

National Treasury

Budget summary

R thousand	2008/09				2009/10	2010/11
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	181 632	176 901	1 048	3 683	196 724	204 865
Public Finance and Budget Management	195 881	186 698	7 456	1 727	205 870	208 502
Asset and Liability Management	61 359	60 646	–	713	61 400	60 788
Financial Management and Systems	557 624	554 018	–	3 606	702 159	777 915
Financial Accounting and Reporting	88 917	45 489	42 532	896	93 038	97 832
Economic Policy and International Financial Relations	82 548	76 811	5 000	737	79 837	83 573
Provincial and Local Government Transfers	7 956 707	–	7 956 707	–	9 966 697	11 494 056
Civil and Military Pensions, Contributions to Funds and Other Benefits	2 352 688	16 360	2 336 328	–	2 440 302	2 398 568
Fiscal Transfers	9 840 836	–	9 840 836	–	10 589 681	11 572 220
Total	21 318 192	1 116 923	20 189 907	11 362	24 335 708	26 898 319
Provinces Equitable Share	199 376 977	–	199 376 977	–	225 466 314	246 306 198
State Debt Cost	51 236 000	51 236 000	–	–	51 125 000	51 156 000
Total expenditure estimates	271 931 169	52 352 923	219 566 884	11 362	300 927 022	324 360 517
Executive authority	Minister of Finance					
Accounting officer	Director-General of the National Treasury					
Website address	www.treasury.gov.za					

Aim

The aim of National Treasury is to promote economic development, good governance, social progress and rising living standards through the accountable, economical, equitable and sustainable management of public finances.

Programme purposes, objectives and measures

Programme 1: Administration

Purpose: Provide strategic management and administrative support to National Treasury, giving managerial leadership to the work of the department.

Programme 2: 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.

Objectives and measures:

- Contribute to improved financial management by promoting sound planning, budgeting and project management, including giving increased support to public finance reforms in provinces and municipalities.

- Promote public and private investment in infrastructure and public services by providing: technical support for public private partnerships, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects.
- Prepare a national budget that gives effect to government's economic, fiscal, social and development goals.
- Publish the budget review, estimates of national expenditure and medium term budget policy statement and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance according to the various guidelines.
- Promote improved planning 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.
- Refine guidelines or toolkits for planning and managing infrastructure for provincial health, education, public works and transport.

Programme 3: Asset and Liability Management

Purpose: Manage government's financial assets and liabilities.

Objectives and measures:

- Develop policies for development finance institutions by June 2008.
- Finance government's net borrowing requirements of R15.7 billion by March 2009.
- Improve the affordability of government debt by reducing the net loan debt and the cost to service debt to 19.7 per cent and 2.2 per cent of GDP by March 2009.
- Ensure that government's liquidity requirements are met consistently through sound forecasting of R1.4 trillion of cash flows by March 2009.
- Review credit, debt, country ratings and contingent liability risk benchmarks and ensure adherence to these standards by March 2009.

Programme 4: Financial Management and Systems

Purpose: Manage and regulate government's supply chain processes, implement and maintain standardised financial systems, and co-ordinate the implementation of the Public Finance Management Act (1999) and related capacity building initiatives.

Objectives and measures:

- Regulate and oversee public sector supply chain management by issuing practice notes and circulars:
 - circular for the verification of a recommended bidder's prohibition status before a contract is awarded, by February 2008
 - revised supply chain management guide for accounting officers or authorities in 2008/09.
- Introduce and apply strategic sourcing principles to 85 per cent of transversal term contracts in 2008/09 increasing to 96 per cent in 2010/11, to improve value for money on the contracts.
- Standardise the financial systems of national and provincial government by standardising the provisions of financial management system solutions through SITA.
- Continue to improve financial management by contributing to improving practices by actual accreditation/inputs into finance related short courses.
- Continue with the rollout of the Public Finance Management Act (1999) (PFMA) through the timely submission of progress reports on PFMA implementation in August and November 2008.
- Continue to maintain government's financial systems by implementing the second phase of the integrated financial management system (IFMS), which includes the acquisition and initial configuration of the procurement and human resource modules in the lead implementation sites by March 2009.

Programme 5: Financial Accounting and Reporting

Purpose: Promote and enforce transparency and effective management in respect of the revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, thus facilitating accountability and governance.

Objectives and measures:

- Improve financial management in government by:
 - developing and publishing reporting templates and guidelines at the beginning of each financial year
 - participating in the development of local and international standards in accounting, internal audit and risk management
 - establishing a dedicated local government support team in the office of the accountant-general to respond to the increasing demand from local governments, by March 2009
 - rolling out all generally recognised accounting practices (GRAP) standards, as approved for implementation by the Minister of Finance, as well as the relevant financial reporting frameworks and the revised risk management and internal audit frameworks.
- Achieve transparency and accountability to the general public by publishing, and where applicable tabling, the monthly statement of the National Revenue Fund, consolidated financial information for national government, and the annual financial statements of the reconstruction and development programme, by October 2009.
- Develop financial management and audit capacity in government by implementing the training outside public practice programme (TOPP) in 2008/09 and retaining the accreditation by the South African Institute of Chartered Accountants.

Programme 6: Economic Policy and International Financial Relations

Purpose: Provide specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, financial sector, taxation, regulatory reform, tax policies, regional integration and international financial relations.

Objectives and measures:

- Publish research concept papers and proposals on: promoting growth, macroeconomic stability through macroeconomic forecasts, retirement reform, and related policy areas.
- Implement a regulatory impact assessment framework by 2008/09.
- Improve South Africa's participation in international economic institutions like the International Monetary Fund (IMF), the World Bank, the G20 and the African Development Bank, including by quota reform and by hosting the World Bank's annual conference on development economics in June 2008.
- Develop proposals and engage with the Southern African Customs Union to review the revenue sharing formula by 2008/09.
- Promote African and Southern African economic integration.

Programme 7: Provincial and Local Government Transfers

Purpose: Manage conditional grants to the provincial and local spheres of government.

Objectives and measures:

- Assist in the design and co-financing of partnership projects by:
 - increasing the number of projects receiving technical assistance (through the neighbourhood partnership development programme) from 8 to 50 by 2008/09
 - increasing the number of capital grant projects (provincial and local) from 75 to 100 by 2008/09
 - implementing capital projects that support township regeneration by 2010/11
 - facilitating appropriate redevelopment strategies by 2009/10.

- Manage conditional grants through the transfer of infrastructure grants to provinces according to the payment schedule and the requirements of the Division of Revenue Act.
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health and transport by quarterly monitoring of their delivery of provincial infrastructure.
- Improve infrastructure delivery by facilitating the introduction of better models for infrastructure delivery over the MTEF period.

Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

Purpose: Provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

Objectives and measures:

- Ensure timely and accurate monthly payments of
 - military benefits to 6 208 beneficiaries
 - military pension funds on behalf of 6 208 beneficiaries
 - contributions to medical aid schemes on behalf of 69 767 members
 - risk and administrative fees on behalf of 900 members of the Political Office Bearers Pension Fund.

Programme 9: Fiscal Transfers

Purpose: Transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member. Funds are also provided for specific programmes to the Development Bank of Southern Africa (DBSA).

Strategic overview: 2004/05 – 2010/11

Over the MTEF period, National Treasury will seek to maintain macroeconomic stability, while at the same time promoting sustainable economic growth and job creation. This will be achieved through: a number of socioeconomic, fiscal and financial management reforms; the management of government assets and liabilities; and improving budget processes and international financial relations.

Strategic areas

Fiscal reform, public finances and budget management

Government's economic policies aim to ensure accelerating economic growth and broad based development. Fiscal policy will continue to support the goal of macroeconomic stability by pursuing a counter cyclical approach to the fiscal stance. The use of a structural budget balance or cyclically adjusted budget balance raises the sensitivity of the budget framework to cyclical or temporary factors impacting on revenue and expenditure.

Continuing to reform the tax system, improving the allocation of public resources and ensuring better value for money are key pillars of the economic policy objectives.

