8 May 2017

**Analysis of National Treasury Annual Performance Plan**

1. **Introduction**

National Treasury’s legislative mandate is to promote government’s fiscal policy and coordinate its macroeconomic policy; ensure stability and soundness of the financial system and financial services; and coordinate intergovernmental financial and fiscal relations. The 2017/18 Annual Performance Plan represents a combination of multiple priorities while the Strategic Plan has remained unchanged.

1. **Policy Priorities Areas**

National Treasury seeks to alleviate constraints to growth and create an economy that grows faster, transforms and provides an inclusive economy that is less dependent on debt financed consumption and facilitates that more people are employed to reduce poverty and inequality. National Treasury is mandated by law to promote national government’s fiscal policy and coordination of its macroeconomic policy, ensure the stability and soundness of the financial system and financial services and coordinate intergovernmental financial and fiscal relations.[[1]](#footnote-1)

National Treasury’s aims and objectives, which are underpined by the 2030 vision of the National Development Plan and Medium Term Strategic Framework, remain unchanged.

Over the 2017/18 financial year, National Treasury will focus on the following priorities linked to their Annual Performance Plan.

* Supply chain management reforms
* Improving cost controls
* Strengthening budgetary procedures
* Implementation of the new Municipal Standard Chart of Accounts
* Implementation of cost containment measures
* Legislation to be passed giving effect to the “twin” peaks regulatory reforms
	1. **Overview of National Treasury financial position**
* **Overview of the 20161/17 third quarter**

National Treasury received a total budget of R28.4 billion (excludes direct charges) for the 2016/17 financial year. During the adjustment budget process, the budget remained unchanged. By the end of the third quarter of 2016/17, the department was experiencing some cost pressures that necessitated proper reprioritisation. A net higher than projected expenditure of R312.7 million was reported in the third quarter of the current financial year

* **Budget Analysis 2017/18**

National Treasury’s budget allocation increases by R2 318,6 million or 8.9 percent in nominal terms from R28.4 billion in 2016/17 to R30.7 billion in 2017/18.

With regard to the economic classification of expenditure, the ceiling of the departments spending on compensation of employees is projected at R2.5 billion over the medium term, with R799.3 million in 2017/18, R807.8 in 2018/19 and R869.3 million in 2019/20. Goods and services amount to R1 536.8 million in 2017/18, down by R104.6 million from the R1 641.4 million allocated in the previous financial year.

The allocation for transfers and subsidies’ increases by R32.8 billion or 2.5 percent in nominal terms from R443.8 billion in 2016/17 to R476.6 billion in 2017/18. The allocation for capital assets decreases by R55,0 million from R70.9 million in 2016/17 to R15.7 million in 2017/18.

**Table 1: Budget Estimates for 2017 Medium Term Expenditure Framework (MTEF)**



Source: National Treasury ENE (2017), Annual Performance Plan (2017)

**3. Programme Analysis**

**Programme 1:** The Administration programme provides strategic leadership, management and administrative support to the department and capacity building. A budget of R413.3 million is allocated for 2017/18, down by R32.8 million or 7.35 percent in real terms from R446 million in 2016/17.

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| Comments:* The DG announced his resignation from NT. What is the department doing to ensure smooth transition?
* In addition, the position for DG was advertised recently, how far is NT is concluding the recruitment process- when can we expect a new DG to be announced?
* We note the response in the Budget Review “that all the approved critical posts have been filled promptly with a turnaround time of between four and five weeks”? So why are senior vacancies such as DDG (IREP), Chief Procurement Officer not filled?
* Entities reporting to MoF have increased from 40 (2016/17) to 44 (2017/18). Please provide names of the new entities reporting to the Minister on a quarterly basis?
* In the current year, the target for vetting of employees is 182 that is submitted to State Security. Last year there were 241 vetting files that were submitted to the state security agency- how many of those submissions came back with adverse findings? What were the reasons and what action has been taken by the department?
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**Programme 2: The Economic Policy, Tax, Financial Regulation and Research** programme provides economic research, maintains economic models and draft appropriate economic policies and legislation through its internal capacity where necessary though consultancy services. The 2017/18 budget allocation is R128.6 million.

A strategic priority for this programme over the medium term is ensure that the Financial Sector Regulation Bill is passed into law, including establishment of new regulatory authorities and achieve consensus on annuitisation.

