

# Finance

## Aim

*The aim of the Department of Finance is to promote reconstruction and development in order to deliver rising standards of living for all by ensuring sound public finances and an efficient and equitable use of resources.*

## Policy developments

### Public Finance Management Act

The Public Finance Management Act was passed by Parliament in 1999 and takes effect on 1 April 2000. It provides the legislative framework for strengthening financial accountability while devolving managerial responsibility to accounting officers and departmental managers. It extends financial oversight to the wider public sector and serves as the point of departure for a thorough overhaul of treasury regulations and procedures.

This is part of a broader strategy for improving financial management in the public sector. Its implementation will be a joint responsibility of the national Treasury – the present Departments of Finance and State Expenditure – and the nine provincial treasuries. Improved financial administration complements several other financial reforms in progress, including improved budgeting systems, reform of public sector procurement, support for public-private partnerships and enhanced corporate governance and financial risk management across the public sector.

### Intergovernmental financial relations

The Budget Council has continued to supervise the financial relations between national government and the provinces. Significant developments over the past year include:

- Progress by the education, health and welfare technical committees in identifying service delivery indicators, monitoring spending trends and promoting improved financial management
- Establishment of technical committees to deal with transport and public works matters respectively
- Agreement on principles to be followed in developing a framework for provincial taxation
- Preparation of new formats for budget documentation and expenditure reporting.

The Budget Forum, which includes representatives of local government, has dealt with a wide range of matters this year, including municipal Y2K compliance, changes to the implementation of the local government equitable share and local government grant programmes. A review is also underway of the present RSC levies as a local government financing mechanism.

### International relations

South Africa continues to play a prominent role in its African constituency in the International Monetary Fund and the World Bank, and is an active participant in the newly-formed group of leading industrial and developing nations (the G20). Issues that have received attention over the

past year include international capital market volatility, debt reduction in poor countries and the growth and technology challenges of the 20th century.

## Revenue and trade administration

The Finance vote includes provision for the South African Revenue Service (SARS), which is responsible for national tax collection and related trade administration functions.

South Africa's expanding trade relations in Southern Africa and implementation of the recently signed trade and development agreement with the European Union bring fresh challenges to the Revenue Service. In addition, the 2000 Budget introduces several substantial tax reforms that will require investment in new administrative capacity. An increased allocation to SARS is accordingly the main change in the Finance vote this year.

## Expenditure estimates

**Table 6.1 Expenditure by programme**

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Administration <sup>5</sup>	16,9	11,5	18,9	31,3	36,2	32,3	34,9
Financial and economic measures	18,9	25,1	27,1	32,9	41,0	41,5	42,4
Exchequer financing	4,4	6,3	8,1	12,2	15,1	15,7	15,7
Fiscal transfers <sup>1</sup>	<b>1 760,0</b>	<b>1 880,7</b>	<b>2 214,1</b>	<b>2 600,8</b>	2 534,1	2 642,7	2 825,7
Civil pensions and contributions to fund	1 079,8	1 001,0	942,2	1 398,8	1 432,7	1 585,1	1 779,8
Military pensions and benefits	108,5	114,9	127,5	148,1	143,4	140,4	146,0
Transfers to provinces and local government <sup>2</sup>	84 231,7	85 956,1	4 001,2	3 995,1	2 862,0	2 710,0	2 770,0
Associated services	1,7	0,2	3,0	5,8	7,4	6,2	5,5
<b>Expenditure to be voted<sup>3</sup></b>	<b>87 222,1</b>	<b>88 995,8</b>	<b>7 282,1</b>	<b>8 224,9</b>	<b>7 071,9</b>	<b>7 174,0</b>	<b>7 619,9</b>
<b>Direct charges to the National Revenue Account</b>							
State debt cost <sup>4</sup>	33 160,4	38 819,7	42 669,3	44 482,6	46 489,7	49 531,1	50 997,0
Provincial equitable share			81 542,2	86 594,6	94 408,3	100 167,1	105 157,8
<b>Total</b>	<b>120 382,5</b>	<b>127 815,5</b>	<b>131 493,6</b>	<b>139 302,1</b>	<b>147 969,9</b>	<b>156 872,2</b>	<b>163 774,7</b>
<b>Change to 1999 Budget estimate</b>				<b>(144,3)</b>	<b>291,3</b>	<b>1 835,1</b>	

