.6 billion in 2017/18 are for higher debt service costs.

DIRECTING PUBLIC FUNDS TOWARDS INCLUSIVE GROWTH AND LONG TERM ECONOMIC STABILITY

Over the medium term, the Treasury will assess public expenditure and align the Budget to achieving the outcomes of the 2014/19 medium term strategic framework. A comprehensive review of public expenditure is in progress and will be finalised over the medium term. The 20-year review of the South African fiscal policy framework has been completed, and its recommendations will be included in the 2015 Budget to ensure sustainable levels of spending. These activities are funded through the *Public Finance and Budget Management* programme. Spending over the medium term is projected at R827.5 million.

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

TAX POLICY AND ADMINISTRATION FOR SUSTAINABLE GROWTH AND JOB CREATION

National Treasury promotes a tax policy framework and tax administration system that ensures sustainable growth and that is able to deliver on government's mandate to address the needs of all South Africans, including tax proposals that support environmental sustainability and youth employment. The department established the Davis Tax Committee in 2013 to enquire into the role of the tax system in the promotion of inclusive economic growth, employment creation, development and fiscal sustainability. The committee will make recommendations on the various tax streams, which may be incorporated into tax policy. Over the medium term, the department will continue to lead the process to develop a carbon tax intended to discourage or penalise environmentally unfriendly practices in the economy. The department will also monitor the implementation of the Employment Tax Incentive Act (2013), which came into effect on 1 January 2014. The act incentivises job creation, including youth employment. Spending on these activities is projected at R78.5 million over the medium term in the *Tax Policy* subprogramme in the *Economic Policy, Tax, Financial Regulation and Research* programme.

SUSTAINABLE EMPLOYMENT

Over the medium term, National Treasury will support the creation of sustainable employment through the Jobs Fund. Established by government in 2011, the Jobs Fund supports initiatives that generate employment in innovative ways. The fund offers once-off grants for enterprise development, infrastructure, support for work seekers and institutional capacity building. Project partners are required to share risk and costs by matching the grant. The total budget for the programme is R9 billion, of which R4 billion is allocated to the *Employment Creation Facilitation* subprogramme in the *Technical Support and Development Finance* programme. By 2016/17, the fund is expected to have increased approved projects from 89 to 129, and it is anticipated that the fund will have contracted 150 000 jobs when the projects are concluded. The Jobs Fund will be managed through the Government Technical Advisory Centre.

INFRASTRUCTURE DEVELOPMENT AND ECONOMICALLY INTEGRATED CITIES AND COMMUNITIES

To support the development of infrastructure and economically integrated cities and communities, National Treasury provides subsidies, technical assistance, and training for infrastructure planning and development. The support is channelled through the Neighbourhood Development Partnership Grant, the Integrated Cities Development Grant, and the infrastructure delivery improvement programme in the *Infrastructure Development Support* and the *Urban Development and Support* subprogrammes in the *Technical Support and Development Finance* programme.

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

To provide catalytic infrastructure that attracts third-party investment and assists metropolitan municipalities to develop more inclusive and productive built environments, spending in the *Urban Development and Support* subprogramme of R2.8 billion over the medium term is projected for neighbourhood development planning and projects. 26 township urban hubs across 18 identified municipalities have been prioritised for strategic integrated development, and 18 spatial transformation zones will be identified for development by 2015/16. Twenty integrated city development projects will be implemented over the medium term, and a further estimated R1.5 billion is expected to be leveraged over the medium term through third-party investment in targeted locations by catalytic investments through the neighbourhood development programmes.

Temporary specialist consultants provide technical assistance for planning infrastructure development and supporting implementation across government when it is not efficient for full time Treasury staff to perform these functions. The department's overall spending on consultants will increase from R550.1 million in 2015/16 to R600.2 million in 2017/18, mainly to provide for these consultants and also for forensic investigations in the Office of the Accountant-General, among others.

The infrastructure delivery improvement programme is a capacity building programme that aims to improve the delivery of public sector infrastructure through institutionalising best practice and building capacity. The programme supports provincial departments that deliver infrastructure. Over the medium term, R452.7 million in the *Infrastructure Development Support* subprogramme is projected to be spent to deploy 36 long term technical assistants to train provincial officials on the infrastructure delivery management toolkit.

TRANSFORMING GOVERNMENT PROCUREMENT

Over the medium term, National Treasury will focus on transforming government procurement to make it more cost effective, transparent and equitable, through the Office of the Chief Procurement Officer, established in 2013/14. Wide-ranging changes will be made to procurement systems across government, including: developing generic structures for supply chain management functions in budget and treasury offices in municipalities; implementing the supply chain management education, training and development framework; reviewing the bid evaluation and adjudication minutes of key government contracts; visiting government projects to ensure delivery; and implementing a price referencing system on a nationally accessible platform so that strategic goods can be bought at the best price. Expenditure on these activities is projected at R155 million over the medium term in the *Financial Accounting and Supply Chain Management Systems* programme, including R18.6 million reprioritised from within the department.

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

STRENGTHENING GOVERNMENT FINANCIAL MANAGEMENT

The Treasury's medium term focus on improving government financial management and financial systems is reflected in projected spending of R1.5 billion over the medium term period in the *Financial Systems* subprogramme in the *Financial Accounting and Supply Chain Management Systems* programme. Activities include accelerating the deployment of the integrated financial management systems to all government departments. Local government will be supported to build their financial management capacity through the Local Government Financial Management grant and the Municipal Finance Improvement programme in the *Local Government Financial Management Support* subprogramme in the *Technical Support and Development Finance* programme. Transfers are projected to grow from R449.1 million in 2014/15 to R502 million in 2017/18. Spending on goods and services is projected to grow from R98.8 million in 2014/15 to R148.9 million in 2017/18. Local governments will use the funds to train interns, and finance experts will be deployed to assist municipalities, including to address issues detected through auditing processes.

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

EXPENDITURE ESTIMATES

Expenditure estimates by programme and economic classification									
Programme	Revised estimate	Average growth rate (%)	Expenditure/total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/total: Average (%)	
	2014/15	2011/12 - 2014/15	2014/15	2015/16	2016/17	2017/18	2014/15 - 2017/18	2017/18	
1. Administration	369.1	9.5%	0.1%	366.7	379.5	398.8	2.6%	398.8	0.1%
2. Economic Policy, Tax, Financial Regulation and Research	127.1	-17.8%	0.0%	133.9	142.6	153.8	6.6%	153.8	0.0%
3. Public Finance and Budget Management	252.4	6.3%	0.1%	257.0	275.8	294.8	5.3%	294.8	0.0%
4. Asset and Liability Management	3 091.4	55.3%	0.4%	3 116.9	98.1	104.5	-67.7%	104.5	0.3%
5. Financial Accounting and Supply Chain Management Systems	756.1	5.3%	0.1%	751.4	825.4	883.0	5.3%	883.0	0.1%
6. International Financial Relations	1 192.6	13.4%	0.2%	1 247.4	1 314.4	1 380.2	5.0%	1 380.2	0.2%
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	3 717.8	-0.5%	0.8%	3 962.9	4 173.2	4 381.9	5.6%	4 381.9	0.7%
8. Technical Support and Development Finance	2 684.8	-8.9%	0.5%	3 143.9	3 278.2	3 331.7	7.5%	3 331.7	0.5%
9. Revenue Administration	9 440.3	2.9%	2.0%	9 434.4	10 433.5	11 415.6	6.5%	11 415.6	1.8%
10. Financial Intelligence and State Security	4 366.3	5.2%	0.9%	4 542.8	4 793.0	5 033.7	4.9%	5 033.7	0.8%
Subtotal	25 997.8	4.5%	5.1%	26 957.3	25 713.8	27 378.2	1.7%	27 378.2	4.7%
Direct charge against the National Revenue Fund	485 439.0	9.0%	94.9%	519 893.8	557 459.3	594 053.5	7.0%	594 053.5	95.3%
Provincial equitable share	359 921.8	7.5%	71.6%	382 673.5	405 264.6	428 892.5	6.0%	428 892.5	69.7%
Debt-service costs	115 016.2	14.4%	21.0%	126 440.4	140 970.9	153 376.0	10.1%	153 376.0	23.7%

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

Expenditure estimates by programme and economic classification									
Programme	Revised estimate	2011/12 - 2014/15		Medium-term expenditure estimate			Average growth rate (%)	Expenditure/total: Average (%)	Expenditure/total: Average (%)
		Average growth rate (%)	Expenditure/total: Average (%)	2015/16	2016/17	2017/18			
R million	2014/15	2011/12 - 2014/15	2015/16	2016/17	2017/18	2014/15 - 2017/18			
General fuel levy sharing with metropolitan municipalities	10 190.2	5.9%	10 658.9	11 223.8	11 785.0	5.0%	1.9%		
National Revenue Fund payments	310.9	-	121.0	-	-	-100.0%	0.0%		
Total	511 436.8	8.7%	546 851.1	583 173.1	621 431.7	6.7%	100.0%		
Change to 2014 Budget estimate			(2 415.5)	4 877.6					
Economic classification									
Current payments	116 807.4	14.1%	128 388.5	143 052.9	155 575.7	10.0%	24.0%		
Compensation of employees	676.5	4.0%	725.5	774.8	825.0	6.8%	0.1%		
Goods and services of which:	1 114.7	-0.8%	1 222.6	1 307.1	1 374.8	7.2%	0.2%		
Administrative fees	3.3	-69.8%	3.1	3.2	3.8	4.7%	0.0%		
Advertising	3.3	-0.2%	2.4	2.9	3.0	-2.7%	0.0%		
Assets less than the capitalisation threshold	1.2	-23.1%	1.0	1.1	1.1	-0.5%	0.0%		
Audit costs: External	16.7	17.4%	13.5	14.2	15.1	-3.3%	0.0%		
Bursaries: Employees	6.1	31.8%	6.0	5.8	6.0	-0.6%	0.0%		
Catering: Departmental activities	1.7	-14.2%	2.4	2.5	2.6	15.1%	0.0%		
Communication	8.7	6.9%	8.9	9.2	9.7	3.8%	0.0%		
Computer services	423.0	2.4%	445.4	496.7	523.3	7.4%	0.1%		
Consultants and professional services: Business and advisory services	450.7	1.6%	550.1	571.6	600.2	10.0%	0.1%		
Consultants and professional services: Legal costs	12.9	8.5%	11.3	11.9	12.6	-0.9%	0.0%		
Contractors	3.2	0.8%	3.0	3.2	3.3	0.4%	0.0%		
Agency and support / outsourced services	9.7	-14.1%	9.8	10.4	10.9	4.0%	0.0%		

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

Programme	Expenditure estimates by programme and economic classification									
	Revised estimate	Average growth rate (%)	Expenditure/total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/total: Average (%)		
R million	2014/15	2011/12 - 2014/15	2015/16	2016/17	2017/18	2014/15 - 2017/18	2014/15 - 2017/18			
Entertainment	0.4	-9.8%	0.5	0.5	0.5	13.2%	0.0%			
Fleet services (including government motor transport)	2.3	-	2.0	2.1	2.2	-1.3%	0.0%			
Consumable supplies	3.3	6.1%	3.5	3.6	4.0	6.7%	0.0%			
Consumables: Stationery, printing and office supplies	14.5	-3.2%	12.7	13.7	14.1	-0.9%	0.0%			
Operating leases	61.8	22.8%	56.1	57.8	60.9	-0.5%	0.0%			
Property payments	19.1	15.9%	13.8	15.6	16.7	-4.3%	0.0%			
Travel and subsistence	48.4	-1.1%	48.0	51.1	53.8	3.6%	0.0%			
Training and development	9.3	-5.7%	9.1	9.7	10.1	2.9%	0.0%			
Operating payments	6.0	7.8%	3.3	3.8	4.0	-12.2%	0.0%			
Venues and facilities	9.4	-4.6%	16.6	16.5	16.9	21.7%	0.0%			
Interest and rent on land	115 016.2	14.4%	126 440.4	140 970.9	153 376.0	10.1%	23.7%			
Transfers and subsidies	390 905.3	7.1%	414 954.5	439 761.9	465 477.7	6.0%	75.6%			
Provinces and municipalities	371 511.7	7.5%	394 767.6	417 975.0	442 275.9	6.0%	71.9%			
Departmental agencies and accounts	14 101.7	3.9%	15 420.4	16 747.2	17 913.2	8.3%	2.8%			
Higher education institutions	5.8	-	-	-	-	-100.0%	0.0%			
Foreign governments and international organisations	771.7	-0.6%	854.1	920.5	964.1	7.7%	0.2%			
Public corporations and private enterprises	852.2	-24.2%	11.4	12.0	12.6	-75.5%	0.0%			
Households	3 662.2	-0.6%	3 900.9	4 107.3	4 311.9	5.6%	0.7%			
Payments for capital assets	26.4	8.6%	16.4	12.8	13.2	-20.7%	0.0%			
Machinery and equipment	26.4	15.7%	16.4	12.8	13.2	-20.7%	0.0%			
Payments for financial assets	3 697.7	70.2%	3 491.7	345.5	365.1	-53.8%	0.3%			
Total	511 436.8	8.7%	546 851.1	583 173.1	621 431.7	6.7%	100.0%			