The Treasury's *Public Finance and Budget Management* programme also includes specialist units responsible for: the regulatory oversight of public private partnerships; promoting the development of local neighbourhoods in disadvantaged communities; providing technical support for project and programme management; and supporting the planning and co-ordination of finances relating to the 2010 FIFA World Cup.

The *Economic Policy and International Financial Relations* programme incorporates the objectives of the taxation policy and revenue related issues, including the most efficient and effective ways of raising revenue without constraining growth.

Intergovernmental fiscal relations

Intergovernmental policy making and fiscal transfers constitute an integral part of the intergovernmental system. With the legal and policy frameworks firmly in place, attention is now on deepening co-operation between the relevant spheres on capacity building with the view to accelerating delivery.

The capacity support and capacity building programme *Siyenza Manje*, which started in 2007/08, is being stepped up, reflected in the increased allocation of funds to the Development Bank of Southern Africa. The funds will be used for hiring experts and young professionals with academic qualifications and expertise in the areas where there are skills shortages in the local government sphere.

The intergovernmental relations division manages the intergovernmental fiscal transfers system. Provinces are set to continue to receive the largest share of national transfers to sub-national governments. About R238 billion or 43 per cent of nationally raised revenue will flow to provinces in the form of equitable share and conditional grant allocations. However, with the continued investment in stadiums, stadium precincts and transport infrastructure, the national transfers to local government will grow quite robustly over the MTEF period. The bulk of expenditure related to the 2010 FIFA World Cup will be phased out by 2009/10.

The Infrastructure Delivery Implementation Programme (IDIP)

The IDIP programme has assigned technical assistance teams in the 9 provinces to assist departments of education, health and public works to put appropriate systems and capacity in place for planning and managing infrastructure projects in order to improve the pace and quality of delivery. IDIP has brought about significant improvements in provincial infrastructure expenditure in the 2006/07 financial year. Provinces are now spending an average of 97 per cent of the R18,5 billion budgeted for infrastructure.

Managing public sector debt and government assets

A further priority for National Treasury is the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. The main debt management objective, of financing borrowing requirements at the lowest cost within acceptable levels of risk, has shifted towards actively pursuing government's macroeconomic objectives, particularly reducing sovereign external vulnerabilities.

Regulatory reform

A key objective of National Treasury is to ensure a robust and effective regulatory system for the financial and banking sectors, and to respond to the need to expand access to households and businesses not traditionally covered by the financial sector.

Organisational environment

National Treasury's organisational environment and strategic direction are informed by five external strategic focus areas: promoting sustainable economic growth and work opportunities; reducing poverty; ensuring good governance and accountability; promoting the optimal allocation and use of financial resources in all spheres of government; and maintaining macroeconomic stability. These are augmented by four internal strategic priorities: improving co-ordination and communication; matching resources to workloads; developing human resource strategies to address attraction and retention challenges; and developing management skills.

A major challenge has been filling vacancies and attracting appropriate skills. The Treasury has developed a plan to reduce its vacancy rate and has started to set up a talent management programme that will ensure that the best possible skills are enlisted. Improving the already successful internship programme and introducing the training outside public practice (TOPP) programme will also continue to add to the talent pool.

Key policy developments

In 2008/09, National Treasury is stepping up efforts to link the allocation of resources to expected outputs from departments, focusing on improved performance information and better formulated programme objectives. National Treasury continues to emphasise the regular and reliable publication of financial and non-financial information about government functions and activities to improve accountability to both Parliament and the public and make planning and budgeting more effective.

The annual Division of Revenue Bill is being reviewed to further streamline the intergovernmental grant system. The ultimate objective of the review process is to ensure that the grant system contributes to better and quicker decision-making, improved accountability and accelerated service delivery. In relation to implementing the Municipal Finance Management Act (2003), finalising the regulatory framework for the transfer of assets of municipalities is a top priority for the year ahead.

National Treasury has introduced improved formats for financial reporting for national and provincial government that are aligned to the prescribed GRAP standards. The Treasury will continue to build and upgrade internal audit and risk management capacity in government. Its work will also focus on implementing the GRAP standards, reporting frameworks, and the revised internal audit and risk management frameworks, as well as providing support throughout government.

In 2007/08, the Banks Amendment Bill (2007) and the Co-operative Banks Bill (2004) were tabled and enacted. This will culminate in the creation of an appropriate regulatory framework for member based deposit-taking financial services co-operatives and improved access to banking services under sound and sustainable co-operative banks.

National Treasury also played a significant role internationally by helping to secure additional donor resources for low income countries through more funding from developed countries towards the 15th replenishment of International Development Association and the 11th replenishment of the African Development Fund. South Africa's continuing role in promoting economic integration in the SADC region and securing support for development in Africa is an important policy objective.

Recent achievements

Through the intergovernmental relations division, National Treasury has played a major role in compiling provincial budget and quarterly reports as required in terms of section 32 of the PFMA.

The Treasury participated in the Collaborative Africa Budget Reform Initiative and organised consultations with official development assistance partner countries or multilateral bodies.

Through the public private partnership facility, National Treasury supported the Gauteng Rapid Rail Link project, which reached financial closure in January 2007 and is currently being implemented.

The financial modelling of state owned entities (SOEs) has been completed, and will allow better oversight of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) targets, financial performance and sustainability. The assessment of the SOEs' treasury operations has been completed and will improve their adherence to best practices.

Significant progress has been made on the integrated financial management system, with three bids being published and recommendations made to the joint steering committee for consideration. These bids are for the integrated development environment toolset and the commercial off-the-shelf procurement and human resources management modules.

National Treasury was accredited by the South African Institute for Chartered Accountants (SAICA) to train chartered accountants through the TOPP programme. Treasury also organised and hosted the risk management symposium aimed at improving risk management practices in the public sector.

Together with the South African Reserve Bank, the department successfully hosted the G20 meetings at which finance ministers, central bank governors and their deputies engaged on reforms. Analytical and policy

advisory work supported the minister's participation in the Commission for Growth and Development and the G20 meetings.

Government continued to assist the South African Reserve Bank to increase the level of the country's official reserves. The funding programme was also biased towards issuance in the domestic market with no issuance in the foreign capital markets. External vulnerability was further reduced through active management of domestic and foreign debt.

Support for municipal financial management reforms continued over the last three years. In 2007/08, regional workshops and training sessions were held with all municipalities to introduce the municipal debt disclosure and competency requirements. A partnership with Wits University was established for the piloting and rolling out of key training modules on financial management. Circulars to help municipalities implement the key reforms were issued, and continuous assistance was provided via the helpline facility.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Value of annual government gross borrowing	R59.6bn	R31.4bn	R32.9bn	R18.2bn	R15.7bn	R30.3bn	R23.5bn
Cost to service debt as a percentage of GDP	3.4%	3.2%	2.9%	2.6%	2.2%	2%	1.8%
Net loan debt as a percentage of GDP	32.9%	29.7%	26.4%	22.3%	19.7%	17.8%	15.9%
Number of training courses presented on implementation of financial management reforms	194	282	81	217	300	300	300
Number of individuals trained to assist with implementation of financial management reforms	4 408	6 688	2 084	4 204	6 000	6 000	6 000
Strategic sourcing principles introduced to 59 identified transversal contracts	–	54.3% (32 contracts)	72% (42 contracts)	80% (47 contracts)	85% (50 contracts)	90% (53 contracts)	96% (56 contracts)
Number of members receiving special pension payments	6 068	6 059	6 112	6 234	6 359	6 486	6 616
Number of beneficiaries receiving post retirement medical benefits	66 400	69 007	67 141	68 417	69 767	71 117	72 467
Number of neighbourhood development partnership grant projects granted award status	N/a	N/a	35	75	100	100	100
Real growth in consolidated national and provincial public spending (excl interest costs)	5.6%	11.0%	8.0%	10.1%	8.0%	5.9%	4.3%
General government savings as a percentage of GDP	(1.5%)	(0.5%)	1.1%	0.6%	0.9%	1.2%	1.5%