<sup>1</sup> Excluding transfers amounting to R481,4 million in 1996/97 and R535,8 million in 1997/98 to the Independent Broadcasting Authority and Post and Telecommunications, not shown on the Communications vote. Including the separate SARS vote of 1996/97 and 1997/98.

<sup>2</sup> Transfers to provinces include provision for improvements in conditions of service. With effect from 1998/99, the provincial equitable shares are reflected as direct charges against the National Revenue Fund.

<sup>3</sup> Excluding Post Office losses of R571,6 million in 1996/97 and R464,0 million in 1997/98 now reflected on the Communications vote.

<sup>4</sup> Excluding revaluation of maturing foreign loans, formerly included in state debt cost.

<sup>5</sup> Authorised losses added: 1996/97 R0,6 million, 1997/98 R0,5 million and 1998/99 R0,2 million

- The *Financial and economic measures* programme includes policy advice on state finances and the regulation of overall economic and financial policy.

- *Exchequer financing* deals with the raising of domestic and foreign loans and asset and liability management.
- *Fiscal transfers* include transfers to the SARS and the National Development Agency and payments in terms of various international agreements.
- *Civil pensions and contributions to funds* comprise payments in respect of various pension and other benefit schemes.
- *Military pensions and other benefits* are paid to certain ex-servicemen and former South African Citizen Force and Civil Protection members injured in the course of duty.
- *Provincial and local government transfers* are conditional grants to provinces and local authorities to supplement their budgetary resources.
- *Associated services* include the augmentation of the Public Investment Commissioner's account, supporting computer services and government motor transport expenses.

Transfers to cover losses of the Post Office and subsidies to the South African Broadcasting Corporation and Posts and Telecommunications, included in the Finance vote until 1997/98, are now reflected on the Communications vote and are accordingly excluded from the estimates in Tables 6.1 and 6. 2.

The Department of Finance is responsible for payment of interest and other obligations arising from state debt and for payments to provinces of their equitable shares of revenue as prescribed by the annual Division of Revenue Act. These are direct charges to the National Revenue Fund.

**Table 6.2 Economic classification of expenditure**

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 <sup>1</sup>
Current							
Personnel <sup>1</sup>	22,9	26,5	32,5	39,7	51,9	55,0	57,8
Transfer payments	84 231,7	85 956,1	5 988,3	6 503,1	5 155,9	5 249,8	5 489,7
Other	1 028,9	950,9	931,6	1 410,7	1 483,3	1 631,5	1 830,5
Capital							
Capital transfers	11,2	128,8	325,5	260,8	370,9	232,7	237,8
Acquisition of capital assets	0,7	4,4	4,2	10,7	9,8	4,9	4,2
Statutory							
Provincial equitable share	–	–	81 542,2	86 594,6	94 408,3	100 167,1	105 157,8
State debt cost <sup>2</sup>	33160,4	38 819,7	42 669,3	44 482,6	46 489,7	49 531,1	50 997,0
<b>Total</b>	<b>120 382,5</b>	<b>127 815,5</b>	<b>131 493,7</b>	<b>139 302,1</b>	<b>147 969,9</b>	<b>156 872,2</b>	<b>163 774,7</b>

<sup>1</sup> Departmental personnel expenditure includes employer's contribution to pension funds at a rate of 17 per cent in 1998/99 and 15 per cent of basic salary in the subsequent years.

<sup>2</sup> Excluding revaluation of maturing foreign loans, formerly included in state debt cost.