PERSONNEL INFORMATION

Personnel numbers and cost by salary level and programme¹

Programmes	Number of posts estimated for 31 March 2015		Number and cost ² of personnel posts filled / planned for on funded establishment												Number		
	Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Salary level/total: Average (%)	
			2013/14		2014/15		2015/16		2016/17		2017/18		2014/15 - 2017/18				
National Treasury	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	No.	Unit Cost	
Salary level	1252	602.1	0.5	1 301	676.5	0.5	1 153	725.5	0.6	1 153	774.8	0.7	1 153	825.0	0.7	-3.9%	100.0%
1-6	66	13.7	0.2	71	14.8	0.2	69	15.0	0.2	69	16.1	0.2	69	17.2	0.2	-0.9%	5.8%
7-10	532	161.8	0.3	549	176.7	0.3	503	189.4	0.4	503	204.1	0.4	503	219.0	0.4	-2.9%	43.2%
11-12	351	179.2	0.6	347	202.5	0.6	298	209.3	0.7	298	225.5	0.8	298	242.1	0.8	-4.9%	26.1%
13-16	301	244.1	0.9	332	278.5	0.8	281	307.6	1.1	281	324.7	1.2	281	341.9	1.2	-5.4%	24.7%
Other	2	3.3	1.7	2	4.0	2.0	2	4.2	2.1	2	4.5	2.3	2	4.8	2.4	-	0.2%

1. Administration

2. Economic Policy, Tax, Financial Regulation and Research

3. Public Finance and Budget Management

4. Asset and Liability Management

5. Financial Accounting and Supply Chain Management Systems

6. International Financial Relations

7. Civil and Military Pensions; Contributions to Funds and Other Benefits

8. Technical Support and Development Finance

9. Revenue Administration

10. Financial Intelligence and State Security

VOTE 7: NATIONAL TREASURY RESOURCE PLAN - continued

Personnel numbers and cost by salary level and programme ¹																		
Number of posts estimated for 31 March 2015		Number and cost ² of personnel posts filled / planned for on funded establishment										Number						
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Salary level/total: Average (%)			
		2013/14		2014/15		2015/16		2016/17		2017/18		2014/15 - 2017/18						
		No.	Cost	Unit	No.	Cost	Unit	No.	Cost	Unit	No.	Cost	Unit	No.	Cost	Unit	Cost	
National Treasury		1 252			1 301	676.5	0.5	1 153	725.5	0.6	1 153	774.8	0.7	1 153	825.0	0.7		
Salary level	33	1 161	602.1	0.5	1 301	676.5	0.5	1 153	725.5	0.6	1 153	774.8	0.7	1 153	825.0	0.7		100.0%
Programme 1	7	385	144.3	0.4	397	166.5	0.4	366	188.9	0.5	366	197.0	0.5	366	204.8	0.6		31.4%
Programme 2	131	96	66.7	0.7	131	69.8	0.5	106	79.1	0.7	106	85.1	0.8	106	91.4	0.9		9.4%
Programme 3	270	263	157.0	0.6	300	174.9	0.6	267	185.0	0.7	267	199.2	0.7	267	213.8	0.8		23.1%
Programme 4	116	112	62.8	0.6	117	70.6	0.6	111	73.6	0.7	111	79.2	0.7	111	85.0	0.8		9.5%
Programme 5	303	265	149.5	0.6	313	167.9	0.5	263	167.7	0.6	263	180.8	0.7	263	194.2	0.7		23.2%
Programme 6	41	40	21.8	0.5	43	26.8	0.6	40	31.4	0.8	40	33.5	0.8	40	35.8	0.9		3.4%

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. Rand million.

PROGRAMME 1: ADMINISTRATION

Purpose: The programme ensures effective leadership, strategic management and administrative support to the National Treasury through continuous refinement of organisational strategy and structure in line with appropriate legislation and best practice.

This programme consists of the following four sub-programmes:

- The *Minister* sub-programme comprises the Ministry of Finance and ministerial support services which 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 consists of the Office of the Director-General and related support services that assist in providing strategic leadership to the department.
- The *Corporate Services* sub-programme provides the administration, financial management and essential services needed for the effective operation of the department.

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.

SUB-PROGRAMME OVERVIEW

Office of the Minister and Deputy Minister supports the Minister and Deputy Minister sub-programmes by providing executive and administrative support. The sub-programme is responsible for the development of systems and mechanisms for handling parliamentary questions and replies, Cabinet matters, correspondence, submissions and memoranda.

Management sub-programme primarily provides administrative support and reports directly to the Director General and consists of the following support services:

Strategic planning, monitoring and evaluation coordinates the translation of policy priorities agreed upon by the executive leadership into actionable strategic plans with clear objectives, performance measures and resource commitments. It also carries out monitoring and evaluation activities to ensure that the department delivers on its strategic objectives.

Legal Services is responsible for providing a comprehensive legal advisory service to enable the department to execute its mandate effectively within the rule of law.

Communication is responsible for ensuring effective communication between the department and its stakeholders.

Internal Audit assists the department to achieve its strategic objectives by evaluating and improving the adequacy and effectiveness of governance, risk management and control process. The unit helps to ensure effectiveness and efficiency by providing strategic advice, practical insights and recommendations, based on an understanding of the business and of best practice. The unit also supports the Office of the Accountant General by acting as a frame of reference in providing guidance and support to internal audit functions in government.

PROGRAMME 1: ADMINISTRATION - continued

Enterprise Risk Management ensures that a risk management culture is embedded within the department. It provides information on implementing and maintaining effective systems for identifying and mitigating risks to attaining objectives; and on optimising opportunities to improve institutional performance. Fraud prevention is an integral part of the strategy, operations and administration. A strategic risk profile register is maintained, to ensure a coordinated approach to strategic initiatives across the department.

CORPORATE SERVICES

Corporate Services provides and oversees shared services required by National Treasury. It proactively identifies these requirements, monitors and maintains service levels and sets compliance standards in line with best practices. This includes reporting on delivery.

Human Resources (HR) Management provides transactional and transformational HR support enabling National Treasury to attract, develop and retain skilled people across the department.

Financial Management ensures compliance with all relevant financial statutes and regulations, the most important of which is the Public Finance Management Act (PFMA). In doing this, it aims for a balance between service excellence and frugal use of financial resources.

Information and Communication Technology (ICT) provides long term planning and day to day support in respect of ICT needs, services and systems.

Strategic Projects and Support contributes to the preservation of the department's institutional memory and provides management support to projects. Knowledge Management deals with the preservation of business information created within the department. The Records Management function focuses on the preservation of tangible knowledge assets to ensure easy access and to comply with the National Archives Act.

The *Public Entities Oversight* unit oversees entities reporting to the Minister of Finance, ensuring compliance with relevant governance and reporting requirements.

Facilities and Security Management ensures physical and information security. It provides accommodation, and its maintenance and servicing.

STRATEGIC OBJECTIVES

Strategic objective 1.1	Provide support for strategic and performance management across the organisation
Objective statement	To provide sound strategic direction and leadership to NT through facilitation of credible Strategic and Annual Performance Plans, and through reliable management of NT's performance
Baseline	Preparation of a Strategic Plan that supports the national government's strategic priorities, within a framework that will ensure sustainability and the effective, efficient and appropriate use of resources and allocation of public funds
Justification	The MTSF and NDP objectives must be pursued within a sound and sustainable framework
Links	Applicable National Treasury Regulations

PROGRAMME 1: ADMINISTRATION - continued

Strategic objective 1.2	Provide integrated business solutions
Objective statement	Align the support provided with the requirements of the department and its strategic and performance plans
Baseline	Business solutions provided by functional areas within Corporate Services
Justification	Compliance through the application of the relevant Acts, Regulations, governance circulars and internal policies
Links	National Treasury Programmes 2-10

Strategic objective 1.3	To ensure good governance and a sound control environment
Objective statement	To continuously improve governance, risk management and control processes and reduce findings by internal and external auditors 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

IMPLEMENTATION STRATEGY

To achieve its strategic objectives, *Corporate Services* carries out its work through the following functional areas.

Internal Audit provides independent assessment and reasonable assurance of National Treasury's governance, risk management and processes by conducting risk-based audits; assuring the design and implementation of projects; and coordinating with other assurance providers.

Enterprise Risk and Security Management safe-guards National Treasury employees, information and assets by providing and maintaining continuously evolving safety and security mechanisms and services that reduce the occurrence of incidents. A sound control environment is achieved through risk management and anti-corruption support.

Financial Management ensures compliance with all relevant financial statutes and regulations, and particularly the PFMA. Improving the financial management of the department continues to take priority, and the unit has implemented and internal control framework and developed an associated guideline. The purpose of these documents is to assist management to improve governance within the department through appropriate internal controls. This promotes the efficiency and effectiveness of operations, and supports reliable reporting and compliance with laws and regulations.

The *Information and Communication Technology* unit provides ICT solutions and services that enable National Treasury to achieve its objectives. The focus will continue to be on improving the alignment of these solutions and services with the department's business needs and expectations; and on using cost effective and appropriate technologies to ensure the stability, security and robustness of its infrastructure. Ongoing implementation and maturing of ICT governance will minimise ICT risks; optimise investment in, and the use and allocation of, ICT resources; and maximise the value and effectiveness of ICT.

PROGRAMME 1: ADMINISTRATION - continued

Human Resource Management focuses on the implementation of National Treasury's Employee Retention Framework. Among other elements, the Framework includes leadership development programmes for middle to senior managers; and provides for the secondment and deployment of officials on key assignments, and for pipeline development in critical areas. A revised Business Partnering model is to be implemented to enhance the implementation of HR projects. The *Strategic Projects and Support* function implements National Treasury's Knowledge Processing System (KPS). This deals with the preservation of business information derived from knowledge creation within the department. The unit will continue to advocate the creation of an open and secure knowledge repository which all divisions can view and access. It will also facilitate both internal and external exchange of knowledge assets. Preservation of tangible knowledge assets to ensure easy access, and compliance with the National Archives Act (Act 43 of 1996), will continue; and the unit will provide solutions that enable documented information to be classified and stored.

The *Public Entities Oversight Unit* will continue to work closely with the Ministry to strengthen its ability to respond to changing economic conditions. It will also ensure that the public entities reporting to the Minister of Finance continue to perform effectively and sustainably, in line with government's policy objectives effectively. The unit will continue to establish and maintain positive relationships with all relevant internal and external stakeholders, and thus to strengthen the oversight framework. This will involve systematic onsite visits to public entities. Over the medium term, the unit will continue to work on becoming efficient, effective and fit-for-purpose, with strong internal governance, appropriate systems and increased capability to perform its oversight role.

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Inappropriate behavioral qualities	Inappropriate behavioral qualities which may compromise the preservation of a winning culture within NT	Quarterly reviews in response to comments from Executive Committee and management meetings
Misinterpretation by media	Misinterpretation of NT by the media on policies and statements, resulting in damage to confidence in the economy	Briefing sessions with EXCO on media trends and reporting Liaise with EXCO to invite the media to engage with NT officials in order to understand the NT mandate
Inability to attract and retain suitable skills	Inability to attract and retain critical human capital (skills and expertise) leading to poor service delivery	Develop a mentoring programme for Director posts and pave a path for staff retention Engage academic institutions through HR to align their academic programmes with the public sector Succession plans to mitigate the impact of loss of key personnel
Inadequate knowledge management	Inadequate access to and sharing of business knowledge resulting in duplication of initiatives/ efforts	Encourage adherence to a department-wide institutional memory to enable sustainable knowledge management within National Treasury
Inappropriate management of resources	Inappropriate management of resources, leading to adverse audit opinions	Regular communication to the department on the importance of compliance

PROGRAMME 1: ADMINISTRATION - continued

Risk	Risk Description	Mitigation Strategy
Leakage of sensitive information	Sensitive information made available to unauthorised personnel resulting in reputational damage of NT and adverse market response	Regular awareness sessions to sensitise senior management about the importance of information classification levels for various documents
Fraud and corruption	Fraud and corruption resulting in financial losses, with reputational implications	Strengthen the current systems of payment to different stakeholders Assess the effectiveness of the anti-corruption culture advocated by senior management
Lack of Business Continuity Management strategy	Lack of proper Business Continuity Management strategy leading to the inability to continue, following a business disruption	Test the effectiveness of BCP and EMP
Fragmented business services spread across different sites	Duplication of support services for the sites (facilities, security, etc.)	Procurement of a new building vs. enhancing the current NT buildings precinct

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

Purpose: This programme aims to improve South Africa's macroeconomic and microeconomic framework through ongoing analysis, research and policy advisory services. The programme supports economic growth, employment and macroeconomic stability and retirement reform by:

- developing tax policy proposals and supporting tax legislation for the annual budget
- monitoring the collection of revenue through ongoing consultation with relevant stakeholders, and analysing the factors determining tax collection.

There are six sub-programmes:

- *Management* provides overall administrative support for planning and coordinating the programme's deliverables
- *Research* promotes economic research by funding institutions which carry out research based on the public interest and on the department's needs
- *Financial Sector Policy* is responsible for developing policy regulating the country's financial sector
- *Tax Policy* drafts annual tax legislation included in the national budget
- *Economic Policy* provides macroeconomic and microeconomic forecasts and policy advice on the economic environment
- *Cooperative Banking Development Agency* facilitates the transfer payment to the Cooperative Banks Development Agency.

The programme is made up of two divisions: Economic Policy, and Tax and Financial Sector Policy. Key focus areas include policy formulation; drafting legislation in support of government's economic policy; and providing policy advice to promote growth, employment, macroeconomic stability and retirement reform.

The programme contributes to Outcome 4: Decent employment through inclusive growth. The 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.