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| Comments:* According to Statistics South Africa, SA economy contracted by 0.3% in the last quarter of 2016 (seasonally adjusted and annualised). NT’s growth projection is 1.7% in 2017. Given the economic challenges including being downgraded to junk status. Are the growth targets not ambitious given the current economic climate? Is the country on track to achieve these targets?
* “The department will also continue working on preventing South Africa’s credit rating from being downgraded to sub-investment grade” (AR,2016). Given that the country is downgraded, what is being done to ensure that we improve on our credit rating. What is NT going to do differently that has not been done before?
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**Programme 3:** The Public Finance and Budget management programme provides analysis and advice on fiscal policy and public finances, intergovernmental financial relations and manages the annual budget process and provides public finance management support. A total of R286.0 million is allocated for 2017/18.

**Programme 4:** The Asset and Liability Management programme manages financial assets, national debt and liquidity requirements of the fiscus to facilitate national expenditure and maintaining favourable sovereign debt ratings. Over the medium term, the strategic focus of this programme is to continue its oversight of state owned entities (SOEs) by enabling the SOEs to meet government’s policy objectives in a financially and fiscally sustainable manner, as well as promote sound corporate governance in SOEs.

The programme’s budget allocation for 2016/17 declines R10.9 million or 14.98 percent in real terms from R113.3 billion in 2016/17 to R102.4 million.

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| **Comments:**“National Treasury should table a quarterly report in Parliament, providing updates on guarantees extended, the extent of exposure against guarantees and the data on the portfolio of state-owned company assets”* What is the status of this commitment? When will this report be provided?
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**Programme 5:** The Financial Accounting and Supply Chain Management programme is allocated R1 217.8 million for 2017/18 to promote effective and efficient government financial management and accountability across the three spheres of government

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| **Comments:**“The revised Preferential Procurement Regulations were promulgated on 20 January 2017 and will be effective on 1 April 2017. The rollout of the revised regulations to practitioners, suppliers and oversight bodies such as parliamentary committees is still in the planning phase and is targeted for implementation from March 2017”.* Has the implementation taken place? If not, what are the challenges?

During November 2016, the National Treasury issued a revised Circular on Cost-Containment Measures on travel and accommodation for institutions that comply with the Municipal Financial Management Act (2000) and Public Finance Management Act.* National Treasury was supposed to have engaged the Auditor-General of South Africa on the possibility of including specific cost-containment expenditure items in annual audit plan. Has this been done? If not, why not?
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**Programme 6:** The International Financial Relations programme receives R5 836.8 million for 2017/18, up by R859 million or 10.32 per cent in real terms from R4 977.3 million in 2016/17. This allocation is aligned to the programme’s mandate, which is to manage South Africa’s interests in shaping regional and global policies that advance the economic, financial and development objectives of the country and the African continent.

**Programme 7.** The Civil and Military Pensions, Contributions to Funds and Other Benefits programme’s mandate is to ensure that government’s pension and post-retirement medical benefit obligations to former employees of the state and retired military members are fulfilled. The allocation to Programme 7 amounts to R4 835 million in 2017/18, up by R372.4 million.

**Programme 8:** The Technical Support and Development Finance programme is responsible for providing advisory services, programme management and development finance support to improve public finance management, as well as support high-impact government initiatives, facilitate employment creation and strengthen infrastructure planning and delivery across the three spheres of government. The programme is allocated R2.873.3 million for 2017/18, up by R274.8 million or 10.5 percent in nominal terms from R2.598.5 million in 2016/17.

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| **Comments:**1. Given that GTAC is a government component in terms of the Public Service Act, when will the 2017/18 APP be tabled?
2. Will Parliament receive audited financial statements for GTAC?
3. Does GTAC have a permanent Accounting Officer?
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**Programme 9:** The Revenue Administration programme receives an allocation of R10.2 billion in 2017/18, up by R854.5 million or 2.6 percent in real terms from R9.3 billion in 2016/17. The budget allocation is a transfer payment to the South African Revenue Service, which is responsible for administering the tax system.

**Programme 10:** Financial Intelligence and State Security essentially comprises transfers made to the Financial Intelligence Centre to combat financial crimes, including money laundering and terror financing activities.

**Conclusion**

Parliament should continuously track and monitor the performance of the National Treasury, both on its budget and its stated measurable targets and outputs including entities managed by the department.

**References**

National Treasury (2017), Budget 2017, Estimates of National Expenditure

National Treasury (2017), Annual Performance Plan 2017/18

National Treasury (2017), Budget 2017, Budget Review

National Treasury (2015), Strategic Plan 2015/19

National Treasury (2017), Third Quarter Expenditure Report 2017 for the Standing Committee on Appropriations

1. National Treasury APP (2017:12) [↑](#footnote-ref-1)