Expenditure estimates

Table 7.1 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
R thousand								
1. Administration	109 406	142 953	161 639	218 983	210 405	181 632	196 724	204 865
2. Public Finance and Budget Management	98 591	121 149	138 532	223 690	217 351	195 881	205 870	208 502
3. Asset and Liability Management	26 260	30 162	41 272	75 953	72 105	61 359	61 400	60 788
4. Financial Management and Systems	226 416	239 181	196 378	368 710	249 110	557 624	702 159	777 915
5. Financial Accounting and Reporting	31 902	47 970	65 785	94 096	97 994	88 917	93 038	97 832
6. Economic Policy and International Financial Relations	37 143	52 812	68 938	117 158	103 837	82 548	79 837	83 573
7. Provincial and Local Government Transfers	3 865 262	3 371 613	5 443 748	7 384 275	7 265 875	7 956 707	9 966 697	11 494 056
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	1 921 319	2 010 874	2 048 703	2 238 308	2 178 308	2 352 688	2 440 302	2 398 568
9. Fiscal Transfers	7 219 063	7 084 013	8 006 023	9 027 194	8 914 694	9 840 836	10 589 681	11 572 220
Subtotal	13 535 362	13 100 727	16 171 018	19 748 367	19 309 679	21 318 192	24 335 708	26 898 319

Table 7.1 National Treasury (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Direct charge against the National Revenue Fund	169 735 694	186 203 631	202 945 089	225 798 501	225 690 501	250 612 977	276 591 314	297 462 198
Provinces Equitable Share	120 884 502	135 291 632	150 752 930	172 861 501	172 861 501	199 376 977	225 466 314	246 306 198
State Debt Costs	48 851 192	50 911 999	52 192 159	52 937 000	52 829 000	51 236 000	51 125 000	51 156 000
Total	183 271 056	199 304 358	219 116 107	245 546 868	245 000 180	271 931 169	300 927 022	324 360 517
Change to 2007 Budget estimate				1 651 297	1 104 609	3 649 662	10 222 410	19 911 971
Economic classification								
Current payments	49 370 475	51 522 785	52 844 919	53 960 411	53 646 959	52 352 923	52 428 033	52 551 477
Compensation of employees	162 315	199 435	230 897	294 319	215 058	326 807	341 656	358 740
Goods and services	356 353	403 316	415 549	729 092	602 901	790 116	961 377	1 036 737
<i>of which:</i>								
Communication	8 611	8 013	5 635	5 882	5 882	6 230	6 771	7 273
Computer services	189 487	195 793	167 951	327 357	211 194	503 405	647 057	719 173
Consultants, contractors and special services	64 688	77 448	112 081	177 632	167 910	121 221	135 936	126 562
Inventory	16 091	15 722	14 725	20 218	20 218	17 149	18 748	19 611
Maintenance, repairs and running costs	3 101	3 127	2 821	4 124	4 124	2 720	2 857	3 522
Operating leases	15 321	1 688	18 304	23 454	23 454	21 630	23 061	24 559
Travel and subsistence	15 716	23 021	26 401	63 277	63 277	38 265	39 391	42 100
Personnel agency fees	6 366	6 461	4 287	7 370	7 370	5 899	5 944	5 994
Audit fees	5 139	5 157	6 204	6 143	6 143	3 627	5 869	6 245
Municipal services	6 177	6 666	4 978	8 476	8 476	10 667	13 648	17 172
Interest and rent on land	48 851 192	50 911 999	52 192 159	52 937 000	52 829 000	51 236 000	51 125 000	51 156 000
Financial transactions in assets and liabilities	615	8 035	6 314	–	–	–	–	–
Transfers and subsidies	133 890 597	147 764 040	166 259 794	191 555 762	191 324 862	219 566 884	248 487 324	271 798 630
Provinces and municipalities	124 750 257	138 663 854	156 146 883	180 181 976	180 178 976	207 210 699	235 263 011	257 751 254
Departmental agencies and accounts	6 773 404	6 652 130	7 203 082	8 275 139	8 159 739	9 192 545	10 020 072	10 837 321
Universities and technikons	795	814	3 500	5 000	5 000	5 456	5 456	5 000
Public corporations and private enterprises	68 998	72 064	312 238	278 667	166 167	296 837	269 321	285 481
Foreign governments and international organisations	392 308	392 819	576 614	594 099	594 099	527 808	526 145	557 206
Non-profit institutions	56	58	–	65	65	68	71	75
Households	1 904 779	1 982 301	2 017 477	2 220 816	2 220 816	2 333 471	2 403 248	2 362 293
Payments for capital assets	9 984	17 533	11 394	30 695	28 359	11 362	11 665	10 410
Machinery and equipment	8 378	16 482	11 394	28 557	26 642	9 933	10 230	9 654
Software and other intangible assets	1 606	1 051	–	2 138	1 717	1 429	1 435	756
Total	183 271 056	199 304 358	219 116 107	245 546 868	245 000 180	271 931 169	300 927 022	324 360 517

Expenditure trends

Most of National Treasury's direct expenditure goes towards transfer payments. These include provincial and local government transfers, civil and military pension payments, and transfers to the South African Revenue Service (SARS) and the Secret Services.

Between 2004/05 and 2007/08, expenditure increased from R13.5 billion to R19.7 billion, at an average annual rate of 13.4 per cent, mainly attributable to transfers.

Expenditure is expected to increase substantially over the MTEF period, from R19.7 billion in 2007/08 to R26.9 billion in 2010/11, at an average annual rate of 10.8 per cent. This is mainly due to increases in transfers to the infrastructure grant to provinces, SARS and the Secret Services.

Excluding transfer payments, National Treasury's allocation grows from R1 billion in 2007/08 to R1.4 billion in 2010/11, at an average annual rate of 9.8 per cent. Increased spending on the operational budget is mainly due to implementing the integrated financial management system, rolling out training programmes in conjunction with the South African Management Development Institute (SAMDI), and a once-off payment for chairing the G20 and hosting the Annual Bank Conference on Development Economics.

The department will realise efficiency savings on its operational budget of R11.2 million, R14.9 million and R17.9 million for 2008/09, 2009/10 and 2010/11. Allocations for consultants, entertainment and travelling have been minimised.

Additional allocations over the MTEF period (2008/09, 2009/10 and 2010/11) include:

- R400 million, R800 million and R1.5 billion for the infrastructure grant to provinces
- R30 million, R100 million and R150 million for the local government financial management grant
- R204 million, R312 million and R676 million for SARS
- R120 million, R126 million and R135 million for the Secret Services.

The department is responsible for the main statutory transfers to provincial governments. More information on these transfers can be found in chapter 7 and annexure E of the 2008 Budget Review and the 2008 Division of Revenue Bill. The National Treasury vote also includes a provision for servicing government's debt obligations, which are a direct charge against the National Revenue Fund in terms of section 73 of the PFMA. In 2007/08, expenditure on state debt costs will be R107 million lower than indicated in the 2007 Adjusted Estimates, mainly due to a lower borrowing requirement.

Departmental receipts

The main items of revenue are the interest on government deposits and dividends received from the South African Reserve Bank. Over the medium term, revenue is expected to increase from R4.6 billion in 2007/08 to R7.9 billion in 2010/11. Interest on exchequer investments is affected by domestic and international interest rates, exchange rates and the level of government's cash balances.

Table 7.2 Departmental receipts

R thousand	Audited outcome			Estimate	Medium-term receipts estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Departmental receipts	1 941 457	2 520 026	4 355 125	4 634 324	5 701 245	6 857 154	7 932 852
Sales of goods and services produced by department	43 916	51 125	36 274	45 707	48 509	51 482	54 571
Sales of scrap, waste and other used current goods	–	5	–	–	–	–	–
Fines, penalties and forfeits	150 000	–	–	742	787	835	885
Interest, dividends and rent on land	1 742 186	2 428 979	4 281 186	4 561 000	5 295 923	6 174 369	7 621 038
Sales of capital assets	307	–	309	–	–	–	–
Financial transactions in assets and liabilities	5 048	39 917	37 356	26 875	356 026	630 468	256 358
Direct exchequer receipts							
Amnesty proceeds and GFECRA	–	2 650 000	365 000	–	–	–	–
Total	1 941 457	5 170 026	4 720 125	4 634 324	5 701 245	6 857 154	7 932 852

Programme 1: Administration

Purpose: Provide strategic management and administrative support to National Treasury, giving managerial leadership to the work of the department.