SUB-PROGRAMME OVERVIEW

Management provides overall administrative support for planning and coordinating the programme's deliverables *Research* funds economic research institutions to carry out research in the public interest, as well as more dedicated research on behalf of the department. The research topics are diverse, and relate to issues of macroeconomic stability, poverty alleviation, retirement reform and financial sector development. Most funding is for longer term agreements with institutions such as the Centre for Research into Economics and Finance in Southern Africa (CREFSA) and for *ad hoc* economic research related projects.

Financial Sector Policy is responsible for developing policy on the regulation of the financial sector in South Africa, thus broadening access to financial services for all South Africans. The unit also aims to improve the national savings rate through reforms to the legislative framework governing the savings industry, and working towards implementing retirement reform proposals. Enabling legislation for the Twin Peaks model for regulation and oversight in the financial

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

sector was introduced in 2013/14. In terms of this model, the financial services industry and related structures will have two regulators: a prudential regulator, which will operate within the Reserve Bank; and a new market conduct regulator, which will be established within a restructured Financial Services Board.

Tax Policy is responsible for drafting annual tax legislation as part of the national budget to promote an effective, equitable and efficient tax policy framework, and a tax administration system that ensures sustainable growth and delivery on government's mandate to address the needs of all South Africans. This includes providing tax proposals towards improved environmental sustainability. The unit has prepared draft legislation on the carbon tax policy.

Economic Policy provides macroeconomic and microeconomic forecasts, policy analysis of microeconomic and regulatory issues, economic impact assessments and scenario modelling to provide sound policy advice for the annual budget and other government processes. Policy advice is mainly focused on creating decent employment through inclusive economic growth. This sub-programme also carries out analytical work on a wide range of issues including: inflation management; electricity pricing; economic growth; structural budget balances; industrial policy; small, medium and microenterprise (SMME) policy; and the exchange rate. Activities over the medium term include reviewing the electricity pricing methodology, and advising on the economic impacts of alternative models of freight logistics systems and restructuring the energy sector to improve economic efficiency.

STRATEGIC OBJECTIVES

Strategic objective 2.1	Build economic research capacity in academic research institutions with the objective of promoting relevant research
Objective statement	Promote economic research capacity in academic/research institutions through funding research relevant to the public interest. The research function provides information on topics relating to macroeconomic stability, poverty alleviation, retirement reform and financial sector development.
Baseline	Publish 45 research papers and discussion documents on economic growth, job creation and various microeconomic and macroeconomic subjects annually
Justification	The existence of research capacity in South Africa capable of completing economic research across a range of public issues is important for considering structural reforms in support of the NDP over the medium and long term
Links	Programme 3: Public Finance and Budget Management
Strategic objective 2.2	Provide policy advice on the financial sector
Objective statement	Provide policy advice on the financial sector in relation to its regulatory framework and supporting legislation. This includes implementing regulatory reforms on savings and retirement policies leading to increased levels of national savings; and enabling legislation that builds a more stable financial sector.
Baseline	A functional financial sector regulatory system
Justification	A stable financial sector enabled by applicable legislation
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management

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

Strategic objective 2.3	Provide advice and input into tax policy and related frameworks and legislation
Objective statement	Provide tax policy advice, tax revenue analysis, tax revenue forecasting and draft the annual tax legislation as a part of the budget. The programme is responsible for developing a tax administrative system that ensures sustainable and inclusive economic growth and improved environmental sustainability.
Baseline	Annual published tax proposals in the annual budget review Draft legislation on carbon tax policy as the first step in implementing sustainable tax legislation
Justification	An effective, equitable and efficient tax policy and tax administration system
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management, Programme 3: Intergovernmental Relations
Strategic objective 2.4	Provide input into economic policy, related frameworks and strategies
Objective statement	Provide advice on macro and microeconomic policy, macroeconomic projections and modelling, monetary policy framework and economic sector strategies. Provide analysis work and policy advice on a wide range of issues including: <ul style="list-style-type: none"> • inflation management • electricity pricing methodology • the economic impact of alternative models in various sectors • economic growth • structural budget balances • industrial policy • small, medium and microenterprise (SMME) policy • the exchange rate.
Baseline	Microeconomic and macroeconomic policies SMME policy Exchange rate policy
Justification	Robust and inclusive economic growth, stable consumer price trajectory, increased levels of employment
Links	Programme 3: Public Finance and Budget Management, Programme 4: Asset and Liability Management

IMPLEMENTATION HIGHLIGHTS

A significant step towards the implementation of a Twin Peaks regulatory model for the financial sector will be taken with the introduction of the Financial Sector Regulation Bill in Parliament during 2015. Once adopted, this legislation will establish dual regulation (prudential as well as conduct) for the financial sector. Over the next five years, the regulatory architecture will be modernised, with particular emphasis on stability, financial soundness and delivery of good value, appropriate products and broader inclusion for financial customers.

Tax policy will face challenges over the next five years in maintaining a credible tax system and broadening the tax base while at the same time protecting the existing tax base. Given various social spending pressures, there will need to be careful consideration about how revenue can be increased while minimising the negative effect on growth and job creation.

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

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Loss of critical business information	Loss of critical information leading to negative financial implications and damage to NT's reputation	Implementation of the Business Continuity Management strategy
Lack of Business Continuity Management Strategy	Lack of a proper Business Continuity Management strategy leading to the inability to continue in the case of a business disruption	Business continuity, disaster recovery and emergency plans Develop and document standardized business processes (ICT) Alternative operating sites
Inability to attract and retain suitable skills	Inability to attract and retain critical human resource (skills and expertise) leading to poor service delivery	Develop a mentoring programme for Director posts and pave a pathway for staff retention Engage academic institutions through HR to align their academic programmes to industry needs and particularly those of the public sector Succession plans to mitigate the impact of loss of key personnel
Leakage of sensitive information	Sensitive information made available to unauthorized personnel resulting in reputational damage to NT and adverse market response	Strengthen and enforce the clean desk policy Increase awareness of minimum information security standards for all people working on budget related information Encryption of information on laptops Continued awareness by officials about security of information
Poor regulation of the financial sector	Poor regulation of the financial sector and non-compliance with regulatory frameworks which could lead to collapse of the banking sector	Research and publish proposals to improve the effectiveness of the financial regulatory system, taking into account G20 recommendations
Financial exclusion	Financial exclusion, which may have a negative impact on stability, growth, poverty reduction and more equitable distribution of resources and capacity	On-going monitoring of existing controls

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

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

The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies and through effective, efficient and appropriate allocation of public funds to address government's policy priorities. Key activities include:

- Developing and implementing South Africa's fiscal policy and related frameworks: contribute to the South African economy by developing, ensuring Cabinet authorisation of and implementing South Africa's fiscal policy and related frameworks
- 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.
- Publication of the national Budget: publish the *Budget Review*, *Estimates of National Expenditure* and the *Medium Term Budget Policy Statement (MTBPS)* and appropriation legislation containing relevant, accurate and clear financial information and associated indicators of service delivery and performance
- 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 (*Technical and Management Support and Development Finance*) and *Government Technical Advisory Centre (GTAC) activities*.
- 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* is responsible for providing fiscal policy advice by monitoring economic and fiscal trends and advising on policy options and the budget framework. The office coordinates the national budgeting process, which includes coordinating the allocation of resources to meet priorities set by government. It also oversees expenditure planning, leads the budget reform programme, coordinates international development cooperation, provides advice on public service remuneration and pension arrangements and compiles public finance statistics.

Public Finance provides financial and budgetary analysis; advises on policy and service delivery trends; manages National Treasury's relations with other national departments; and carries out its own analytical work. The division monitors the use of scarce public resources by national spending agencies, and engages with accounting officers and other officials, where necessary, to promote efficient and effective consumption of these resources. Based on engagements with the departments, the Public Finance team provides recommendations annually to the Medium Term Expenditure Committee (MTEC). The team also provides inputs to departmental budget submissions and compiles estimates of national expenditure. Other outputs and activities include the phased implementation of contributory social security reforms over the medium term.

Intergovernmental Relations coordinates fiscal relations between national, provincial and local government; promotes sound provincial and municipal budgetary planning; monitors implementation through periodic reporting; and assists

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

with building capacity for efficient and effective general financial management practices. The division monitors the use of scarce public resources by provincial and local government, and regularly engages with a range of stakeholders in order to promote efficient and effective consumption of these resources. The division also provides technical assistance to government departments to promote improved planning and management of infrastructure delivery. This programme contributes to the achievement of all of government's strategic outcomes, with special reference to:

- Outcome 9: A responsive, accountable, effective and efficient local government system, where 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 National Treasury plays a role in Output 3: Business processes, systems, decision rights and accountability.

STRATEGIC OBJECTIVES

Strategic objective 3.1	Developing and implementing South Africa's fiscal policy and related frameworks
Objective statement	Contribute to the South African economy by developing, ensuring Cabinet authorisation of and implementing South Africa's fiscal policy and related frameworks
Baseline	Develop and implement a fiscal framework that ensures sound and sustainable financial policies that support government's long-term policy and strategic priorities; and that support the principles of counter-cyclical, debt sustainability and intergenerational equity
Justification	South Africa's growth, employment, development and social cohesion goals must be pursued within a sound and sustainable fiscal policy framework that supports counter-cyclical, debt sustainability and intergenerational equity
Links	Outcome 12: An efficient, effective and development-oriented public service

Strategic objective 3.2	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 ensures 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 must be pursued within a sound and sustainable fiscal policy framework that supports counter-cyclical, debt sustainability and intergenerational equity
Links	Outcome 12: An efficient, effective and development-oriented public service

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Strategic objective 3.3	Publication of the national budget
Objective statement	Publish the <i>Budget Review, Estimates of National Expenditure</i> , the MTBPS and appropriation legislation containing relevant, accurate and clear financial information and associated indicators of service delivery and performance
Baseline	Preparation of the annual budget publications 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. These include:</p> <ul style="list-style-type: none"> • A long-term fiscal sustainability report providing an overview of economic, demographic, revenue and expenditure trends over the longer term in order to encourage public discussion and parliamentary oversight of social commitments and the long-term costs of existent programmes • A budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with draft completed by end-September each year • A division of revenue between national, provincial and local government aligned with budget framework and medium-term expenditure priorities, with draft completed by end-September each year
Links	Outcome 12: An efficient, effective and development-oriented public service

Strategic objective 3.4	Monitoring and analysis of public expenditure and service delivery
Objective statement	Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment
Baseline	<p>Monthly and quarterly monitoring of expenditure of national departments, provinces and municipalities, and provision of appropriate analysis of expenditure trends in the form of expenditure reports</p> <p>Publish monthly and quarterly monitoring reports, provide <i>ad hoc</i> reports in the form of specific expenditure reviews and produce analytical publications such as the <i>Provincial Budgets and Expenditure Review</i></p> <p>Review and, where necessary, reform financial management capacity</p>
Justification	<p>This objective focuses mainly on budget execution. This involves monitoring and evaluating public expenditure to assess its impact and to evaluate the efficiency and effectiveness of government expenditure.</p> <p>The oversight of budget execution is focused on national departments, provinces and local government.</p> <p>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.</p>
Links	<p>Outcome 9: A responsive, accountable, effective and efficient local government system</p> <p>Outcome 12: An efficient, effective and development-oriented public service</p>

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Strategic objective 3.5	Coordinating international development cooperation
Objective statement	Manage and coordinate the country's development cooperation to improve alignment with the budget decision making process
Baseline	Ongoing management and administration of ODA programmes. Manage the General Budget Support (GBS) allocation process and continuously monitor the implementation of the programme
Justification	Bring development assistance into the mainstream budget process through the development of programmes that align ODA funding decisions with the budget process.
Links	Outcome 9: A responsive, accountable, effective and efficient local government system Outcome 12: An efficient, effective and development-oriented public service
Strategic objective 3.6	Coordinating intergovernmental relations
Objective statement	To promote coordination of resources and related policy objectives between the spheres of government.
Baseline	Coordinate fiscal relations between national, provincial and local government; promote sound provincial and municipal budgetary planning; monitor implementation through periodic reporting; and assist with building capacity for efficient and effective general financial management practices
Justification	South Africa is a unitary state with federal characteristics, as articulated in the Constitution of South Africa (1996). Actively promoting fiscal coordination amongst the spheres of government is critical to promoting alignment of government resources with priorities.
Links	Outcome 9: A responsive, accountable, effective and efficient local government system Outcome 12: An efficient, effective and development-oriented public service

IMPLEMENTATION HIGHLIGHTS

The main focus of the programme is to give effect to government's economic, fiscal, social and development goals by engaging in an ongoing analytical and consultative process to produce the national budget to be tabled annually in Parliament. Key activities include oversight, and management of the processes related to the annual publication of the MTBPS, coordination of the annual Budget and preparation of appropriation legislation.

This programme will continue to ensure the appropriate use of public and private financial resources for social and economic development and infrastructure investment by continuously improving the monitoring and analysis of public expenditure. This will include monthly, quarterly and annual monitoring and analysis of progress on the implementation of the appropriated budget.

The *Public Finance* branch will provide financial and budgetary analysis of government programmes, advise on policy and service delivery trends and manage National Treasury's relations with other national departments.

The *Budget Office* is responsible for developing and implementing sound fiscal policy advice and aligning government's medium term spending and revenue plans with its longer term fiscal policy and strategic priorities. The unit will lead the budget reform programme; coordinate international technical assistance and donor finance; provide advice on public service remuneration and pension arrangements; and compile the public finance statistics.