Interest on debt makes up about 20 per cent of the national budget, and reached 5,6 per cent of GDP in 1998/99. Debt interest is projected to fall to 4,9 per cent of GDP in 2002/03. The provincial equitable shares make up about 38,7 per cent of the national budget. Of the voted amounts on the Finance budget, current transfers to SARS and to pension and medical funds are the largest items and account for most of the growth in expenditure.

## Programme 1: Administration

**Table 6.3 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	33,8	35,0	31,3	27,3	28,5	–
<b>2000 Budget</b>	–	–	–	<b>36,2</b>	<b>32,3</b>	<b>34,9</b>
Change to 1999 Budget estimate	–	1,2	(2,5)	8,9	3,8	–

The *Administration* programme includes the office of the Minister of Finance, the Director-General and corporate services functions.

## Programme 2: Financial and economic measures

**Table 6.4 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	35,9	36,0	32,9	38,9	41,5	–
<b>2000 Budget</b>	–	–	–	<b>41,0</b>	<b>41,5</b>	<b>42,4</b>
Change to 1999 Budget estimate	–	0,1	(3,0)	2,1	–	–

The *Financial and economic measures* programme includes the Budget Office and the Department's international development finance and cooperation offices. Also included is support for the Southern African Development Community finance and investment sector unit.

### Budget Office

The Budget Office is responsible for macroeconomic policy, intergovernmental financial relations, budget coordination, sectoral financial advice and tax policy advice. Key activities include:

- Monitoring and projecting macroeconomic trends
- Preparation of fiscal and budget documentation, including the *Medium Term Budget Policy Statement*, the *Budget Review* and the *National Expenditure Survey*
- Relations with provincial treasuries and support for the Budget Council and Budget Forum through which intergovernmental financial relations are governed
- Tax research, policy advice and liaison with SARS.

Significant policy developments include development of a framework for the implementation of inflation targeting and finalisation of a strategic framework for public-private partnerships.

### International financial relations

The Department is responsible for relations with the International Monetary Fund, the World Bank, the African Development Bank and other international financial institutions. Over the past year, South Africa's role in the new G20 group of industrial and developing countries has added a further dimension to the international liaison function.

South Africa is responsible for the finance and investment sector of the SADC. In support of the work of the SADC ministers of finance and senior treasury officials, the Finance and Investment Sector Coordinating Unit aims to improve regional financial cooperation and promote sound fiscal and financial policies.

The Department's International Development Finance office evaluates and negotiates bilateral and multilateral offers of project finance and technical assistance. The office oversees the financing of approximately 800 projects by 35 foreign governments, multilateral institutions and agencies. Some 58 new projects were finalised during 1999.

The office also administers the RDP Fund and has coordinated the establishment of the National Development Agency.

During 1999, new development cooperation strategies (country strategy papers) were drafted in conjunction with the various donor countries for the next five years. A manual is being compiled for release in 2000, which will encompass all aspects of overseas development aid management.

**Table 6.5 Financial and economic measures: Key activities and outputs**

Key activities	Outputs
Budget documentation	Medium Term Budget Policy Statement, Budget Review, National Expenditure Survey, Intergovernmental Fiscal Review
Coordination between national, provincial and government	Technical committees: Education, Health, Welfare, Transport, Public Works Monitoring 800 local government budgets
Macroeconomic policy advice	Monitoring economic developments, review of inflation targeting options Legislation on money-laundering, framework for financial supervision, policy response to foreign listings, regulation framework for microlenders
International development cooperation	Annual programme of some 21 international consultations and reviews, 67 international agreements finalised
Taxation policy analysis and advice	Revenue monitoring and projections, analysis of tax policy options, review of international developments in tax practice, SADC regional tax cooperation

### Programme 3: Exchequer financing

**Table 6.6 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	14,6	14,5	12,2	15,4	16,0	–
<b>2000 Budget</b>	–	–	–	<b>15,1</b>	<b>15,7</b>	<b>15,7</b>
Change to 1999 Budget estimate	–	(0,1)	(2,4)	(0,3)	(0,3)	–

The *Exchequer financing* programme serves the Department's Assets and Liability Management offices.