Expenditure estimates

Table 7.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Minister ¹	791	833	883	951	1 019	1 072	1 127
Deputy Minister ²	625	677	718	773	828	871	916
Management	14 196	21 143	35 038	53 878	40 661	44 308	45 785
Corporate Services	56 268	67 065	87 971	111 815	96 096	102 775	104 158
Property Management	37 526	53 235	37 029	51 566	43 028	47 698	52 879
Total	109 406	142 953	161 639	218 983	181 632	196 724	204 865
Change to 2007 Budget estimate				75 251	22 519	16 306	(10 160)

1. Payable as from 1 April 2007. Salary: R761 053. Car allowance: R190 262.

2. Payable as from 1 April 2007. Salary: R618 566. Car allowance: R154 641.

Economic classification

Current payments	104 983	131 100	156 670	196 399	176 901	191 536	201 163
Compensation of employees	36 884	42 171	51 960	64 631	74 983	78 723	82 667
Goods and services	68 092	88 702	102 084	131 768	101 918	112 813	118 496
<i>of which:</i>							
Communication	6 374	5 993	3 781	3 194	3 428	3 713	4 020
Computer services	3 509	6 673	13 903	16 174	14 264	17 144	17 696
Consultants, contractors and special services	12 162	17 021	22 020	22 032	16 875	15 850	13 828
Inventory	3 125	6 803	4 823	10 626	5 261	5 956	6 279
Maintenance, repairs and running costs	1 877	1 858	1 160	2 672	1 382	1 443	1 513
Operating leases	14 163	569	17 108	21 411	19 834	21 097	22 474
Travel and subsistence	4 402	6 518	6 694	9 963	10 089	10 120	10 787
Personnel agency fees	1 952	2 473	2 905	3 820	1 823	1 770	1 737
Audit fees	5 139	3 653	4 896	3 895	2 195	4 280	4 350
Municipal services	6 177	6 666	4 978	8 476	10 667	13 648	17 172
Financial transactions in assets and liabilities	7	227	2 626	–	–	–	–
Transfers and subsidies	278	318	836	1 971	1 048	1 269	1 315
Provinces and municipalities	112	130	43	–	–	–	–
Departmental agencies and accounts	166	164	206	270	220	240	254
Public corporations and private enterprises	–	24	23	73	28	29	31
Households	–	–	564	1 628	800	1 000	1 030
Payments for capital assets	4 145	11 535	4 133	20 613	3 683	3 919	2 387
Machinery and equipment	2 804	10 632	4 133	19 122	2 633	2 869	2 007
Software and other intangible assets	1 341	903	–	1 491	1 050	1 050	380
Total	109 406	142 953	161 639	218 983	181 632	196 724	204 865

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	166	164	206	270	220	240	254
Finance, Accounting, Management, Consulting and other	166	164	206	270	220	240	254
Financial Services (Fasset) Sector Education and Training Authority							

Expenditure trends

Expenditure between 2004/05 and 2006/07 increased from R109.4 million to R161.6 million, mainly due to increased legal costs, business mapping processes and the centralisation of internship and talent management intakes. Between 2006/07 and 2007/08 expenditure increased by 35.5 per cent, reaching R219 million. This was due to the rolling out of the document management system project, the talent management programme, the

competency framework and audit, further increases in legal costs, an increase in the co-sourcing for internal audits, the replacement of the PABX telephone system, and the accommodation optimisation plan.

There will be a decrease in expenditure between 2007/08 and 2008/09, from R219 million in 2007/08 to R181.6 million, mainly due to the completion of the PABX telephone system in 2007/08. The budget will stabilise over the MTEF period to reach R204.9 million in 2010/11.

Programme 2: 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.

- *Public Finance* provides financial and budgetary analysis of government programmes, advises on policy and service delivery trends and manages National Treasury's relations with other national departments.
- *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, co-ordinates international technical assistance and donor finance, supports PPPs, and compiles public finance statistics.
- *Intergovernmental Relations* co-ordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.
- *Technical and Management Support* includes advisory and capacity building initiatives focused on public-private partnerships, project management, infrastructure service delivery and public finance information systems. A dedicated unit has been established to support budgetary planning related to the 2010 FIFA World Cup.

Expenditure estimates

Table 7.4 Public Finance and Budget Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Public Finance	25 584	27 239	25 781	34 541	35 118	36 847	38 486
Budget Office	21 983	26 790	28 312	30 163	35 079	36 571	37 997
Intergovernmental Relations	24 034	42 447	26 187	37 412	37 028	39 157	41 353
Technical and Management Support	26 990	24 673	58 252	121 574	88 656	93 295	90 666
Total	98 591	121 149	138 532	223 690	195 881	205 870	208 502
Change to 2007 Budget estimate				51 283	29 864	32 049	(3 080)

Economic classification

	90 445	113 155	129 687	215 804	186 698	196 586	199 724
Current payments							
Compensation of employees	52 260	64 986	71 927	95 793	107 428	112 797	118 437
Goods and services	38 182	48 161	57 750	120 011	79 270	83 789	81 287
<i>of which:</i>							
Communication	357	418	492	595	553	593	595
Computer services	90	147	–	573	1 060	596	629
Consultants, contractors and special services	21 257	28 018	33 525	92 703	52 658	55 944	51 154
Inventory	5 977	6 009	6 982	3 864	6 467	6 818	7 150
Maintenance, repairs and running costs	87	157	82	266	237	260	801
Operating leases	238	334	469	645	658	735	773
Travel and subsistence	4 192	6 236	7 571	10 003	9 345	10 492	11 402
Personnel agency fees	1 719	2 046	–	1 717	2 027	2 042	2 009
Financial transactions in assets and liabilities	3	8	10	–	–	–	–

Table 7.4 Public Finance and Budget Management(continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Transfers and subsidies	6 159	6 699	6 566	6 000	7 456	7 456	7 000
Provinces and municipalities	159	199	66	–	–	–	–
Departmental agencies and accounts	6 000	6 000	6 000	6 000	7 000	7 000	7 000
Universities and technikons	–	–	–	–	456	456	–
Public corporations and private enterprises	–	500	500	–	–	–	–
Payments for capital assets	1 987	1 295	2 279	1 886	1 727	1 828	1 778
Machinery and equipment	1 899	1 260	2 279	1 853	1 689	1 770	1 749
Software and other intangible assets	88	35	–	33	38	58	29
Total	98 591	121 149	138 532	223 690	195 881	205 870	208 502

Details of major transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	6 000	6 000	6 000	6 000	7 000	7 000	7 000
Technical Assistance Unit Trading Entity	–	–	–	–	1 000	1 000	1 000
Project Development Facility Trading Account	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Universities and technikons							
Current	–	–	–	–	456	456	–
University of Pretoria: International Public Finance Conference	–	–	–	–	456	456	–

Expenditure trends

Expenditure in this programme increased substantially, from R98.6 million in 2004/05 to R223.7 million in 2007/08, at an average annual rate of 31.4 per cent. This was mainly due to increases in professional and advisory capacity for technical assistance projects for the social security reform project and the 2010 FIFA World Cup, as well as improving the implementation of the infrastructure delivery improvement programme.

Expenditure for the MTEF period will decrease at an average annual rate of 2.3 per cent because the infrastructure delivery improvement programme will slow down from 2008/09 and be complete by 2010/11.

Programme 3: Asset and Liability Management

Purpose: Manage government's financial assets and liabilities.