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Intergovernmental Relations will coordinate fiscal relations between national, provincial and local government; promote sound provincial and municipal budgetary planning, reporting and financial management; and provide infrastructure support for government to improve planning and management of service delivery.

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Unsustainable debt portfolio	Inability to finance the deficit and to raise cash when needed for funding purposes resulting in unsustainable debt portfolio and additional financing costs	Recruitment of additional capacity to improve on the analysis of quarterly reports beyond identifying problem areas, but to also make recommendations that will influence decision making (BO). Strengthen working relationships with function group leaders by improving communication (BO)
Inability to implement the long term fiscal model	Inability to implement the long term fiscal model which may result in adverse economic implications	Internal training of other team members (BO) Involve other team members in working on aspects of the model (BO)
Misinformed budget decisions	Budget decisions based on incorrect information affecting resource allocations and budget and reporting frameworks	Manage information validation processes Ensure that supervisory processes are in place Effectively manage the attraction and retention of highly qualified, knowledgeable and experienced officials Manage stakeholder engagement processes Ensure continuous access to developments in the relevant environments
Misinformed policy decisions	Incorrect policy decision-making resulting in poor service delivery litigations and reputational damage	Develop and enhance existing IT strategies and platforms (systems) to improve data integrity across government (BO) Develop training courses and strategies for improving data quality (BO) Build stakeholder relationships and knowledge base regarding provinces and local government (IGR) Strengthen interaction with stakeholders (IGR) Develop uniform management information system (MIS) supported by reporting norms and standards (IGR) Through training, develop reporting and analytical capacity in national and provincial departments (IGR) Establish a community of practice for monitoring and reporting (IGR)

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Risk	Risk Description	Mitigation Strategy
Loss of critical systems	Sensitive information made available to unauthorised personnel resulting in reputational damage to NT and adverse market responses	Increase awareness of Minimum Information Security Standards for all people working on the budget (BO)
Inability to attract and retain suitable skills	Inability to attract and retain critical human resource (skills and expertise) leading to poor service delivery.	<p>Develop a mentoring programme for Director posts and pave pathway for staff retention (PF)</p> <p>Engage academic institutions through HR to align their academic programmes to industry needs and particularly those of the public sector (PF)</p> <p>Improve all CD systems through assistance from GTAC on issues including modernising early warning systems (IGR)</p>
Unsustainable support	NT support not sustainable post-implementation by government institutions resulting in indefinite reliance and overstressing internal resources.	<p>Infrastructure Delivery Management System (IDMS) strategic process facilitated in provinces and national sectors (IGR)</p> <p>IDMS policy endorsed by provincial EXCOs (IGR)</p> <p>Facilitate and implement the Infrastructure Delivery Management System supported by training across sectors (IGR)</p> <p>Utilise the Infrastructure Delivery Management Institutional Enablement Methodology (IGR)</p> <p>Utilise the Infrastructure Progression Model to support IDMS institutionalisation (IGR)</p>
Third party non-compliance	Non-compliance by stakeholders with the conditions of grant frameworks, deadlines, processes, systems, governance requirements, methodologies, etc.	<p>Robust stakeholder engagement processes</p> <p>Third party support programmes</p> <p>Functions dedicated to specific stakeholders and support areas</p> <p>Professionalisation of the civil service</p>
Reputational risk	Non-compliance in reporting on ODA programmes by the recipient departments	Compliance with NT and donor reporting requirements
Inadequate knowledge management	Inadequate access to and sharing of business knowledge resulting in duplication of initiatives/efforts.	Encourage adherence to an entity-wide institutional memory to enable sustainable knowledge management within NT (PF)
Validity of information	Poor quality of reported information	<p>Information validation processes</p> <p>Supervisory processes</p> <p>Editing processes</p>

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

Purpose: 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 entities through financial analysis and oversight.

There are six sub-programmes:

- *Programme Management for Asset and Liability Management* supports the planning, monitoring and implementation of the programme's activities
- *State-owned Entity Financial Management and Governance* is responsible for overseeing and enabling state-owned enterprises to meet government's policy objectives in a financially and fiscally sustainable manner
- *Government Debt Management* provides for government's long-term funding needs
- *Financial Operations* provides for government's short-term funding needs
- *Strategy and Risk Management* develops and maintains a risk management framework for the debt and contingent liabilities of government and state-owned entities
- *Financial Investments* provides for the funding needs of state-owned entities (SOEs).

SUB-PROGRAMME OVERVIEW

Programme Management for Asset and Liability Management: This sub-programme provides support for planning, monitoring and delivering the programme's activities. In 2013/14, the core development of the retail debt module of the new treasury management system was delivered for quality assurance testing, and was migrated from the mainframe to the new back office system.

State-owned Entity Financial Management and Governance: This sub-programme is responsible for overseeing and enabling state-owned enterprises to meet government's policy objectives in a sustainable manner. It is also responsible for promoting sound corporate governance. Over the medium term, the unit will continue to compile submissions and review applications for borrowing limits of state-owned companies. In order to strengthen regulatory compliance, the unit will report on the compliance by major state-owned companies with the PFMA (1999), the Companies Act (2008), National Treasury Regulations and the King Code of Governance Principles (King III).

Government Debt Management: This sub-programme is responsible for government's long-term funding needs. It manages domestic and foreign debt, contributes to the development of domestic financial markets, and maintains sound investor relations.

Financial Operations: This sub-programme provides for government's short-term funding needs, prudent management of cash, efficient accounting for debt and investment transactions, the supply of reliable systems and high-quality information.

Strategy and Risk Management: This sub-programme develops and maintains a risk management framework for the debt and contingent liabilities of government and state-owned companies, and implements debt management and sovereign credit rating enhancement strategies that minimise government's exposure to contingent liabilities and the risk of an adverse credit rating outcome.

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - continued

Financial Investments: This sub-programme provides for the funding needs of state-owned entities, such as the recapitalisation of the Land and Agricultural Development Bank of South Africa, Postbank and the Development Bank of Southern Africa.

STRATEGIC OBJECTIVES

Strategic objective 4.1	Exercise oversight of state-owned enterprises
Objective statement	<ul style="list-style-type: none"> • Exercise oversight of state-owned enterprises to enable them to achieve government's policy objectives in a financially sustainable manner by • Regularly reviewing the corporate plans and annual financial statements of state-owned enterprises • Tracking progress on capital expenditure programmes on an ongoing basis • Reviewing applications for funding, guarantees and borrowing limits in terms of the PFMA (1999), and monitoring progress on an ongoing basis
Baseline	<ul style="list-style-type: none"> • Reviewing corporate plans and annual financial statements of state-owned enterprises • Reviewing applications for funding, guarantees and borrowing limits in terms of the PFMA (1999) • Monitoring guarantees on an ongoing basis
Justification	Enable public enterprises to meet government's policy objectives in a financially sustainable manner by ensuring that they comply with the PFMA (1999)
Links	Programme 3: Public Finance and Budget Management

Strategic objective 4.2	Optimal debt management and funding of government borrowing requirement
Objective statement	Government's funding requirement to be met while ensuring that debt service costs remain sustainable
Baseline	Borrowing R207 billion in 2015/16, and as required over the medium-term
Justification	This objective will ensure that funds are available to finance expenditure and other obligations whilst maintaining an optimal debt portfolio mix that sees debt service costs remain within a sustainable range
Links	Programme 3: Public Finance and Budget Management

Strategic objective 4.3	Ensure sound management of government's cash resources
Objective statement	Ensure that government's liquidity requirements are consistently met through effective cash management by making sound cash flow forecasts on an ongoing basis
Baseline	<ul style="list-style-type: none"> • Forecasting cash flows of R4.8 trillion • Quarterly reviewing of government's investment rates and adherence to credit risk benchmarks in order to preserve capital • Surplus cash of nine provinces and 95 state-owned entities pooled
Justification	<ul style="list-style-type: none"> • To meet government's short, medium and long term financial commitments, sufficient cash flow and forecasting is required • This objective ensures that funding is available in the correct amount and currency, at the appropriate time; and improves the management of surplus cash in the public sector in order to derive optimal returns
Links	Programme 3: Public Finance and Budget Management

PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT - continued

Strategic objective 4.4	To minimise and mitigate risks emanating from government's fiscal obligations
Objective statement	Minimise and mitigate risks emanating from the debt portfolio, sovereign credit rating and financial contingent liabilities
Baseline	<ul style="list-style-type: none"> • Ensuring that the domestic debt portfolio is below or at most within the respective ranges of the individual benchmark indicators (for example, the share of T-bills should not exceed 15 per cent of domestic debt portfolio; and the share of inflation-linked bonds may not exceed the range of 20-25 per cent of total domestic debt) • Ensuring foreign debt, as a percentage of total debt, of less than 10 per cent, with an acceptable upward deviation of 5 percentage points • Maintaining sustainable debt levels and sound relations with rating agencies • Targeting and maintaining sovereign credit ratings at investment grades
Justification	This objective will ensure that government's debt and contingent liabilities remain within sustainable levels
Links	This objective seeks to ensure that government's debt-service cost remains within sustainable levels

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Sovereign rating risk	Risk of a downgrade of the sovereign rating	<p>Sovereign credit rating worthiness rating methodology</p> <p>Frequent and effective engagement with the credit rating agencies and investors</p> <p>Prudent fiscal framework</p>
Liquidity risk	Inability to raise cash when needed for funding purposes	<p>Proactive engagement with the Budget Coordinating Committee (BCC)</p> <p>Diversified funding processes and funding strategy</p> <p>Robust monitoring and forecasting</p>
Fiscal contingent liability	Implicit and explicit contingent liabilities exposure on government materializing	<p>Guarantee certification processes</p> <p>Monitoring processes for state-owned enterprises and the contingent liability</p> <p>Ongoing monitoring of the banking environment</p> <p>Oversight by the Fiscal Liability Committee</p>

PROGRAMME 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS

Purpose: The purpose of this programme is to facilitate accountability, governance and oversight by promoting effective, efficient, economic and transparent management of revenue, expenditure, assets and liabilities across all spheres of government and public entities.

The programme consists of the following sub-programmes:

- *Programme Management* supports the planning and coordination of the programme's deliverables.
- *Office of the Chief Procurement Officer* aims to modernise the state procurement system so that it is fair, equitable, transparent, competitive and cost effective
- *Financial Systems* manages existing financial management systems and replaces outdated systems to comply with the PFMA and Generally Recognised Accounting Practice (GRAP).
- *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 across all spheres 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, risk management and internal audit capacity within 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.

The programme consists of two divisions: the Office of the Accountant-General and the Office of the Chief Procurement Officer, and 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.

The 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.

SUB-PROGRAMME OVERVIEW

Programme Management for Financial Accounting and Supply Chain Systems supports planning, monitoring and coordinating the deliverables of the programme.

The Office of the Chief Procurement Officer was established to improve procurement systems in government, combat wasteful expenditure and bring about efficiency and cost effectiveness in procurement across government. The office aims to enable the efficient, economic, effective and transparent utilisation of financial and other resources, including state assets, for improved service delivery; and to promote, support and enforce the transparent and effective management of state procurement and sound stewardship of government assets and resources.

PROGRAMME 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS - continued

Financial Systems maintains and improves existing financial management systems and is developing and implementing the new integrated financial management system which replaces the ageing and fragmented financial, supply chain and human resource management systems across national and provincial departments.

Financial Reporting for National Accounts provides support to all spheres of government in implementing financial reporting frameworks and preparing consolidated financial statements. Responsibilities include monthly monitoring of state budgets and expenditure reports, as required by the Public Finance Management Act (1999).

Financial Management Policy and Compliance Improvement ensures financial management compliance through the development and implementation of accounting policies, and of risk management and internal audit capacity in government. This includes providing assistance with investigations of malpractice across all spheres of government.