### Liability management

Liability management is responsible for managing all aspects of Government's domestic debt portfolio, ensuring that risk is minimised, repayments are made as they fall due and that the most favourable terms are obtained. Activities of this unit include development of annual borrowing strategy and advising Government on appropriate policies for the management of debt, and oversight of Government's contingent liabilities and related financial risks.

While the development of domestic capital markets still remains a priority for Government, the emphasis has shifted now to the managing of outstanding debt and the reduction of debt servicing cost, in part through more active treasury management.

During 1999 two international bond issues were successfully concluded. An inflation-linked bond will be introduced in 2000.

A significant reduction in government debt was achieved through the conversion of the South African Special Risks Association to a state-owned entity. The domestic bond market continued to be actively traded and significant reductions in market interest rates on government securities were achieved during the year.

## Asset management

Asset management includes control of Government's cash flows and working capital, managing the timing and flow of receipts and payments and oversight of the financial assets of national government.

This branch of the Department has responsibility for promoting improved financial risk management in all government bodies and public enterprises. A protocol on corporate governance sets out basic principles for risk management and requires all public entities to provide regular information to the Department of Finance on financial performance and risks. The protocol provides a framework for financial performance, including tax and dividend policies and a code of corporate practices and conduct. The principles that are contained in the protocol will be incorporated into the regulations issued in terms of the Public Management Finance Act.

**Table 6.7 Exchequer financing: Key activities and outputs**

Key activities	Outputs
<b>Asset management</b>	
Monitoring public entities' financial performance	Review of financial performance and risks
Support for enterprise restructuring and privatisation	Sale of Connex, partial sale of South African Airways, Sasria restructuring
<b>Liability management</b>	
Debt management and development of debt instruments	Management of state debt costs, issue of floating rate bond, introduction of inflation-linked bond

**Table 6.8 Commitments in respect of state debt**

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Interest	33 113,0	38 785,2	42 663,5	44 277,7	46 425,1	49 479,1	50 945,4
Domestic debt	32 197,6	37 810,7	41 420,7	42 899,2	44 629,7	47 026,7	47 917,1
Foreign debt	915,4	974,5	1 242,8	1 378,5	1 795,4	2 452,4	3 028,3
Management cost <sup>1</sup>	3,2	0,7	1,3	173,5	14,6	2,0	1,6
Cost of raising loans	44,3	33,8	4,5	31,4	50,0	50,0	50,0
<b>Total state debt cost</b>	<b>33 160,5</b>	<b>38 819,7</b>	<b>42 669,3</b>	<b>44 482,6</b>	<b>46 489,7</b>	<b>49 531,1</b>	<b>50 997,0</b>
Excludes							
Revaluation of maturing foreign loans	939,5	659,4	657,7	1 982,5	560,3	33,2	0,0
Discount on issues of government bonds	6 704,4	3 029,0	6 193,8	3 237,9	877,7	4 096,0	1 530,2

<sup>1</sup> Excluding revaluation of maturing foreign loans, previously included in management cost.

## Programme 4: Fiscal transfers

**Table 6.9 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	2 182,7	2 600,8	2 600,8	2 072,6	2 069,8	–
<b>2000 Budget</b>	–	–	–	<b>2 534,1</b>	<b>2 642,8</b>	<b>2 825,7</b>
Change to 1999 Budget estimate	–	418,1	418,1	461,5	573,0	–

The *Fiscal transfers* programme includes transfer payments to:

- the South African Revenue Service, which is responsible for the collection of taxes and other receipts due to the National Revenue Fund
- the National Development Agency, established to provide support to non-governmental development organisations and to promote dialogue between civil society organisations and relevant organs of the state
- the Financial and Fiscal Commission, established in terms of the Constitution to provide advice on the equitable division of revenue and related matters
- member countries of the Common Monetary Area Agreement (Lesotho and Namibia) to compensate for loss of revenue associated with the circulation of currency
- the African Development Bank, in keeping with South Africa's increased shareholding in the Bank, in support of infrastructure and development in Africa.