- *Management.*
- *Asset Management* promotes the optimal allocation and use of financial resources and sound corporate governance in government business enterprises.
- *Liability Management* provides for government's funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital markets and timeous servicing of debt.
- *Financial Operations* provides for the prudent management of cash in all spheres of government, efficient accounting of debt and investment transactions, the supply of reliable systems and the provision of quality information.
- *Strategy and Risk Management* develops and maintains a government wide risk management framework and ensures that the division's strategies are in line with the agreed framework.

Expenditure estimates

Table 7.5 Asset and Liability Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	3 008	3 961	11 293	15 309	18 136	16 132	15 166
Asset Management	5 634	6 017	8 644	33 262	16 602	16 306	14 886
Liability Management	7 466	7 947	9 081	11 185	11 828	12 665	13 497
Financial Operations	7 073	7 172	7 873	10 505	9 036	10 250	10 868
Strategy and Risk Management	3 079	5 065	4 381	5 692	5 757	6 047	6 371
Total	26 260	30 162	41 272	75 953	61 359	61 400	60 788
Change to 2007 Budget estimate				18 214	877	(1 506)	(536)

Economic classification

	25 326	29 255	40 544	74 271	60 646	60 648	59 999
Current payments							
Compensation of employees	17 658	21 865	26 025	34 429	37 232	39 092	41 045
Goods and services	7 668	7 389	14 518	39 842	23 414	21 556	18 954
<i>of which:</i>							
Communication	129	272	282	366	395	420	437
Computer services	2 724	1 827	2 314	6 548	4 607	4 908	4 029
Consultants, contractors and special services	120	536	6 233	25 372	11 357	8 300	5 818
Inventory	415	315	546	573	582	790	840
Maintenance, repairs and running costs	1 001	32	37	143	162	174	186
Operating leases	42	106	83	438	133	140	147
Travel and subsistence	858	1 650	1 453	2 246	1 930	2 267	2 434
Personnel agency fees	380	156	291	417	374	417	498
Audit fees	–	394	421	465	495	537	735
Financial transactions in assets and liabilities	–	1	1	–	–	–	–
Transfers and subsidies	54	66	24	–	–	–	–
Provinces and municipalities	54	66	24	–	–	–	–
Payments for capital assets	880	841	704	1 682	713	752	789
Machinery and equipment	869	826	704	1 682	713	752	789
Software and other intangible assets	11	15	–	–	–	–	–
Total	26 260	30 162	41 272	75 953	61 359	61 400	60 788

Expenditure trends

Expenditure between 2004/05 and 2007/08 increased from R26.3 million to R76 million, at an average annual rate of 42.5 per cent, mainly due to research for the pebble bed modular reactor (PBMR), the review of the mandates of development finance institutions (DFIs), the reassessment of SOEs' treasury operations, and the development of a treasury management system that addresses the needs of the programme.

Expenditure over the MTEF period is expected to decrease from R76 million in 2007/08 to R60.8 million in 2010/11, at an average annual rate of 7.2 per cent. The decrease is due to the completion of the treasury management system, the PBMR research and the DFIs review.

Programme 4: Financial Management and Systems

Purpose: Manage and regulate government's supply chain processes, implement and maintain standardised financial systems, and co-ordinate the implementation of the Public Finance Management Act (1999) (PFMA) and related capacity building initiatives.

- *Management.*
- *Supply Chain Management* develops policy that regulates the supply chain processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *PFMA Implementation and Co-ordination* provides for National Treasury's monitoring role in the implementation of the PFMA and related training initiatives.
- *Financial Systems* is responsible for maintaining and improving existing financial management systems, and replacing outdated systems with those that comply with the PFMA and GRAP.

Expenditure estimates

Table 7.6 Financial Management and Systems

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management	1 151	1 116	1 342	1 786	1 566	1 638	1 709
<i>Deputy Director-General Specialist Functions</i>	1 151	1 116	1 342	1 786	1 566	1 638	1 709
Supply Chain Management	30 567	27 780	20 309	34 920	27 499	28 877	30 048
<i>Chief Directorate Supply Chain Policy</i>	15 054	14 767	9 257	17 320	6 811	7 118	7 388
<i>Chief Directorate Contract Management</i>	12 066	8 307	5 473	10 529	13 552	14 166	14 779
<i>Chief Directorate Norms and Standards</i>	3 447	4 706	5 579	7 071	7 136	7 593	7 881
PFMA Implementation and Co-ordination	5 250	13 325	5 606	11 882	16 770	16 921	17 090
<i>Chief Directorate PFMA Implementation</i>	5 250	13 325	5 606	11 882	16 770	16 921	17 090
Financial Systems	189 448	196 960	169 121	320 122	511 789	654 723	729 068
<i>Operational Costs</i>	26 033	12 979	12 707	17 248	17 274	18 153	19 139
<i>Basic accounting system (BAS)</i>	59 183	55 766	47 069	66 211	66 611	71 847	79 465
<i>PERSAL</i>	39 259	38 986	39 694	48 716	48 372	50 474	53 461
<i>Logis</i>	34 226	40 497	42 025	51 821	47 959	54 097	53 289
<i>Vulindlela</i>	20 641	18 971	16 841	26 439	20 967	22 637	24 325
<i>Financial management system (FMS)</i>	4 965	–	–	–	–	–	–
<i>Integrated financial management system (IFMS)</i>	5 141	29 761	10 785	109 687	310 606	437 515	499 389
Total	226 416	239 181	196 378	368 710	557 624	702 159	777 915
Change to 2007 Budget estimate				(353 527)	(267 180)	(126 040)	(5 731)

Economic classification

	225 354	236 335	194 363	365 222	554 018	698 477	774 072
Current payments							
Compensation of employees	23 487	28 141	30 772	36 438	41 034	43 109	45 264
Goods and services	201 867	208 185	163 590	328 784	512 984	655 368	728 808
<i>of which:</i>							
<i>Communication</i>	1 306	981	599	985	1 234	1 381	1 495
<i>Computer services</i>	182 529	186 489	151 468	301 875	483 001	623 904	696 281
<i>Consultants, contractors and special services</i>	6 145	650	222	795	450	540	530
<i>Inventory</i>	3 882	641	671	1 395	1 517	1 708	1 764
<i>Maintenance, repairs and running costs</i>	66	73	71	318	283	320	357
<i>Operating leases</i>	569	357	399	673	739	804	866
<i>Travel and subsistence</i>	1 211	1 283	1 248	3 771	4 345	4 758	5 091
<i>Personnel agency fees</i>	450	154	323	401	400	400	400
<i>Audit fees</i>	–	1 110	887	1 783	937	1 052	1 160
Financial transactions in assets and liabilities	–	9	1	–	–	–	–

Table 7.6 Financial Management and Systems (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Transfers and subsidies	71	87	29	-	-	-	-
Provinces and municipalities	71	87	29	-	-	-	-
Payments for capital assets	991	2 759	1 986	3 488	3 606	3 682	3 843
Machinery and equipment	834	2 661	1 986	2 892	3 311	3 377	3 520
Software and other intangible assets	157	98	-	596	295	305	323
Total	226 416	239 181	196 378	368 710	557 624	702 159	777 915

Expenditure trends

Expenditure increased between 2004/05 and 2007/08 (though unevenly) at an average annual rate of 17.7 per cent, from R226.4 million to R368.7 million, mainly due to continuous maintenance work on the legacy systems such as the basic accounting system (BAS), LOGIS and PERSAL. The decrease in spending from R239.2 million in 2005/06 to R196.4 million in 2006/07 was mainly due to cost containment measures in relation to the legacy systems.

Expenditure over the MTEF period is expected to increase significantly, from R368.7 million in 2007/08 to R777.9 million in 2010/11, at an average annual rate of 28.3 per cent. This is due to the implementation of the integrated financial management system and the full rollout of the training programmes with SAMDI.

Programme 5: Financial Accounting and Reporting

Purpose: Promote and enforce transparency and effective management in respect of the revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, thus facilitating accountability and governance.