STRATEGIC OBJECTIVES

Strategic objective 5.1	Improve financial management governance and compliance across all spheres and entities in government
Objective statement	Governance and compliance is improved across all spheres of government on an ongoing basis by: <ul style="list-style-type: none"> • Working with relevant officials across government to address implementation challenges • Establishing a structured process for issuing frameworks, guidelines and treasury instructions to enable proper implementation of legislation • Developing and maintaining financial management assessment tools for all of government • Facilitating and undertaking special investigations and performance audits to improve financial management practices and support enforcement of the Acts
Baseline	Annual financial management progress reports to Parliamentary oversight committees Financial Management Governance support plans Compliance with applicable accounting policies and regulations
Justification	Departments are mandated to comply with financial management requirements as specified in the Constitution (1996), the PFMA (1999) and the Local Government: Municipal Finance Management Act (2003)
Links	<i>Financial Management Policy and Compliance Improvement sub-programme</i> Programme 3: <i>Public Finance and Budget Management</i> Outcome 12: An efficient, effective and development-oriented public service, including Output 3: Business processes, systems, decision rights and accountability, and Output 4: Corruption tackled effectively

PROGRAMME 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS - continued

Strategic objective 5.2	Support and facilitate capacity development across all spheres of government in order to improve financial management execution
Objective statement	Support government's financial management capacity building efforts across the three spheres of government by introducing minimum competency profiles and offering graduate internships in financial management annually. This includes providing capacity and support to municipalities on policies relating to accounting, reporting and internal audit on an ongoing basis.
Baseline	Public-sector capacity-building framework and related strategy Previous year's Financial Management Capability Maturity Model (FMCMM) scores Financial recovery plans Number of representatives trained in previous year
Justification	The Constitution (1996), the PFMA (1999) and the Local Government: Municipal Finance Management Act (2003)
Links	Programme 3: Public Finance and Budget Management Programme 4: Asset and Liability Management
Strategic objective 5.3	Manage existing financial systems and renew these as required to exercise comprehensive financial management
Objective statement	Maintain existing financial systems at a level of 98 per cent availability including the provision of reliable, efficient and effective support and user training over the medium term. Develop and implement the Integrated Financial Management System (IFMS) in order to replace ageing and fragmented financial, supply chain and human resource management systems across national and provincial departments.
Baseline	Maintain 98 per cent availability of systems during working hours or as per service level agreement (SLA) with service provider. The IFMS aims to replace ageing and fragmented financial, supply chain and human resource management systems across national and provincial departments. The project consists of the following phases, which will be delivered over the medium-term: <ul style="list-style-type: none"> • Procurement of software licenses, configuration services and hardware • Lead site implementation • Country-wide rollout
Justification	Appropriate financial management systems are critical for effective management of state resources in line with relevant management norms and standards
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 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS - continued

Strategic objective 5.4	Modernise SCM policies and procedures
Objective statement	Review existing SCM policy and establish if it simplifies the SCM environment and builds the capacity of the state. SCM policy should allow for effective procurement across government. This will include revisions (if necessary) and codification of policy amendments. Procedures based on policy will be updated and amended in line with policy changes.
Baseline	Existing SCM policies and regulations Most recent audit reports on the state of SCM in government Publication of initial improvements to the regulatory environment applicable to SCM in government
Justification	SCM policies and procedures need to allow for efficient and cost effective procurement across government
Links	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 3: Public Finance and Budget Management

Strategic objective 5.5	Develop SCM capacity
Objective statement	Research, develop and implement interventions that will contribute to improved SCM capacity, capability and performance in all three spheres of government, through institutional, organisational, individual and stakeholder development
Baseline	SCM organisational structures (capacity) SCM skills (capability) SCM financial management capability maturity results (performance)
Justification	SCM capacity development will contribute to improved organisational performance, service delivery and value for money from state procurement
Links	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

Strategic objective 5.6	Monitor and evaluate SCM performance
Objective statement	Exercise oversight over SCM policies, procedures, norms and standards. This will entail oversight of: <ul style="list-style-type: none"> • Bid specifications and procurement plans against SCM policies and procedures • Bid evaluation and adjudication to ensure compliance with evaluation criteria and scoring • Implementation of projects against contract specifications and conditions of tender
Baseline	Public sector SCM policies, procedures, norms and standards Applicable financial management capability maturity model Most recent audit reports on the state of SCM in government Agreed procurement and implementation plans, together with predetermined bid specifications and evaluation criteria for selected procurements
Justification	Monitoring and evaluation functions are necessary to that ensure SCM performance is in line with SCM policy and procedure requirements These efforts also assist with building the capacity of SCM practitioners to manage important matters relating to the procurement of goods and services
Links	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 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS - continued

Strategic objective 5.7	Develop and implement strategic procurement
Objective statement	<p>Conduct the collaborative and structured process of critically analysing government's spend and utilising this information to make better business decisions about acquiring goods and services more effectively and efficiently. Strategic procurement will help government to:</p> <ul style="list-style-type: none"> • Optimise performance • Minimise costs • Improve access to business opportunities in line with B-BEEE policy • Increase value per rand spent <p>These objectives will be achieved through the development of a strategic sourcing strategy, implementation of a sustainable price referencing system (PRF) and the establishment of a supplier database. Once established, the database will be subjected to performance evaluation based on execution and delivery.</p>
Baseline	<p>Strategic sourcing strategy and plan</p> <p>Present set of commodities and services procured on a centralised basis</p>
Justification	<p>Strategic sourcing allows for the standardisation of prices and procurement procedures for similar goods and services across government. It also enables supplier performance to be evaluated based on delivery.</p>
Links	<p>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</p>

Strategic objective 5.8	Modernise and automate SCM processes
Objective statement	<p>Modernise ICT to improve SCM performance and reduce the amount of paper used in processing transactions</p>
Baseline	<p>ICT support for SCM which is no longer fit for purpose</p>
Justification	<p>Examples globally show that appropriate technology is critical to efficient and effective SCM. Improvements range from taking advantage of e-commerce to delivering training content, material and assessments online to SCM practitioners across government.</p> <p>With the recent establishment of the Office of the CPO and its new strategic direction, the timing to modernise and automate SCM in government is opportune</p>
Links	<p>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</p>

RISKS AND CONSIDERATIONS

Risk	Risk description	Mitigation strategy
Ineffective enforcement of anti-corruption	<p>Inability to effectively enforce anti-corruption measures within the three spheres of government resulting in financial losses, reputational damage and poor service delivery</p>	<p>Assist in the disciplinary process to discourage unethical activities by office bearers</p>
Maintenance and enhancement of the system	<p>Continued maintenance and enhancement of the legacy systems resulting in escalating costs</p>	<p>Formal endorsement of new processes for, and approaches to, implementing the IFMS project</p> <p>Identify government policies and procedures in alignment with the vanilla commercial off the shelf (COTS) solution</p>

PROGRAMME 5: FINANCIAL ACCOUNTING AND SUPPLY CHAIN MANAGEMENT SYSTEMS - continued

Risk	Risk description	Mitigation strategy
Qualified audit report	Qualified consolidated audit report leading to negative reputation for NT	Improve public entities' templates and the consolidation model
Loss of critical business information	Loss of critical information leading to negative financial implications and damage to NT's reputation	Implement the Business Continuity Management strategy
Non-compliance	Non-compliance with frameworks, policies, guidelines, processes, systems, governance requirements and methodologies resulting in mismanagement of funds and litigation	Establish the Governance Monitoring and Compliance Unit and a tribunal to accelerate the process of handling non-compliance
Inability to attract and retain suitable skills	Inability to attract and retain critical human resources (skills and expertise) leading to poor service delivery	<p>Develop a mentoring programme for directorship posts and pave pathway for staff retention</p> <p>Engage academic institutions through HR to align their academic programmes with industry needs, and particularly with those of the public sector</p> <p>Succession plans to mitigate impact of loss of key personnel</p>
Unsustainable support	NT support not sustainable post-implementation by government institutions resulting in indefinite reliance and overstretching of internal resources	<p>Engage in relevant forums</p> <p>360-degree assessment (clients, managers, measuring tools, other)</p> <p>Intensify enforcement clauses within Strategic Support Plans (SSPs)</p> <p>Strengthen strategic alliances with key stakeholders</p>
Leakage of sensitive information	Sensitive information made available to unauthorized personnel resulting in reputational damage to NT and adverse market response	<p>Strengthen and enforce the clean desk policy</p> <p>Increase awareness of Minimum Information Security Standards for all people working on budget related information</p> <p>Encryption of information on laptops</p> <p>Continued awareness of officials in terms of security of information</p>
Duplication of effort	Duplication of effort which may lead to client complaints, negative financial implications and reputational damage	<p>Knowledge sharing sessions with support hubs</p> <p>Develop criteria for clients which do not have SSPs</p> <p>Provincial Treasury forum to streamline support activities</p>

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Purpose: Manage South Africa's interests in shaping regional and global policies which advance the economic, financial and development objectives of the country and those of Africa as a whole.

There are five sub-programmes:

- *Programme Management for International Financial Relations* supports the planning, monitoring and implementation of the programme's activities
- *International Economic Cooperation* focuses on improving South Africa's contribution to shaping international financial and development policies
- *African Integration and Support* supports integration between African states and institutions through National Treasury's participation in African interventions and arrangements
- *International Development Funding Institutions* provides for subscriptions and contributions to international development funding institutions and banks
- *International Projects* transfers funds to international projects and interventions for a range of causes including capacity building, and medical support for disaster-hit and impoverished areas.

This programme contributes to the achievement of all of government's strategic outcomes, with special reference to: Outcome 11: Creating a better South Africa and contributing to a better and safer Africa in a better world, and in particular sub-outcomes 1, 2, 6 and 7.

SUB-PROGRAMME OVERVIEW

Programme Management for International Financial Relations supports the planning, monitoring and delivery of the programme's activities. The unit oversees South Africa's representation in international and regional financial institutions; manages bilateral and multilateral relationships on behalf of National Treasury; and plans, implements and monitors programmes and activities within the divisional mandate.

International Economic Cooperation focuses on improving South Africa's participation in international and regional economic institutions. This entails working through key economic institutions and forums such as the African Development Bank, the United Nations Economic Commission for Africa, the New Partnership for Africa's Development, the G20 and the Brazil-Russia-India-China-South Africa (BRICS) group of countries.

African Integration and Support supports integration between African states and institutions through participation in various interventions and arrangements. The subprogramme mainly facilitates the transfer of funds to Lesotho, Namibia and Swaziland for common monetary area compensation. Under this agreement, South Africa compensates member countries for the use of the rand within their borders.

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - continued

International Development Funding Institutions provides for subscriptions and contributions to international development funding institutions and banks. The subprogramme transfers funds to the African Development Bank and the African Development Fund for the purpose of buying shares and subscriptions and for accelerated encashment schedules to support African development; and to the World Bank Group for providing concessional loans and grants to low income countries and contributions to the general and selective capital increases of the authorised capital of the World Bank.

International Projects transfers funds to international projects and interventions for various purposes such as building capacity and providing medical support to disaster-hit and impoverished areas. Under this sub-programme, National Treasury contributes to organisations including the Commonwealth Fund for Technical Cooperation; the International Finance Facility for Immunisation; and the Global Alliance for Vaccines and Immunisation Alliance, a public-private global health partnership which provides vaccines to reduce the number of vaccine-preventable deaths among children in low income countries.

STRATEGIC OBJECTIVES

Strategic objective 6.1	Advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagements and negotiations at regional and global financial and economic forums
Objective statement	Advance South Africa's national economic interests specifically, and those of Africa more generally, by: <ul style="list-style-type: none"> • Assessing the content and context of current policy debates and expanding awareness of them • Managing the relationship between South Africa and selected public finance and development institutions, with particular focus on implementation of agreements
Baseline	<ul style="list-style-type: none"> • Participation in bilateral and multilateral forums • Informal consultations with key regional and national stakeholders • Use of the currently expired country partnership strategy as the basis for a new partnership strategy.
Justification	The objective assists the two chief directorates within the division to fulfil their mandates.
Links	Programme 2 and Outcomes 6, 11, 12

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - continued

Strategic objective 6.2	Increase Africa's voice and South Africa's influence in international institutions and forums
Objective statement	<p>Strengthening and expanding South Africa's engagement in key institutions and with partners at selected policy fora by:</p> <ul style="list-style-type: none"> • Increased capital participation (as appropriate) to more firmly anchor South Africa's role • Advancing governance reform and pressing for improved effectiveness in the delivery of institutional and organisational mandates
Baseline	<p>Increase influence over the outcomes within key regional, pan-African and global governance institutions through:</p> <ul style="list-style-type: none"> • Meetings of the Committee of Ten African Finance Ministers and Central Bank Governors on an <i>ad hoc</i> basis; completing a total of six meetings per annum. • Formalising the contribution of the Committee of Ten African Finance Ministers and Central Bank Governors on issues on the Group of 20 agenda • Ongoing quota and voice reforms in a range of formal and informal caucus groups and culminating in decisions at Governor level • Continuously advancing the reform of these institutions by lobbying regional groupings • Supporting the reform of the Group of 24 and making it a more effective developing country caucus especially on Group of 20 issues • Pushing for a greater voice for and participation by South Africa and African countries within the Bretton Woods institutions • Pushing for the reform of World Bank processes and consultations so that developing countries have increased opportunities for engagement on content • South Africa's holding of the permanent Executive Director position in the third constituency for the southern African region at the African Development Bank • Acquiring additional shares in the African Development Bank and continuing to honour instalments to the African Development Fund 12 • The decision by the Board of the African Development Bank to nominate South Africa as a pilot country for the establishment of a Regional Resource Centre
Justification	<p>Since 1994, the international community has looked to South Africa to play a leading role in championing human rights, democracy, reconciliation and the eradication of poverty and underdevelopment.</p> <p>It is recognised regionally, across the continent and globally that South Africa has risen to this challenge. However, the country's future global standing will be determined by how it remains true to its enduring values, economic success and leadership role on the continent and internationally. This will be supported by increasing the voice of African economies in international policy decision making.</p>
Links	In line with a range of national policy positions, including Outcome 11.

PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS - continued

Strategic Objective 6.3	Support an enabling environment for increased economic activity within Africa
Objective statement	Promote regional economic integration and strengthen economic links within Africa by: <ul style="list-style-type: none"> • Encouraging improved cooperation and investment of resources that support improved interconnectedness in the region • Expanding bilateral engagement on issues of common interest
Baseline	Promote regional economic integration in SADC and strengthen economic links within Africa by: <ul style="list-style-type: none"> • Developing and implementing one-stop border posts in collaboration with the South African Revenue Service (SARS) and the Departments of International Relations and Cooperation, Police and Home Affairs • Playing 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 • Actively engaging in multilateral efforts to ensure full implementation of SADC's Finance and Investment Protocol • Exploring SA's possible membership of the Africa Export and Import Bank and the Africa Reinsurance Corporation, over the medium-term
Justification	Regional economic integration is a South African priority
Links	In line with a range of policy positions, including Outcome 11

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Misinformed decisions	Incorrect policy decisions resulting in poor service delivery, litigation and reputational damage. Example: competing international agendas not in alignment with South Africa's policy and programmes	<p>Ensure that SA delegates have clear mandates when participating in regional and global forums</p> <p>Conduct research and create validation processes of policy alignment with competing international agendas</p> <p>Build solid and sustainable international relationships</p>
Fiscal contingent liability	Implicit and explicit contingent liabilities materializing on government, resulting in increased government debt. In this case, the reliance of SADC states on financial support from South Africa	<p>Promote regional economic integration in SADC and strengthen economic links within Africa in order to decrease SADC states' financial reliance on SA</p> <p>Increase sub-Saharan Africa's voice and South Africa's influence in multilateral international institutions and global financial and economic forums</p>
Ineffective collaboration	Ineffective collaboration and communication with NT due to insufficient NT representation in international policy decision making processes, with negative results for financial planning	Establishment of advisory panels and consultative groups to advise and represent NT in international policy decision making processes
Scarcity of human resources	Covered under Programme 1	
Disruption to business systems	Covered under Programme 1	

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

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

The programme consists of the following sub-programmes:

- *Government Pensions Administration Agency* provides administrative services in accordance with the Temporary Pension Fund Act (1979) and the Associated Institution Pension Fund Act (1963); and post-retirement medical subsidies, as provided for and regulated by resolutions of the Public Service Coordinating Bargaining Council, the Military Pensions Act (1976), military pensions in terms of this Act, injury on duty payments in terms of the Compensation for Occupational Injuries and Diseases Act (1993) and special pensions in terms of the Special Pensions Act (1996) on behalf of National Treasury.
- *Civil Pensions and Contributions to Funds* which consists of post-retirement medical benefits, injury on duty and special pensions and provides for medical subsidies to retired civil servants and pension payments to injured, disabled and deceased civil servants and to struggle veterans.
- *Military Pensions and Other Benefits* provides for the processing and payment of military pension benefits and medical claims arising from injuries sustained during various wars, including South Africa's liberation wars. These include payments to former members of the legislative assembly of the former Venda, Transkei, Ciskei and Bophuthatswana governments; judges or their widows in terms of the Judges' Remuneration and Conditions of Employment Act (1989); and former state presidents, among other benefits.

This programme contributes towards the aims of Outcome 12: An efficient, effective and development-oriented public service.

SUB-PROGRAMME OVERVIEW

Civil Pensions and Contributions to Funds:

- *Post Retirement Medical Subsidies:* The beneficiaries of this sub-programme are civil pensioners (including persons who retired before December 1992), former members of development boards, former members of the National Film Board and special dispensation members
- *Injury on Duty Pensions:* This sub-programme deals with injury on duty payments in terms of the Compensation for Occupational Injuries and Diseases Act 1993 (Act No 130 of 1993) (COID Act), as amended; and the governing DPSA guideline document for the implementation of the COID Act. The awards relate to temporary, total or partial disablement or death on duty.
- *Special Pensions:* This sub-programme administers special pensions in terms of the Special Pensions Act 1996 (Act No 69 of 1996), as amended.

Military Pensions and Other Benefits:

- Military pensioners include persons who were involved in:
 - Pre-1914 South African wars
 - First and Second World Wars
 - Korean War and ex-soldiers or their dependants who were involved in post-1960 wars
 - National service-men and -women (Citizen Force, Reserve Force and Commandos)
 - Members who participated in the Border War as well as members of the former non-statutory forces.

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

Volunteers who sustained permanent disability in terms of the Civil Protection Act 67 of 1977 and in terms of the Military Pensions Act 84 of 1976 are also eligible for specific benefits.

'Other benefits' relates to government's contributions to the Provident Fund for Associated Institutions and payment of additional retirement benefits to members of the fund in terms of the Associated Institutions Provident Fund Act of 1971.

Parliamentary awards are granted as a result of successful petitions or memoranda to Parliament.

Included in the other benefits are payments of benefits to:

- Former members of the legislative assembly of the now redundant Venda, Transkei and Gazankulu governments
- Judges or their widows in terms of the Judges' Remuneration and Conditions of Employment Act of 1989
- Members of the Pension Scheme of the National Roads Board in terms of the Transport (Co-ordination) Act of 1948
- Members of the Pension Scheme of the South African Mint in terms of the South African Reserve Bank Act of 1989
- Members of the Black Teachers Pension Fund of 1887 (Cape), Black Chiefs (Proclamation 110 of 1957) and members of various funds and schemes that have been discontinued but in terms of which benefits are still payable
- Government officials and employees injured during war service, paid to persons who are also entitled to civil pensions; and members of statutory bodies or their widows in terms of the Members of Statutory Bodies Pension Act of 1969.

STRATEGIC OBJECTIVES

Strategic objective 7.1	Ensure good governance and a robust control environment for fund administration
Objective statement	Ensure effective administration of funds where funds paid to eligible applicants and recipients are both accurate and punctual and cost efficient as per applicable legislation
Baseline	<ul style="list-style-type: none"> • Process post-retirement medical benefit applications within 60 days of receipt and pay all medical subsidies within 7 days of receiving a valid and correct claim • Process and pay injury on duty benefits to civil servants within 45 days of receiving complete documentation • Pay military pensions within 45 days of receipt and medical accounts within 30 days of receipt of claim • Full compliance with National Treasury service level agreement
Justification	Compliance through the application of the relevant Acts, regulations, governance circulars and internal policies
Links	Government Pensions Administration Agency (GPAA), Government Employees Pension Fund (GEPF)

Strategic objective 7.2	Provide an improved and integrated customer service experience
Objective statement	Improve the customer service experience by ensuring that complaints are resolved within agreed timelines; and build relationships with employer departments through focused communication initiatives
Baseline	<ul style="list-style-type: none"> • Customer complaints are resolved within seven days • Full compliance with National Treasury SLA
Justification	Improve level of client satisfaction
Links	Government Pensions Administration Agency (GPAA), Government Employees Pension Fund (GEPF)

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

IMPLEMENTATION HIGHLIGHTS

Over the medium-term, the GPAA will continue with its improvement and modernisation drive, with which considerable progress has already been made. Future plans consist of a range of well-defined improvements to client experience and will result in a consistently accurate and responsive pension administration system.

The improvement plan includes metrics relating to:

- the client interface
- competence of individuals and job satisfaction
- efficiency gains in the form of quicker turnarounds and more economical processing of transactions
- effectiveness and sustainability in the form of improved client data integrity, improved governance and a reduced carbon footprint

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Falsified information	Fraudulent claims which may lead to material loss of funds	Injury on Duty: integration of Compensation Fund's uMehluko system into the new GPAA information systems technology
		Obtain access to Compensation Fund's uMehluko system
Capacity and skills gap	Lack of capacity to process payments on time	Comprehensive structure review (GPAA CEO & DG) to inform the capacity needs of the programme and each P7 fund, pending automation of the business processes
		Fill all vacancies in the programme and augment with contract workers
		Automation of business processes to shorten turnaround times
Litigation risk	Unconstitutional legislation which may lead to litigation with financial implications	Fast-track the appointment of a legal expert to look into legislative matters for programme 7
		Development and implementation of guidelines/regulations throughout the programme to aid the application of legislation
		Comprehensive process review (GPAA CEO & DG) to enhance the application of existing legislation.
Delays in claims payments	Delays in the processing of benefits due to dependence on external stakeholders	Development of guidelines and SOP's for processing of payments
		Development of an MOU with stakeholders.
		Review SLA with SOMA among other stakeholders
		Education and awareness campaigns targeting CRM and stakeholders
Inaccurate information	Lack of data integrity in manual reporting which may lead to incorrect decision making	Automation of MIS reports for all P7 Funds.
Loss of data	Inability to respond and resume business operations timeously (as per BCM) following disruptive events	Introduce a mechanism to enforce regular testing requirements of the BCM recovery solution

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

Risk	Risk Description	Mitigation Strategy
Financial planning	Ineffective budgetary processes which may lead to over- or under-spending	Additional finance capacity with the necessary budgetary skills HOD Programme 7 to escalate the matter of the long outstanding decisions on finance appointments Monthly reconciliations with compensations on awards received and paid MoUs with employer departments and compensation fund to manage expected awards
Insecure information – loss or compromised information integrity	Inability to secure effective and efficient operations under the current environment	Escalate to CIO the need to have change requests prioritised Replacement of CIVPEN with new system

PROGRAMME 8: TECHNICAL AND MANAGEMENT SUPPORT AND DEVELOPMENT FINANCE

Purpose: Provide advisory services, programme management and development finance support to improve public finance management, support high-impact government initiatives, facilitate employment creation and strengthen infrastructure planning and delivery.

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

- The *Government Technical Advisory Centre* provides management support for programme 8, and technical consulting services, specialised procurement and project management support, infrastructure advice and knowledge management in support of efficient, effective and transparent public finance management.
- *Local Government Financial Management Support* provides for transfers to municipalities to support implementation of the Municipal Finance Management Act (2003) and technical assistance to provincial treasuries and municipalities through the Municipal Finance Improvement Programme.
- *Urban Development and Support* comprises the Neighbourhood Development Partnership Grant and the Integrated Cities Development Grant, aimed at attracting and sustaining third party capital investments to support spatial transformation, improve quality of life and enhance access to opportunity for residents in South Africa's under-served neighbourhoods and build more productive, inclusive and sustainable cities.
- *Employment Creation Facilitation* supports innovative and partnership-based approaches to sustainable employment creation, work-seeker support and enterprise development through the Jobs Fund, and supports research into employment, income distribution and inclusive growth.
- *Infrastructure Development Support* provides technical support on infrastructure development planning and implementation to municipalities and provinces by providing technical expertise, advisory services and skills training, including the placement of graduate interns in municipalities.

Programme 8 also includes responsibility for ensuring repayment of the 2009/10 R2.4 billion loan to Gauteng Province for the Gautrain project.

GOVERNMENT TECHNICAL ADVISORY CENTRE (GTAC)

The GTAC is an agency of the National Treasury, established to provide advisory and project management support to the Treasury, other centre of government departments and other organs of state. It is a government component in terms of the Public Service Act, with a central mandate to assist organs of state in building their capacity for efficient, effective and transparent financial management.

GTAC's scheduled functions are:

- To render technical consulting services to centre of government departments and organs of state;
- To provide specialised procurement support for high-impact government initiatives;
- To render advice on the feasibility of infrastructure projects; and
- To provide knowledge management for projects undertaken.

The Minister of Finance has transferred the functions of the former Technical Assistance Unit, the National Capital Projects Unit, the Jobs Fund Project Management Unit and the advisory functions of the Public-Private Partnership Unit to GTAC. In undertaking its advisory and project management support activities, GTAC draws on core funding provided by the

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

National Treasury and co-funding by international donor partners, while also partially recovering professional service costs from client departments or entities. Over the MTEF period, regional offices will be established to consolidate GTAC activities in the Eastern Cape, Western Cape and KwaZulu-Natal.

GTAC also coordinates and provides management support for programme 8, and operates a project development facility through which potential PPP projects, neighbourhood development partnership projects and employment facilitation projects are supported.

In support of the National Treasury and its functions as set out in the PFMA, GTAC's responsibilities include the following:

- Advice on the feasibility and financing of major capital projects and the investment requirements of state-owned companies;
- Support for PPP transactions, in keeping with provisions of the PFMA and Treasury regulations;
- Expenditure and performance reviews, undertaken for NT and the Department of Planning, Monitoring and Evaluation;
- Support for budgetary and public finance management reform, enhancing accountability, transparency and effective service delivery;
- Advice on organisational development, strategic planning and operational improvements in public service delivery; and
- Support for infrastructure investment, economic development and social service delivery improvements, in line with government's NDP and MTSF.

GTAC's long-term strategic intent is to provide a centre of excellence in policy advice and public finance management, in partnership with academic and research centres focused on public-sector management and training. In partnership with the Southern African Labour and Development Research Unit, GTAC supports a research programme on employment, income distribution and inclusive growth, and seeks to promote public discourse and understanding of public policy, social and economic development and public finance management through publications, consultative forums and dialogue.

On behalf of National Treasury, GTAC administers the Employment Creation Facilitation Programme and the Municipal Finance Improvement Programme, and contributes to the Neighbourhood Development, City Support and Infrastructure Delivery Improvement programmes of the Intergovernmental Relations Division.

Within the context of government's NDP and MTSF, GTAC seeks to contribute to building a capable and development-oriented state, while also strengthening capacity to work with the private sector in promoting growth, employment, infrastructure investment and public service delivery.

For the medium-term period ahead, GTAC's activities are organised as follows:

- *Administration:* Management, strategy and planning, finance and human resource management, knowledge management and communications;
- *Technical advisory services:* Public policy and finance advice, organisational development, planning and project management services, administration of the Municipal Finance Improvement Programme;
- *Specialised procurement services:* Advice and support to departments, municipalities and public entities on PPPs and high-impact procurement projects, transaction and contract management support for large or complex procurement processes;

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

- *Fiscal and economic analysis*: Advice and support for infrastructure and development finance, analysis of public expenditure and performance, environmental economics, state actuarial advice and capital project appraisal;
- *Employment facilitation*: Planning and administration of the Jobs Fund, monitoring and evaluation of projects and support for employment-related research; and
- *Municipal Finance Improvement Programme*: Planning, administration and monitoring of the MFIP II programme.