**Table 6.10 Fiscal transfers**

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
<b>Domestic transfer payments<sup>1</sup></b>							
SA Revenue Service	1 107,4	1 224,5	1 933,9	1 888,7	2 197,6	2 310,0	2 480,4
National Development Agency <sup>2</sup>	50,0	50,0	50,0	100,0	90,0	91,5	95,1
Financial and Fiscal Commission	5,1	6,6	3,8	6,8	8,0	7,6	7,9
<b>International transfer payments</b>							
Lesotho and Namibia	104,9	102,1	130,1	100,0	134,5	136,7	141,4
African Development Bank	11,1	11,6	40,2	70,2	104,0	97,0	100,9
<b>Total</b>	<b>1 278,5</b>	<b>1 394,8</b>	<b>2 158,0</b>	<b>2 265,7</b>	<b>2 534,1</b>	<b>2 642,8</b>	<b>2 825,7</b>

<sup>1</sup> Excluding transfers amounting to R481,4 million in 1996/97 and R535,8 million in 1997/98 to the Independent Broadcasting Authority and Post and Telecommunications, not shown on the Communications vote.

<sup>2</sup> Including the former Transitional National Development Trust.

## Programme 5: Civil pensions and contributions to funds

**Table 6.11 Programme expenditure**

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	1 270,8	1 398,8	1398,8	1 269,8	1 301,7	–
<b>2000 Budget</b>	–	–	–	<b>1 432,7</b>	<b>1 585,1</b>	<b>1 779,8</b>
Change to 1999 Budget estimate	–	128,0	128,0	162,9	283,4	–

The programme: *Civil pensions and contributions to funds* provides for government contributions to pension funds and post-retirement medical benefits in terms of various statutes, collective bargaining agreements and other commitments.

**Table 6.12 Payments under pension and other benefit schemes**

R million	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Members of Parliament	–	1,9	–	8,9	–	–	–
Additions to pensionable service (SANDF)	0,8	0,7	0,8	0,8	0,8	0,8	0,8
Other beneficiaries	32,8	32,1	39,1	41,1	51,0	78,5	81,6
Political Office Bearers' Fund				100,0	13,4	14,8	16,0
Discharge and/or death as a result of injury on duty	43,1	67,6	61,8	71,7	78,9	87,0	90,4
Government contributions to medical schemes	551,0	660,9	543,5	753,9	1 000,5	1 100,0	1 243,0
Special pensions	0,7	151,7	500,0	200,0	275,0	300,0	312,0
Contribution to Closed Pension Fund	71,9	67,0	67,0	67,0	–	–	–
Other payments	375,8	2,9	33,3	19,0	7,6	69,0	69,2
Administrative and auxiliary services	3,7	16,2	9,4	10,1	9,4	9,4	9,8
<b>Total</b>	<b>1 079,8</b>	<b>1 001,0</b>	<b>1 254,9</b>	<b>1 270,8</b>	<b>1 432,7</b>	<b>1 585,1</b>	<b>1 779,8</b>

The programme includes:

- partial reimbursement of the Government Employees' Pension Fund for additions to pensionable service granted to SA National Defence Force members
- pensions payable to other beneficiaries – including members of the legislative assemblies of the former Venda, Transkei and Gazankulu governments, pension benefits and awards to judges or their widows and surviving beneficiaries of various funds and schemes that have been discontinued
- amounts payable to the pension fund for political office bearers
- compensation awards to government employees or their dependants in respect of occupational injuries, diseases or death in the course of duty and associated medical costs
- government contributions to medical schemes in respect of retired civil servants
- payment of special pensions to former members of the non-statutory armed forces.