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the RDP Fund, banking services for national government, providing support to all spheres of government in implementing financial reporting frameworks, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management, developing the reporting frameworks in line with international and local best practice, developing and implementing accounting policies, and improving the financial management and internal audit capacity within government.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (1995).

Expenditure estimates

Table 7.7 Financial Accounting and Reporting

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Financial Reporting for National Accounts	19 651	28 302	46 829	53 034	58 381	61 061	64 199
Financial Management Improvement	4 424	6 060	7 040	17 140	13 989	14 603	15 217
Investment of Public Monies	-	-	-	1	1	1	1
Service Charges (Commercial Banks)	160	17	62	120	-	-	-
Audit Statutory Bodies	7 667	13 591	11 854	23 800	16 545	17 372	18 414
Contingent Liabilities: Reinsurance Liabilities	-	-	-	1	1	1	1
Total	31 902	47 970	65 785	94 096	88 917	93 038	97 832
Change to 2007 Budget estimate				12 020	1	(524)	(1 344)

Table 7.7 Financial Accounting and Reporting (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Current payments	23 106	29 129	36 954	44 629	45 489	47 460	49 519
Compensation of employees	10 644	17 353	19 299	23 634	25 129	26 383	27 699
Goods and services	12 462	11 776	17 654	20 995	20 360	21 077	21 820
<i>of which:</i>							
Communication	107	137	162	326	276	292	309
Computer services	541	530	135	1 692	411	437	465
Consultants, contractors and special services	7 117	2 421	4 756	3 506	4 762	5 080	5 114
Inventory	418	959	740	1 252	1 393	1 470	1 517
Maintenance, repairs and running costs	56	996	1 471	660	559	559	559
Operating leases	37	61	62	66	113	115	117
Travel and subsistence	1 385	2 078	2 062	5 552	3 401	3 340	3 644
Personnel agency fees	570	901	768	587	680	690	697
Financial transactions in assets and liabilities	–	–	1	–	–	–	–
Transfers and subsidies	7 969	18 376	27 761	47 140	42 532	44 825	47 514
Provinces and municipalities	32	52	17	–	–	–	–
Departmental agencies and accounts	7 937	18 324	27 494	47 140	42 532	44 825	47 514
Households	–	–	250	–	–	–	–
Payments for capital assets	827	465	1 070	2 327	896	753	799
Machinery and equipment	827	465	1 070	2 309	896	753	799
Software and other intangible assets	–	–	–	18	–	–	–
Total	31 902	47 970	65 785	94 096	88 917	93 038	97 832
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	7 667	13 591	22 735	40 897	36 805	38 847	41 177
Audit (Auditor-General)	7 667	13 591	11 854	23 802	16 547	17 374	18 416
Independent Regulatory Board for Auditors	–	–	10 881	17 095	20 258	21 473	22 761
Capital	270	4 733	4 759	6 243	5 727	5 978	6 337
Accounting Standards Board	270	4 733	4 759	6 243	5 727	5 978	6 337

Expenditure trends

Expenditure increased from R31.9 million in 2004/05 to R94.1 million in 2007/08, at an average annual rate of 43.4 per cent, mainly due to the increase in establishment, audit fees, annual conferences, hosting the International Corporate Governance Network, and the introduction of a transfer payment to the Independent Regulatory Board of Auditors (IRBA). Expenditure is expected to stabilise with increases at an average annual rate of 1.3 per cent over the MTEF period, from R94.1 million in 2007/08 to R97.8 million in 2010/11, due to higher expenditure on the IRBA, the training outside public practice (TOPP) programme and the implementation of the revised frameworks and GRAP standards.

Programme 6: Economic Policy and International Financial Relations

Purpose: Provide specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, financial sector, taxation, regulatory reform, tax policies, regional integration and international financial relations.

- *Management and Research* funds the department's economic research programme, including promoting the research capacity of local academic researchers, in areas such as economic growth, macroeconomic stability, poverty alleviation, retirement reform, financial sector development and regional integration.

- *Financial Sector Policy* provides policy advice on the financial sector, including legislation and the regulatory framework. Key strategic focus areas include retirement reform, financial stability and financial sector access and transformation.
- *Tax Policy* provides advice on the formulation of tax policy. It is also responsible for drafting tax legislation, tax revenue analysis and forecasting.
- *International Economics* focuses on improving South Africa's participation in international economic institutions and debates. It also facilitates the deepening of South Africa's role in regional integration (South African Development Community and the Southern African Customs Union) and works through key economic institutions like the African Development Bank, United Nations Economic Commission for Africa and the New Partnership for Africa's Development (NEPAD).
- *Economic Policy* provides macroeconomic, microeconomic, forecasting and regulatory technical and policy analysis for the annual budget and other government processes, as well as policy review.

Expenditure estimates

Table 7.8 Economic Policy and International Financial Relations

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Management and Research	2 135	4 045	14 766	13 558	15 586	13 991	14 626
Financial Sector Policy	12 114	19 248	14 502	17 130	19 864	20 977	22 151
Tax Policy	7 665	7 770	11 514	12 874	13 262	14 017	14 882
International Economics	8 031	9 209	9 619	14 786	12 908	13 467	14 009
Economic Policy	7 198	12 540	18 537	58 810	20 928	17 385	17 905
Total	37 143	52 812	68 938	117 158	82 548	79 837	83 573
Change to 2007 Budget estimate				30 495	3 035	(2 889)	(755)

Economic classification

Current payments	35 129	45 985	64 190	111 459	76 811	74 106	77 759
Compensation of employees	21 382	24 919	30 914	39 394	41 001	41 552	43 628
Goods and services	13 746	21 064	33 271	72 065	35 810	32 554	34 131
<i>of which:</i>							
Communication	338	212	319	416	344	372	417
Computer services	94	127	131	495	62	68	73
Consultants, contractors and special services	3 551	10 763	18 643	17 597	18 759	16 002	16 877
Inventory	2 274	995	963	2 508	1 929	2 006	2 061
Maintenance, repairs and running costs	14	11	–	65	97	101	106
Operating leases	272	261	183	221	153	170	182
Travel and subsistence	3 668	5 256	7 373	31 742	9 155	8 414	8 742
Personnel agency fees	1 295	731	–	428	595	625	653
Other	2 240	2 708	5 659	18 593	4 716	4 796	5 020
Financial transactions in assets and liabilities	1	2	5	–	–	–	–
Transfers and subsidies	860	6 189	3 526	5 000	5 000	5 000	5 000
Provinces and municipalities	65	75	26	–	–	–	–
Universities and technikons	795	814	3 500	5 000	5 000	5 000	5 000
Public corporations and private enterprises	–	5 300	–	–	–	–	–
Payments for capital assets	1 154	638	1 222	699	737	731	814
Machinery and equipment	1 145	638	1 222	699	691	709	790
Software and other intangible assets	9	–	–	–	46	22	24
Total	37 143	52 812	68 938	117 158	82 548	79 837	83 573

Details of major transfers and subsidies

Universities and technikons							
Current	795	814	3 500	5 000	5 000	5 000	5 000
University of Cape Town: Economic Research Southern Africa	795	814	3 500	5 000	5 000	5 000	5 000

Expenditure trends

Expenditure increased from R37.1 million in 2004/05 to R117.2 million in 2007/08, at an average annual rate of 46.7 per cent, mainly due to once-off funding for chairing the G-20 meetings, an increase in research funding, including research for regulatory impact analysis and micro-economic analysis, research in support of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the implication of policy advice on legislation including tax, pensions and banking regulation.

Expenditure over the MTEF period is expected to decrease significantly, from R117.2 million in 2007/08 to R83.6 million in 2010/11, at an average annual rate of 10.6 per cent, due to a once-off payment for chairing the G20 and hosting the Annual Bank Conference on Development Economics in 2007/08. Funds over the medium term will be used for the initiative to reform and improve the functioning of the financial regulatory system, which is already under way.

Programme 7: Provincial and Local Government Transfers

Purpose: Manage conditional grants to the provincial and local spheres of government.