GTAC also maintains the Independent Power Producer procurement programme (IPP) account on behalf of National Treasury and the Department of Energy. Revenue to the account derives from fees payable by participants in the IPP programme, and covers the administration and contract management expenses of the IPPPP office.

Over the period ahead, GTAC seeks to develop public policy and public finance professional training and research programmes on behalf of National Treasury, in partnership with academic and research institutions.

LOCAL GOVERNMENT FINANCIAL MANAGEMENT SUPPORT

The Local Government Financial Management Support sub-programme comprises two activities:

- The *Financial Management Grant (FMG)*, which is a Division of Revenue Act Schedule 5(b) conditional grant to municipalities, to promote and support reforms in financial management and capacity building and to improve implementation of the Municipal Finance Management Act (MFMA); and
- The *Municipal Finance Improvement Programme (MFIP)*, which provides technical assistance and support to National Treasury, provincial treasuries and municipalities through the placement of financial advisors with experience and expertise in municipal financial management to facilitate key reforms and skills transfer.

The FMG is administered by the MFMA Implementation Unit in the Office of the Accountant-General. It is available to all 278 municipalities. In order to receive the grant, municipalities must submit FMG support plans which identify weaknesses in financial management, to be addressed through the grant allocations. FMG funds can be used towards establishment of municipal budget and treasury offices, improvements in supply chain and audit capacity, appointment of financial management interns, investment in financial management systems, training and implementation of reforms, amongst others. Progress is monitored through regular reports to National Treasury.

Beginning in 2014/15, the MFIP entered a second phase (MFIP II) which draws on the experience and lessons of the first three-year programme (MFIP I). The MFIP is supervised by the Chief Directorate: Capacity Building in the Office of the Accountant-General, and is administered by a project management unit in GTAC. It includes placement of five municipal budgeting specialists to support key reform initiatives of the Intergovernmental Relations Division of NT, support for provincial treasuries in their oversight of municipalities and placement of financial advisors at municipalities, based on requests for assistance and identified needs.

The main intended outcomes of the FMG grant and MFIP II are improved financial management capacity, qualified financial officers, improved budget and financial management practices and improved audit outcomes. The programmes are overseen by a steering committee chaired by the Accountant-General.

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

URBAN DEVELOPMENT AND SUPPORT

Urban Development and Support comprises two programmes:

- The *Neighbourhood Development Partnership Programme (NDPP)*, which supports municipal planning and investment in targeted locations, aimed at attracting and sustaining third-party capital investment and business development to improve the quality of life and access to opportunity in under-served townships or settlements; and
- The *Integrated City Development Grant*, through which support is provided to metropolitan municipalities to improve spatial targeting and sequencing of infrastructure investments, with a special focus on identified integration zones.

The *Neighbourhood Development Partnership Grant (NDPG)* was introduced in 2006, with an initial commitment of R10 billion to invest in under-served residential neighbourhoods and to leverage private sector development in these areas. The initial request for proposals led to 35 project approvals, with implementation beginning in 2007. Since its inception, the NDPG has registered a total of 315 projects of which 210 have been completed to the value of over R2.5 billion. Approximately R4 billion has been transferred to municipalities in Neighbourhood Development Partnership (NDP) capital grants. In December 2014, 82 NDP projects to the value of R1.7 billion were under construction, of which 21 are in urban hub precincts.

The NDPG has two components. There is a project development facility which provides planning and technical assistance for potential NDP projects, and a capital grant which contributes to approved investment projects. The NDP targets urban hub precincts with secondary linkages to under-served residential areas, and built environment upgrade projects in urban or rural townships. The programme aims to encourage complementary public and private investment into targeted locations, thereby contributing to the broader goal of liveable, sustainable, resilient, efficient and integrated towns and cities. The NDP's Urban Network Strategy aims to optimise the spatial impact of public infrastructure investment, fiscal and regulatory measures and coordinated urban management in identified transit-oriented urban hubs. NDP projects in rural municipalities are supported in collaboration with the Department of Rural Development and Land Reform.

The *Integrated City Development Grant (ICDG)* was introduced in 2013/14, and is a component of the Treasury's broader City Support Programme. The CSP aims to promote accelerated and more inclusive development in major urban areas through better governance and built environment planning, improved human settlements and public transport management, local economic development and environmental sustainability and climate resilience. The CSP includes technical assistance, peer learning, collaborative reviews and development finance support, and is implemented in partnership with the Development Bank of Southern Africa (DBSA).

The ICDG is intended as an incentive to metropolitan municipalities to strengthen planning and delivery capacity, and targets infrastructure spending to transform inefficient urban landscapes towards more inclusive, productive and sustainable spatial forms. Eligibility is restricted to municipalities with sound financial management and acceptable levels of capital expenditure performance. In order to receive the first 2015/16 transfer of the ICDG, municipalities must approve and submit a Built Environment Performance Plan that identifies catalytic projects and associated outcome targets for identified integration zones. Subsequent transfers will be linked to progress reports on these projects.

The NDPG and the CSP are administered by the *Neighbourhood Development Programme* and the Provincial and Local Government Infrastructure units of the Intergovernmental Relations Division.

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

EMPLOYMENT CREATION FACILITATION

The *Employment Creation Facilitation* sub-programme was introduced in 2011 to contribute to employment and inclusive growth through supporting innovative approaches to job creation and enterprise development. The Jobs Fund is the main component of the programme, comprising a multi-year R9 billion investment which leverages complementary funding from public and private sector project partners. The Jobs Fund was initially established in partnership with the DBSA. It operates as a “challenge fund” and allocates matching grants following a competitive, open and transparent application process. Project allocations are made by an independent investment committee.

As of February 2015, the Jobs Fund has undertaken four calls for proposals, and has approved 89 projects with a total grant value of R4.7 billion. Commitments by project partners amount to a further R6.8 billion. The approved projects target the creation of 132 725 new permanent jobs, 84 500 placements in existing vacant jobs and approximately 200 000 training opportunities. Enterprise development and work-seeker support projects account for the bulk of project allocations and employment commitments.

With effect from November 2014, administration of the Jobs Fund has been transferred from the DBSA to GTAC. In 2015/16, a round of allocations to agriculture development projects will be concluded. Further calls for proposals may similarly focus on innovation in specific sectors or categories of enterprise development.

The *Employment Facilitation* sub-programme also supports a research project (*REDI3x3*), based at the Southern African Labour and Development Research Unit at the University of Cape Town, and the www.econ3x3.org web forum which publishes accessible policy-relevant research on employment, income distribution and inclusive growth.

INFRASTRUCTURE DEVELOPMENT SUPPORT

The Infrastructure Development Support sub-programme comprises two activities:

- The *Infrastructure Skills Development Grant (ISDG)*, through which municipalities are assisted in providing built environment graduates with training and support leading to professional registration; and
- The *Infrastructure Delivery Improvement Programme (IDIP)*, which provide advisory and technical support to provincial departments of health, education and public works, and to selected municipalities, to improve infrastructure planning, procurement and contract management.

Municipalities apply for funding from the ISDG through a business plan which demonstrates that they have suitable projects and training and mentoring capacity to support identified graduates in engineering, town planning, architecture, quantity surveying, geographic information systems and project management on the “road-to-registration” with the relevant statutory councils. The business plan must include an absorption strategy for successful candidates, either in the applicant municipality or another municipality. The key intended outcomes of the grant are to develop technical capacity in local government and increase the number of qualified and professionally registered graduates in built environment disciplines. The grant is administered by the Provincial and Local Government Infrastructure Unit of the Intergovernmental Relations Division and its requirements are set out in the *ISDG Guidelines* published by the unit.

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

The Provincial and Local Government Infrastructure Unit also has responsibility for the IDIP, through which experienced professional advisors are assigned to provincial departments or municipalities to assist in developing infrastructure planning and project management capacity. This is the third phase of the IDIP programme, including implementation support for the IDMS developed in partnership with the Construction Industry Development Board. The programme is implemented in cooperation with the national departments of Basic Education, Health and Public Works.

GAUTRAIN LOAN

Programme 8 includes provision for the 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. The final payment is due in 2017.

Administration of the loan agreement is undertaken by the Asset and Liability Management Division.

STRATEGIC OBJECTIVES

Strategic objective 8.1	Establishment of the GTAC as a centre of excellence in public sector advisory services, transaction support, project management and public finance management
Objective statement	To build public sector capacity through diagnostic and advisory services and support for organisational development, specialised procurement, improved public finance management and programme and project implementation.
Baseline	With effect from April 2014, the former Technical Assistance Unit, the Public-Private Partnership Unit, the National Capital Projects Unit, the Social Security and the Jobs Fund project management unit have been transferred from the NT to GTAC. Transition to a new organisational structure subject to direction of the Minister of Finance to be completed in 2014/15 and 2015/16.
Justification	The establishment of GTAC follows approval by the ministers of Finance and Public Service and Administration of a business case, which recognises the potential benefits of strengthening coordination of NT's externally oriented advisory, technical support and project management activities.
Links	NT, other centre of government departments and other public sector clients; academic and research partners in public policy and financial management.
Strategic objective 8.2	Local government financial management improvement
Objective statement	To strengthen public finance management capacity in municipalities and support provincial treasury oversight of local government financial management.
Baseline	Financial Management Grant is transferred to all 278 municipalities. MFIP II aims to support approximately 80 municipalities a year and nine provincial treasuries; MFIP I supported over 90 municipalities and eight provincial treasuries.
Justification	Both the FMG and MFIP aim to address identified shortcomings in financial management in municipalities, to improve implementation of the 2003 MFMA.
Links	Provincial treasuries and municipalities.

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

Strategic objective 8.3	Promotion of urban integration and neighbourhood development
Objective statement	To promote public and private investment in city development, integrated urban networks and neighbourhood development initiatives.
Baseline	Since inception in 2006 the Neighbourhood Development Partnership (NDP) has registered 315 projects and 210 have been completed to the value of over R2.5 billion. By December 2014, 82 projects were under construction, of which 21 are in urban hub precincts. The ICDG was introduced in 2013/14. Tshwane, Ekurhuleni, eThekweni, Cape Town and Nelson Mandela Bay qualified to receive initial grants. Further allocations will depend on approval of built environment performance plans.
Justification	Both the NDPG and ICDG are designed to address the social, spatial, environmental and economic imbalances associated with apartheid policies and legislation, particularly in urban areas. The ICDG provides a specific financial incentive for metropolitan municipalities to enhance the spatial efficiency of their urban built environments. It reflects priorities for urban public investment reflected in the National Development Plan.
Links	Department of Cooperative Governance and Traditional Affairs; Department of Rural Development and Land Reform; municipalities.

Strategic objective 8.4	Facilitation of employment creation and inclusive growth
Objective statement	To promote innovative and partnership-based approaches to employment creation, work-seeker support and enterprise development.
Baseline	The Jobs Fund is a R9 billion multi-year commitment, of which R4.7 billion had been committed to 89 projects, and R1.9 billion disbursed, by February 2015.
Justification	Support for employment creation contributes to addressing South Africa's high unemployment rate, particularly of young people, identified in the National Development Plan as the key to more inclusive growth and development.
Links	Departments of Labour, Trade and Industry, Economic Development and Higher Education; business, labour and civil society organisations

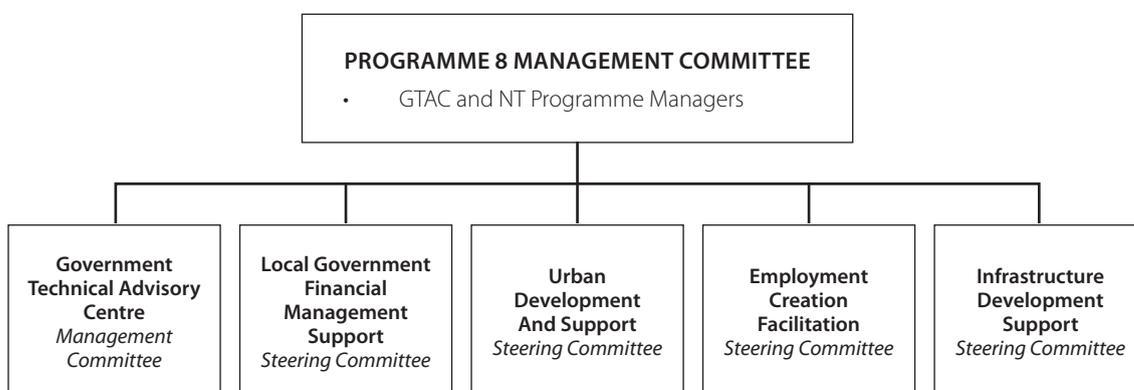
Strategic objective 8.5	Improved infrastructure planning, management and skills development
Objective statement	To support infrastructure planning, implementation and skills development in provinces and municipalities.
Baseline	The ISDG was allocated to 17 municipalities in 2013/14, and has created training and placement opportunities for 437 graduates. Phase III of the Infrastructure Delivery Improvement Programme initiated in 2014/15, following a review of IDIP II.
Justification	To improve the capacity of selected provincial departments and municipalities to be able to plan, deliver, manage and maintain social and economic infrastructure.
Links	National and provincial departments of health, education and public works; municipalities, Department of Cooperative Governance and Traditional Affairs.

IMPLEMENTATION STRATEGY

Programme 8 requires coordination across several divisions of National Treasury, and joint management of specific programmes in partnership with a number of external departments or stakeholders.

Overall programme management and coordination are effected through a Programme 8 Management Committee, which includes GTAC management and the responsible sub-programme managers.