A privately administered pension fund for political office bearers as envisaged in the Constitution of the Republic of South Africa has been established and registered in terms of the provisions of the Pensions Fund Act of 1956.

**Table 6.13 Civil pensions and contributions to funds: Key activities and outputs**

Key activities	Number of beneficiaries
Payment of pension benefits to other beneficiaries	2 300
Awards in respect of discharge, death or injury	5 093
Contributions to post-retirement medical schemes	97 556
Special pensions	37 000 applications received, 7 387 adjudicated to date

## Programme 6: Military pensions

**Table 6.14 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	148,1	148,1	148,1	143,4	140,4	–
<b>2000 Budget</b>	–	–	–	<b>143,4</b>	<b>140,4</b>	<b>146,0</b>
Change to 1999 Budget estimate	–	–	–	–	–	–

The Military Pensions Act makes provision to pay pensions to former serving members of the National Defence Force who are suffering from permanent disability due to injuries sustained while in active military service, or to their dependants. It also makes provision for ex-servicemen involved in pre-1914 South African wars, the First and Second World Wars and the Korean war.

Other benefits include payment for medical and orthopaedic treatment, hospitalisation, medical and other aids and assistance to dependants of ex-servicemen in respect of their funerals. An administration grant is also paid to the South African Legion.

## Outputs and service delivery trends

**Table 6.15 Military pensions: Key activities and outputs**

Key activities	Number of beneficiaries
Payment of pensions	8 419

## Programme 7: Transfers to provinces and local government

**Table 6.16 Programme expenditure**

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	2 500,0	3 995,1	3 995,1	2 212,0	2 000,0	–
<b>2000 Budget</b>	–	–	–	<b>2 862,0</b>	<b>2 710,0</b>	<b>2 770,0</b>
Change to 1999 Budget estimate	–	1 495,1	1 812,4	650,0	710,0	–

The Finance vote makes provision for supplementary allocations to provinces and local government. These include the following conditional grant programmes:

- supplementary allocations to provinces amounting to R2,2 billion in 2000/01 and R2,0 billion in subsequent years to assist in managing expenditure overruns from 1997/98 and subject to conditions relating to sound budgeting and financial management practice
- a new grant of R300 million a year to provinces for infrastructure maintenance and rehabilitation, including school buildings and roads
- grants to local government of R350 million in 2000/01, R410 million in 2001/02 and R470 million in 2002/03 to support financial restructuring, strategic management and capacity building.

## **Public entities reporting to the Minister responsible for Finance**

### **Government Employees' Pension Fund**

Public service pension benefits are funded through contributions made by national and provincial government employees and the state as employer to the *Government Employees' Pension Fund*. These contributions are included in departmental personnel expenditure. The administration of the Fund is presently the responsibility of the Department of Finance, and the costs of administration are recovered from the Pension Fund.

During 1999 the Department took the following steps to enhance services rendered to members of the Government Employees Pension Fund:

- improved communication with members, especially active members, through a dedicated communication campaign
- improved processing and payment of benefits through changes to administrative systems
- implemented greater conformity to generally accepted accounting practice and improved financial management
- made considerable improvements to the integrity of the Fund's members' roll.

### **South African Revenue Service**

During 1997 SARS became an independent agency and its budget was separated from that of the Department of Finance. It is now mainly funded through a transfer payment on the Finance vote.

SARS is responsible for the collection of national taxes. Over the past three years considerable effort has gone into improved relations with taxpayers, more efficient internal organisation and more effective information systems and processes. Institutional autonomy has contributed to more streamlined tax administration, enabling Government to take further steps in tax reform in the 2000 Budget.