- *Infrastructure grant to provinces* provides for the transfers to provinces and for monitoring them. The grant supports accelerated infrastructure development and maintenance for roads, schools, health facilities and rural development.
- *Local Government Financial Management and Restructuring Grants* provides for the transfers to municipalities, and is responsible for the design and monitoring of the financial management grant and the restructuring grant, which are for piloting budget and financial reforms. The implementation of the Municipal Finance Management Act (2003) also falls under this subprogramme.
- *Neighbourhood Development Partnership Grant* provides for the transfer to municipalities for the design of partnership projects and the co-financing of the construction of new and improved community facilities and related municipal assets.

Expenditure Estimates

Table 7.9 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Infrastructure grant to provinces	3 348 362	2 984 113	4 983 498	6 414 025	7 246 707	8 796 707	10 080 467
Local Government Financial Management and Restructuring Grants	516 900	387 500	410 250	675 250	180 000	299 990	364 589
Neighbourhood Development Partnership Grant	–	–	50 000	295 000	530 000	870 000	1 049 000
Total	3 865 262	3 371 613	5 443 748	7 384 275	7 956 707	9 966 697	11 494 056
Change to 2007 Budget estimate				225 000	(540 000)	120 000	1 117 547
Economic classification							
Transfers and subsidies	3 865 262	3 371 613	5 443 748	7 384 275	7 956 707	9 966 697	11 494 056
Provinces and municipalities	3 865 262	3 371 613	5 393 748	7 320 475	7 833 722	9 796 697	11 445 056
Departmental agencies and accounts	–	–	50 000	63 800	122 985	170 000	49 000
Total	3 865 262	3 371 613	5 443 748	7 384 275	7 956 707	9 966 697	11 494 056

Table 7.9 Provincial and Local Government Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Details of major transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial Revenue Funds							
Capital	3 348 362	2 984 113	4 983 498	6 414 025	7 246 707	8 796 707	10 080 467
Infrastructure grant to provinces	3 348 362	2 984 113	4 983 498	6 164 025	7 246 707	8 796 707	10 080 467
Transitional grant: North West	-	-	-	250 000	-	-	-
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	516 900	387 500	410 250	675 250	180 000	299 990	364 589
Financial management grant - municipalities	129 000	132 500	145 250	145 250	180 000	299 990	364 589
Local government restructuring grant	387 900	255 000	265 000	530 000	-	-	-
Capital	-	-	-	231 200	407 015	700 000	1 000 000
Neighbourhood development partnership grant	-	-	-	231 200	407 015	700 000	1 000 000
Departmental agencies and accounts							
Departmental agencies (non-business)							
Current	-	-	50 000	63 800	122 985	170 000	49 000
Project development facility trading account: NDP indirect grant	-	-	50 000	63 800	122 985	170 000	49 000

Expenditure trends

The infrastructure grant to provinces supplements the provincial equitable share. It supports the construction, maintenance and rehabilitation of infrastructure in education, roads, health and agriculture. Spending on provincial infrastructure increased from R3.3 billion in 2004/05 to R6.4 billion for 2007/08 at an average annual rate of 24.2 per cent, mainly due to higher expenditure on roads and transport and increased capital spending. Expenditure on the grant over the MTEF period is expected to increase from R6.4 billion in 2007/08 to R10.1 billion in 2010/11, at an average annual rate of 16.3 per cent, mainly due to improvements in the national education infrastructure management system.

The local government financial management restructuring grant was introduced to assist municipalities to implement financial management reforms and support the technical advisor programme for hands-on skills transfer to municipal officials under the Municipal Finance Management Act (2003). Funds were transferred to municipalities based on their implementation plans. Grants to municipalities increased from R517 million in 2004/05 to R675 million in 2007/08, at an average annual rate of 9.3 per cent. In 2007/08, transfers were delayed due to unacceptably low spending levels and sporadic reporting. However, subsequent monitoring has resulted in improved compliance with the framework and expected spending levels, resulting in the transfer of all budgeted funds. Over the MTEF period, the grant decreases from R675 million in 2007/08 to R365 million in 2010/11, at an average annual rate of 18.6 per cent, due to the phasing out of the grant.

The allocation for the neighbourhood development partnership grant has increased from R295 million in 2007/08 to R1 billion in 2010/11, at an average annual rate of 52.6 per cent. This grant to municipalities is for the design of partnership projects and for co-financing the construction of new and better community facilities and related municipal assets. In 2006/07, only R50 million was transferred due to the slow implementation of projects, compared to the projected spending of R295 million.

Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

Purpose: Provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance-devices, and other related expenses, in terms of statutory commitments.

Expenditure estimates

Table 7.10 Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Civil Pensions and Contributions to Funds	1 782 619	1 860 893	1 901 674	2 077 912	2 184 762	2 261 780	2 214 690
Military Pensions and Other Benefits	138 700	149 981	147 029	160 396	167 926	178 522	183 878
Total	1 921 319	2 010 874	2 048 703	2 238 308	2 352 688	2 440 302	2 398 568
Change to 2007 Budget estimate				(100 000)	(100 000)	(149 990)	(330 537)
Economic classification							
Current payments	14 940	25 827	30 352	15 627	16 360	34 220	33 241
Goods and services	14 336	18 039	26 682	15 627	16 360	34 220	33 241
Consultants, contractors and special services	14 336	18 039	26 682	15 627	16 360	34 220	33 241
Financial transactions in assets and liabilities	604	7 788	3 670	–	–	–	–
Transfers and subsidies	1 906 379	1 985 047	2 018 351	2 222 681	2 336 328	2 406 082	2 365 327
Foreign governments and international organisations	1 544	2 688	1 688	3 428	3 589	3 763	3 989
Non-profit institutions	56	58	–	65	68	71	75
Households	1 904 779	1 982 301	2 016 663	2 219 188	2 332 671	2 402 248	2 361 263
Total	1 921 319	2 010 874	2 048 703	2 238 308	2 352 688	2 440 302	2 398 568
Details of major transfers and subsidies							
Foreign governments and international organisations							
Current	1 544	2 688	1 688	3 428	3 589	3 763	3 989
United Kingdom tax	1 544	2 688	1 688	3 428	3 589	3 763	3 989
Nonprofit institutions							
Current	56	58	–	65	68	71	75
SA Legion	56	58	–	65	68	71	75
Households							
Social benefits							
Current	1 904 779	1 982 301	2 016 663	2 219 188	2 332 671	2 402 248	2 361 263
Civil Pensions	1 768 246	1 835 192	1 872 131	2 061 102	2 167 163	2 228 713	2 182 519
Military Pensions	136 533	147 109	144 532	158 086	165 508	173 535	178 744

Expenditure trends

Government's contributions to pensions and other benefits on behalf of retired civil servants increased from R1.8 billion in 2004/05 to R2.1 billion in 2007/08 at an average annual rate of 5.2 per cent. This is mainly attributed to increases in medical and other benefit tariffs and increased spending on injury on duty.

Expenditure is expected to increase from R2.1 billion in 2007/08 to R2.2 billion in 2010/11 at an average annual rate of 2.1 per cent. This is due to the amendments to the Special Pensions Act (1996), which will expand benefits to widows and orphans and increase the payment of claims for injury on duty.

Programme 9: Fiscal Transfers

Purpose: Transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member. Funds are also provided for specific programmes to the Development Bank of Southern Africa (DBSA).

- Fair and efficient collection of revenue for the purposes of the state, in keeping with applicable tax laws
- Independent advice on fiscal and financial matters
- Protection of the national interest and combating of crime through intelligence and related services
- Promotion of local development through financial and technical assistance
- Equitable compensation for members of the Common Monetary Area
- Promotion of regional integration and development in Africa, and international financial cooperation

The subprogrammes reflect the different types of transfers. Domestic transfers are made to SARS, the Financial and Fiscal Commission, the Secret Services account, and the Financial Intelligence Centre.

