

GLOSSARY

Accounting officer	The civil servant in a department who is accountable to Parliament for financial management. The accounting officer is usually the Director-General or the head of the department.
Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Agency payments	Payments made by one government department to another in the same or in a different sphere of government to pay for services administered by the department receiving the payments. Agency payments do not form part of the budget of the department receiving the payment. (See also <i>conditional grants</i>)
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by the provincial legislature from the Provincial Revenue Account.
Available expenditure	That part of the national budget which can be divided between the national, provincial and local spheres of government, after debt interest and the contingency reserve have been taken into account.
Balance of payments	A summary statement of all the international transactions of the residents of the nation with the rest of the world during a particular period of time.
Baseline estimates	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Budget Council	A body established to co-ordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for finance.
Budget deficit	The difference between budgeted spending and budgeted revenues.
Capital inflow	An increase of foreign assets in the country or a reduction in the country's assets abroad.

Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements. Conditional grants appear as expenditure in the budget of the department making the grant and as revenue of the province or municipality receiving the grant. (See also <i>agency payments</i>)
Consolidated expenditure	Total expenditure by national and provincial government, including transfers to municipalities and other extra-budgetary agencies. Consolidated expenditure includes spending by provinces financed from own revenues. Consolidated spending is therefore the sum of national and provincial spending, excluding the double counting of transfers from national to provincial government.
Consumer price inflation	Price increases as measured by the consumer price index (CPI), which reflects the prices of a representative basket of consumer goods and services. (See also <i>inflation</i> ; <i>GDP inflation</i>)
Contingency reserve	The portion of the spending total which is set aside and not allocated in advance, in order to accommodate changes to the economic environment and to meet unforeseen spending pressures.
Current account deficit	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. A current account deficit means that South African residents consume more than they produce, which must be financed by capital inflows from abroad.
Debt interest	The cost of interest on government debt.
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear as well as redundancy.
Depreciation (exchange rates)	A reduction in the external value of the rand. A depreciation makes South African goods cheaper to foreign purchasers, and imported goods more expensive to South African buyers.
Devaluation	A deliberate change in the exchange rate by a nation's monetary authorities from one fixed level to another.
Direct investment	Investment from abroad in physical assets such as factories. (See also <i>portfolio investment</i>)
Dissaving	The difference between current income and current expenditure.
Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.

Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Economically active population	That part of the population of working age which is employed, or seeking work in the market economy.
Economic growth	An increase in the total amount of output, income and spending in the economy.
Emerging markets	A name given by international investors to middle income economies.
Equitable shares	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution.
Financial and Fiscal Commission (FFC)	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Fiscal policy	Policy on tax, spending and borrowing by government.
GDP inflation	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported, excludes imported goods, and includes intermediate goods such as machines. (See also <i>consumer price inflation; inflation</i>)
Generally recognised accounting practice (GRAP)	Accounting standards for government as required by the Constitution. The public sector equivalent of generally accepted accounting practice (GAAP) which sets out private sector accounting standards.
Government debt	The total amount of money owed by government as a consequence of Government's borrowing in the past.
Gross domestic fixed investment (GDFI)	The addition to a country's fixed capital stock during a specific period, before provision for depreciation.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
Hedging	Reducing risk in financial markets by insuring against movements in exchange rates or interest rates.

Improvements in conditions of service (ICS)	The sum set aside to meet the costs of pay increases for public servants. The distribution of improvements in conditions of service depends on the agreements between the government as employer and the public service unions.
Inflation	The rate of increase of prices. (See also <i>consumer price inflation</i> ; <i>GDP inflation</i>)
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
Investment	The flow of expenditure on new capital goods.
Macroeconomics	The branch of economics dealing with the whole economy – for example, growth, inflation, unemployment and the balance of payments.
Medium term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the budget.
Merchandise exports	Exports of goods, but not services. In the South African accounts this usually excludes exports of gold.
Microeconomics	The branch of economics dealing with the behaviour of individuals and firms – for example, relative prices and changes in demand or supply of particular goods and services.
Monetary policy	Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy is usually focused mainly on keeping control of inflation.
National Budget	The projected revenue and expenditures which flow through the national Exchequer Account. Does not include spending by provinces or local government from their own revenues.
Net open forward position	The difference between aggregate future commitments of purchases and sales of foreign exchange by the South African Reserve Bank.
Nominal exchange rates	The current rate of exchange between the rand and foreign currencies.
Non-tax revenue	Income received by the government as a result of administrative charges, licences, fees, sales of goods and services, etc.
Outcomes	The effect on individuals and communities as a result of the activities of government.

Outputs	Goods and services delivered by government.
Portfolio investment	Investment in financial assets such as stocks and shares or government bonds.
Public sector borrowing requirement (PSBR)	The consolidated cash borrowing requirement of general government and public enterprises.
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and the countries included.
Real exchange rate	The level of the exchange rate taking account of inflation differences.
Real expenditure	The level of expenditure after taking account of inflation.
Recession	A period in which national output and income declines. A recession is usually defined as two consecutive quarters of negative growth.
Remuneration	The costs of personnel including salaries, housing allowances, car allowances, and other benefits received by personnel.
Reserves	Holdings of foreign exchange, either of the Reserve Bank only, or of the Reserve Bank and domestic banking institutions.
Rolling budgets	A budget system in which three year forward projections are revised each year.
Saving	The difference between income and spending.
Treasury committee	Committee that evaluates all requests for additional funds during a financial year for unavoidable and unforeseen expenditure.
Vertical division	The division of revenue between spheres of government. (See also <i>horizontal division</i>)

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