Improved tax administration has contributed significantly to Government's success in exceeding annual revenue projections in recent years. The 2000 *Budget Review* indicates that in 1998/99 some R6 billion more was collected than originally budgeted, and the revised estimate for 1999/00 exceeds the budget estimate by R5,4 billion. Table 7.17 illustrates the increase in revenue collected by SARS since 1994/95, and the total cost of collections.

**Table 6. 17 Revenue collected and SARS collection costs, 1994/95-1999/00**

R million	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
Total collections	113 509	127 179	147 052	165 345	184 422	197 494
Total collection cost	529	592	1 096	1 225	1 899	2 317
<i>Tax collections as a percentage of GDP</i>	22,8%	22,5%	23,2%	23,6%	24,4%	24,4%
<i>Cost as a percentage of GDP</i>	0,11%	0,10%	0,17%	0,18%	0,25%	0,29%

SARS also plays an increasing role in customs and trade administration in the Southern African region. Effective and efficient trade administration is a key element in the promotion of South African industrial development and employment creation.

A further aim of SARS is to increase the percentage of the total value of services and equipment procured from small business. A number of information technology contracts have already been awarded to groups including small enterprises. Areas in which such consortiums will be involved in include the introduction of the wide area network and the development of the new income tax system.

Projects relating to the decentralisation process of SARS and the building of capacity in regional offices have been initiated. Funds have been budgeted for tax-broadening initiatives in the various regions, aimed at improving tax compliance and distributing the tax burden more equitably.

At the end of 1999 a total of 2 675 801 people were registered as individual taxpayers, which includes trusts. The Standard Income Tax on Employees (SITE) covers a further 3½ million taxpayers. A total of 833 022 companies were registered, including closed corporations.

SARS has successfully made the Y2K transition in all its information systems. Substantial system improvements are currently in progress, including implementation with effect from December 1999 of the new income tax system. Organisational development and training are strongly reflected in the SARS budget over the coming three years.

### **National Development Agency**

The National Development Agency was established by legislation in 1998. It will become fully operational during 2000, taking over functions formerly undertaken by the Transitional National Development Trust. Its responsibilities include the provision of support to non-governmental development and service organisations and the promotion of healthy relations between the non-governmental development constituency and organs of government.

### **Umsobomvu Fund**

The Umsobomvu Fund has been established to invest in the country's young people, develop their skills and invigorate job creation. It is financed from a R855 million a charge on the proceeds of the demutualisation of Sanlam and Old Mutual announced in the 1998 Budget.

The Fund has been established as a Section 21 (non-profit) company, with a seven-member Board, comprising an executive director and six non-executive members nominated from government departments, the Youth Commission and the private sector.

### **Nel Commission**

The Nel Commission was established to inquire into and report on the financial problems of Masterbond Trust Investment Holdings Limited. It will make recommendations in 2000 on legislation for the protection of investors.

### **Financial Services Board**

The Financial Services Board oversees and regulates non-banking financial services. The Board advises the Minister of Finance on changes in the structure of the financial services sector, financial legislation and associated regulatory issues. The Board is funded mainly from levies on the financial services industries.

A seven-member commission was appointed in 1994 to inquire into the tax structures of South Africa. The commission is expected to complete its work in 1999/2000.

### **Public Investment Commissioners**

The Public Investment Commissioners manage trust funds and other monies of the Government Employees Pension Fund and government departments, provinces and other public sector institutions approved by the Minister. In 1999 the Commissioners managed 138 accounts with a total value in excess of R160 billion.

### **Financial and Fiscal Commission**

The Financial and Fiscal Commission is an independent statutory institution which is constitutionally required to advise and make impartial recommendations to Parliament, provincial legislatures and other authorities on matters affecting intergovernmental fiscal relations.

### **Development Bank of Southern Africa**

Established in 1983, the Development Bank is a South African development finance institution, that supports infrastructure development in the Southern African Development Community region. The South African Government is the sole shareholder of the Bank.