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



Governance and implementation arrangements differ for the various programmes and activities, but in general involve a management or steering committee with appropriate representation from key stakeholders in National Treasury or other departments. Key implementation plans and strategic considerations for the period ahead include the following.

GOVERNMENT TECHNICAL ADVISORY CENTRE

GTAC’s strategic intent and longer term business plans are developed through a series of consultations involving all staff. Given the nature of advisory and project management work, it is recognised that activities and staff requirements will vary over time.

Much of what GTAC does is driven by the priorities of centre of government departments and the requests of other client departments or entities. Flexibility to adapt to changing needs and priorities and to mobilise appropriate expertise and capacity rapidly is therefore an important organisational requirement.

The central long-term objective is capacity building in public finance management. This has two main aspects: advisory and support services, and training and knowledge programmes. In both these areas, GTAC partners with other organisations and centres of expertise, recognising that the state needs to draw on expertise from many quarters. GTAC therefore seeks to play a coordinating and facilitating role, recognising that this is often more productive than more narrowly structured interventions.

GTAC recognises the importance of effective quality assurance methods, of monitoring and evaluation of its advisory and support activities and of project and programme management systems. Quality assurance, monitoring and evaluation are therefore intrinsic to GTAC’s management systems and methodologies.

GTAC’s approach to public finance policy and management acknowledges that social progress and economic development are outcomes not just of public service programmes but also of private sector and civil society initiatives. Public policy and programme design have to take account of market structure and dynamics, and of the interaction between state interventions and private sector development. GTAC therefore promotes policies and institutions that enhance the complementary roles of the public and private sector in development, and supports initiatives and transactions that secure partnerships between the public and private sectors.

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

In setting strategic priorities and formulating its business model, GTAC does not seek to compete with private sector service providers. Broadly, GTAC projects originate in three ways:

- Analysis, advice or project management activities undertaken on behalf of and at the request of the National Treasury
- Transaction advice in support of the Treasury's regulatory framework for PPPs or large procurements
- Consulting, advisory or project management activities on behalf of and at the request of other organs of state.

Where GTAC is requested to undertake activities that relate to the responsibilities of other Centre of Government departments (Public Service and Administration, Cooperative Governance and Traditional Affairs or Performance Monitoring and Evaluation), those departments are consulted before undertaking such work.

In respect of advisory services related to PPPs and major government transactions, or public sector organisational development, planning and project management, GTAC's mandate derives mainly from the PFMA and accompanying Treasury regulations, and the MFMA and its regulations. GTAC has a particular responsibility for advising and supporting departments or public entities which seek to undertake projects or provide services through Treasury Regulation 16 and the municipal PPP regulations, which govern PPPs. Goals for the period ahead include development of PPP portfolio programmes in areas such as tourism and social and municipal services where transaction models can be reproduced, as has been successfully undertaken in respect of renewable energy. Support for special economic zone PPPs and non-PPP major infrastructure initiatives will also be prioritised at the local, provincial and national levels.

GTAC is the custodian of several official guidance manuals, including the PPP Guidelines, and a Project and Programme Management Framework. Over the period ahead, guidelines to support several other areas of public finance management will be further developed, including non-PPP infrastructure procurement, project appraisal, policy and programme costing, results-based management approaches and expenditure and performance evaluation.

These advisory and guidance services are complemented by several training programmes and collaborative networks, including the Project Management Community of Practice launched in February 2015 and an ongoing series of PPP training workshops for both public and private sector participants. Over the period ahead, GTAC will further develop these public finance education and learning programmes, in partnership with academic and research institutions.

LOCAL GOVERNMENT FINANCIAL MANAGEMENT SUPPORT

During 2014/15, the Office of the Accountant-General has rolled out a financial maturity assessment programme in all municipalities. Drawing on these results, together with the Auditor-General's findings on municipal financial management, local government financial management support initiatives will be strengthened and reprioritised over the period ahead.

FMG support plans prepared by all municipalities play a key role in this strategy. These provide a key instrument through which municipalities identify challenges to be addressed, and provincial treasuries and the National Treasury target their support interventions appropriately. Where a municipality is in financial difficulties, both the FMG and the MFIP can be used to contribute to a financial recovery programme.

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

A Memorandum of Agreement has been concluded between the Office of the Accountant-General and GTAC for administration of MFIP II over the MTEF period ahead. The programme placed its first round of advisors in nine municipalities in January 2015, beginning with an induction programme conducted by the project management unit. Expressions of interest have been received from over 20 further municipalities. These are evaluated through a diagnostic assessment process, and there is consultation with provincial treasuries before decisions on provision of support. Appointments of advisors will be made early in 2015/16, following a second round recruitment process conducted through competitive procurement.

Over the MTEF period ahead, MFIP II will assist approximately 80 municipalities a year through placement of financial advisors. Specialist assistance will also be provided to the Intergovernmental Relations Division and provincial treasuries to support municipal budgeting and financial management reforms and implementation of the MFMA.

URBAN DEVELOPMENT AND SUPPORT

As outlined in the NDP Unit's 2013-2018 business plan, its strategic intent is to focus funding allocations and government's investment priorities on integrative urban infrastructure. The NDP's Urban Network Strategy provides a framework for addressing the urban and spatial development aspects of the National Development Plan, contributing over the longer term to more efficient urban landscapes, broader social and economic opportunities and improved living conditions. While the Neighbourhood Development Programme has a more diffuse reach, in both urban and rural municipalities, the City Support Programme aims to support the transformation of the spatial form of South Africa's larger urban centres (the eight metropolitan municipalities and ten secondary cities).

Against this background, the NDP Technical Assistance Grant will be used to support strategic urban planning, precinct and project planning, project packaging and coordinated urban management in targeted locations and nodes. This is managed through the GTAC project development facility account. The NDP capital grant component provides catalytic investment in targeted township precincts which sets out to attract, coordinate and leverage private sector investment in targeted locations.

Based on the unit's urban network methodology, 26 strategic township urban hubs (transit oriented nodes), across South Africa's eight metros and ten secondary cities have been identified and precinct design and hub development are underway. Over the MTEF period ahead, the NDP unit anticipates a cumulative total of 15 long-term urban regeneration programmes, 340 approved catalytic projects and at least 40 NDPG projects under construction at any point in time. Approximately R300 million a year in third party investment is projected. The unit is targeting a cumulative total of 12 approved precinct plans (urban hubs) and three precincts (urban hubs) with management plans in operation over the next three years.

The unit will continue to support municipalities, through the NDP grant, in accessing intermodal transit-oriented development expertise through a partnership with Intersite/PRASA, and a capital project preparation facility managed by the DBSA. In cooperation with the Department of Rural Development and Land Reform, the design and implementation options for a NDP grant suitable for dense settlements in rural municipalities will be explored.

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

EMPLOYMENT CREATION FACILITATION

Following a year of administrative consolidation, during which the Jobs Fund project management unit has transferred to GTAC from the DBSA, the Jobs Fund plans to conclude two funding rounds in 2015/16, the first of which is focused on agricultural enterprise development.

Over the next three years, the Jobs Fund will complete its R9 billion allocation of funds. Accumulated disbursements are expected to increase from R1.9 billion in February 2015 to about R6 billion by March 2018.

A key initiative aimed at learning from the lessons of the Jobs Fund is its annual Learning Forum, which provides a platform for Jobs Fund partners to interact, engage and learn from one another. The second learning forum was held in 2014, and it will continue as an annual event over the period ahead, including both interaction and training opportunities for project implementing organisations.

In order to benefit fully from the experience of Jobs Fund projects, a strong emphasis is placed on monitoring and evaluation. An expert team has been appointed to provide independent reviews of the programme. Preliminary evaluations of Jobs Fund projects in the enterprise development and work-seeker support windows were conducted in 2014. Together with further evaluation and research findings, including the work of the REDi3x3 research programme, these reviews will contribute to consultative processes and policy advice and support over the period ahead.

INFRASTRUCTURE DEVELOPMENT SUPPORT

Following its review of the first IDIP, the Intergovernmental Relations Division plans to focus efforts on implementation of the Infrastructure Delivery Management (IDM) toolkit over the period ahead.

Working in partnership with provincial health, education and public works departments, at least 150 officials will be trained each year in the IDM toolkit, improving capacity both in infrastructure planning and contract management. GTAC will continue to provide technical assistance to departments and municipalities on infrastructure project management and organisational development, based on requests for support and diagnostic reviews.

Through the ISDG, approximately 400 graduates a year will be assisted in obtaining professional registration in built environment disciplines.

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

RISKS AND CONSIDERATIONS

Risk	Risk Description	Mitigation Strategy
Client or third party unavailability, poor decision-making or inability to meet project requirements	Client or third party poor performance or inability to comply with project commitments, especially when linked to infrastructure development, PPPs or organizational reform, resulting in project delays or incomplete implementation	Proactive management and monitoring of project implementation and performance of third parties Inclusion of performance criteria, processes and procedures in contracts and service level agreements
Inability to provide integrated support and duplication of efforts	Integration of previous business functions such as the Technical Assistance Unit and the PPP Unit involves merger and realignment of processes, procedures, roles and responsibilities, which may involve difficulties or delays that interfere with effective service delivery	Careful mapping and management of processes and procedures for the new GTAC Definition of roles and responsibilities in detail so as to prevent duplication of efforts or an inability to perform critical functions
Time and budget project overruns	There is a risk that due to inadequate management of programmes or unanticipated difficulties in implementation, projects may overrun on time and budget	Sound sequencing and planning of standards and procedures for all programmes Monitoring and evaluation of projects within the programme through sound programme management procedures
Fraud and corruption	Corruption in contracts, impacting on service delivery, integrity and reputation	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, or barriers to entry and inside knowledge	Introduction of smaller projects to introduce smaller players into the advisory and transaction support fold Encouragement of partnerships between established and emerging firms Constant monitoring of the market place to ensure monopoly tendencies do not develop
Capacity and skills gaps	Inadequate capacity, both within Treasury and GTAC and in client departments or public entities, compromising best practice	Support for training and capacity building as integral elements in programme design Implementation support associated with regular monitoring of projects and programmes Ongoing training and mentoring of professional personnel

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

Risk	Risk Description	Mitigation Strategy
Reputational damage associated with failure to meet client expectations	Failure to meet client expectations, either because of project design and implementation weaknesses or unrealistic expectations of clients or unanticipated complications, contributing to disagreements or reputational damage	<p>Assurance of skills and experience of advisors and service providers</p> <p>Effective quality assurance methods, monitoring and evaluation of projects</p> <p>Rigorous assessment of client needs through diagnostic processes</p> <p>Establishment of professional partnerships and communities of practice (knowledge networks)</p>
Overstretched resources	Over-reliance by clients on GTAC or Treasury service providers, leading to overstretching of resources and delays in implementation	<p>Systematic project selection and assignment of project responsibilities</p> <p>Clear demarcation of in-scope and out-of-scope work, and adherence to project mandates and SLAs</p>
Project implementation difficulties associated with inconsistent or contradictory policies, programmes and activities of departments and public entities	Lack of shared government positions on complementary aspects of infrastructure investment, urban development or policy implementation, which may result in inappropriate funding and inconsistent programme implementation	<p>Clarification and communication of strategies and interventions, for example in the Urban Networks Strategy as guide to spatial targeting and programme design</p> <p>Effective coordination and consultation with other departments and public entities</p> <p>Participation in joint planning and programme development processes</p>

PROGRAMME 9: REVENUE ADMINISTRATION

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

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

ACRONYMS AND ABBREVIATIONS

B-BEEE	Broad-based black economic empowerment
BCP	Business continuity management
BO	Budget Office
BRICS	Brazil, Russia, India, China, South Africa
CEO	Chief Executive Officer
CIO	Chief Information Officer
COP	Community of practice
CoTS	Commercial off-the-shelf solution
CPO	Chief Procurement Officer
CREFSA	Centre for Research into Economics and Finance in Southern Africa
DG	Director-General
EMP	Emergency management plan
EXCO	Executive Council
FMCMM	Financial Management Capability Maturity Model
G20	Group of 20 Finance Ministers and Central Bank Governors
GBS	General budget support
GEPF	Government Employees' Pension Fund
GPAA	Government Pensions Administration Agency
GRAP	Generally Recognised Accounting Practice
GTAC	Government Technical Advisory Centre
HoD	Head of Department
HR	Human Resources
ICT	Information and communications technology
IDMS	Infrastructure Delivery Management System

ANNEXURE - continued

ACRONYMS AND ABBREVIATIONS - continued

IFMS	Integrated Financial Management System
IGR	Intergovernmental relations
IPP	Independent Power Producer procurement programme
IT	Information technology
KPS	Knowledge processing system
MIS	Management information system
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTSF	Medium term strategic framework
NDP	National Development Plan
NDP	Neighbourhood Development Partnership
NDPP	Neighbourhood Development Partnership Programme
NT	National Treasury
ODA	Overseas development assistance
PF	Public finance
PFMA	Public Finance Management Act
PPP	Public-private partnership
PRF	Price referencing system
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SCM	Supply chain management
SLA	Service level agreement

ANNEXURE - continued

ACRONYMS AND ABBREVIATIONS - continued

SMMEs	Small, medium and micro enterprises
SOE	State-owned enterprise
SSP	Strategic support plan
UCT	University of Cape Town
UJ	University of Johannesburg
UP	University of Pretoria

National Treasury
STRATEGIC PLAN

2015/19

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National Treasury
REPUBLIC OF SOUTH AFRICA