Foreign transfer payments are made to the World Bank, including: the International Development Association (IDA), which is part of the World Bank Group and which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries; the IMF; the African Development Bank and African Development Fund; Lesotho, Namibia and Swaziland (under the *Common Monetary Area Compensation* subprogramme) for the rand monetary area agreement; support for the African integration and support programmes; and various international programmes supported by government, like the Commonwealth Fund for Technical Co-operation, the Investment Climate Facility, and the Global Alliance for Vaccines and Immunisation.

Expenditure estimates

Table 7.11 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand							
Domestic Budgetary Transfers	6 759 301	6 627 642	7 119 382	8 157 929	9 019 808	9 798 007	10 733 553
<i>South African Revenue Service</i>	4 602 509	4 254 302	4 874 591	5 511 031	6 186 126	6 838 442	7 594 324
<i>Financial and Fiscal Commission</i>	17 869	19 660	21 705	20 178	23 125	24 156	25 971
<i>Secret Services</i>	2 117 057	2 330 063	2 223 086	2 584 240	2 763 583	2 888 310	3 063 359
<i>Financial Intelligence Centre</i>	21 866	23 617	–	42 480	44 474	44 474	47 143
<i>Cooperative Banking Development Agency</i>	–	–	–	–	2 500	2 625	2 756
Domestic Programme Transfers	68 998	66 240	311 715	278 594	296 809	269 292	285 450
<i>Development Bank of Southern Africa - Siyenza Manje</i>	–	–	258 308	225 187	246 809	269 292	285 450
<i>Development Bank of Southern Africa - Financial Management Grant</i>	68 998	66 240	53 407	53 407	50 000	–	–
Africa Integration and Support	250 987	244 669	282 755	432 402	362 903	414 475	439 044
<i>Common Monetary Area Compensation (CMA)</i>	250 987	244 669	282 755	327 402	342 773	359 393	380 957
<i>Regional Integration (SADC and SACU)</i>	–	–	–	5 000	5 000	5 000	5 000
<i>Financial and Technical Support</i>	–	–	–	100 000	15 130	50 082	53 087
Multilateral Institutions	97 982	143 153	282 094	139 600	141 516	87 007	92 229
<i>African Development Bank and African Development Fund</i>	72 581	121 569	104 939	90 786	102 382	76 006	80 567
<i>World Bank Group (including IDA)</i>	25 401	21 584	177 155	48 814	39 134	11 001	11 662
International Projects	41 795	2 309	10 077	18 669	19 800	20 900	21 944
<i>Highly Indebted Poor Countries Initiative</i>	39 505	–	–	–	–	–	–
<i>Commonwealth Fund for Technical Cooperation</i>	2 290	2 309	2 858	3 369	3 500	3 500	3 500
<i>International Funding Facility for Immunization</i>	–	–	7 219	7 500	8 000	8 500	9 010
<i>Investment Climate Facility</i>	–	–	–	7 800	8 300	8 900	9 434
Total	7 219 063	7 084 013	8 006 023	9 027 194	9 840 836	10 589 681	11 572 220
Change to 2007 Budget estimate				81 453	328 394	443 002	815 740

Table 7.11 Fiscal Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Economic classification							
Transfers and subsidies	7 219 063	7 084 013	8 006 023	9 027 194	9 840 836	10 589 681	11 572 220
Departmental agencies and accounts	6 759 301	6 627 642	7 119 382	8 157 929	9 019 808	9 798 007	10 733 553
Public corporations and private enterprises	68 998	66 240	311 715	278 594	296 809	269 292	285 450
Foreign governments and international organisations	390 764	390 131	574 926	590 671	524 219	522 382	553 217
Total	7 219 063	7 084 013	8 006 023	9 027 194	9 840 836	10 589 681	11 572 220
Details of major transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	5 718 802	5 798 316	6 754 340	7 301 264	8 085 575	8 809 517	9 687 053
Financial and Fiscal Commission	17 869	19 660	21 705	20 178	23 125	24 156	25 971
Financial Intelligence Centre	18 050	19 572	–	36 826	38 555	38 555	40 869
Secret Services Account	1 569 324	1 955 216	1 944 606	1 988 556	2 116 936	2 211 353	2 347 084
South African Revenue Service	4 113 559	3 803 868	4 788 029	5 255 704	5 904 459	6 532 828	7 270 373
Cooperative Banking Development Agency	–	–	–	–	2 500	2 625	2 756
Capital	1 040 499	829 326	365 042	856 665	934 233	988 490	1 046 500
Financial Intelligence Centre	3 816	4 045	–	5 654	5 919	5 919	6 274
Secret Services Account	547 733	374 847	278 480	595 684	646 647	676 957	716 275
South African Revenue Service	488 950	450 434	86 562	255 327	281 667	305 614	323 951
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	68 998	66 240	311 715	278 594	296 809	269 292	285 450
Development Bank of Southern Africa	–	–	258 308	225 187	246 809	269 292	285 450
Financial Management Grant- Development Bank of Southern Africa	68 998	66 240	53 407	53 407	50 000	–	–
Foreign governments and international organisations							
Current	292 782	246 978	292 832	351 071	367 573	385 293	407 901
Common Monetary Area Compensation (CMA)	250 987	244 669	282 755	327 402	342 773	359 393	380 957
Commonwealth Fund for Technical Cooperation	2 290	2 309	2 858	3 369	3 500	3 500	3 500
Highly Indebted Poor Countries Initiative (HIPC)	39 505	–	–	–	–	–	–
Investment Climate Facility	–	–	–	7 800	8 300	8 900	9 434
International Funding Facility for Immunization	–	–	7 219	7 500	8 000	8 500	9 010
Regional Integration	–	–	–	5 000	5 000	5 000	5 000
Capital	97 982	143 153	282 094	239 600	156 646	137 089	145 316
African Development Bank	72 581	121 569	104 939	90 786	102 382	76 006	80 567
World Bank	25 401	21 584	177 155	48 814	39 134	11 001	11 662
Financial and Technical Support	–	–	–	100 000	15 130	50 082	53 087

Expenditure trends

There is no direct expenditure under this programme, only transfers to different organisations. Transfers increased from R7.2 billion in 2004/05 to R9 billion in 2007/08, at an average annual rate of 7.7 per cent, mainly due to additional budgetary allocations to SARS and the Secret Services, and to the DBSA for support to municipalities through the Siyenza Manje initiative. Transfers are expected to increase from R9 billion in 2007/08 to R11.6 billion in 2010/11, at an average annual rate of 8.6 per cent, due to further increases of transfers to the Secret Services and SARS (to fund customs scanners, systems modernisation and the Border Control Operational Co-ordinating Committee).

Trading entities

Project development facility

The project development facility (PDF) is a single function trading entity in the National Treasury's public private partnership (PPP) unit, created in accordance with the PFMA. It was created to assist national, provincial and municipal spheres of government to pay for services provided by consultants (transaction advisors) to conduct feasibility studies for PPP projects. After the financial close of the PPP, the funds are recovered from the successful private party bidder, allowing the PDF to fund further projects.

The PDF also disburses technical assistance funds for municipalities wishing to access capital grants from the neighbourhood development partnership grant.

The PDF receives R6 million a year over the medium term for contracting transaction advisors.

The following table shows project commitments in assisting with transactional advisory services for 2008/09 and 2009/10.

New funding		
Institution	Project	Funding approved
Department of Defence	Navy training	R4 000 000
Eastern Cape Department of Transport	Fleet	R3 780 394
Cape Nature	Tourism/Implementation	R1 400 000
Northern Cape Tourism	Tourism	R750 000
Emfuleni Municipality	Water treatment	R2 500 000
Sedibeng Municipality	Property development	R500 000
Kokstad Municipality	Civic centre	R2 000 000
Total		R14 930 394

Technical assistance unit

The technical assistance unit (TAU) is a facility that was established in 2001 in National Treasury, and from April 2008, a trading entity will be operated within the TAU. The TAU trading entity will play a major role in the fields of legislation, institutional and municipal operation and capacity building by ensuring that prudent financial and project management are implemented throughout national, provincial and local government.

The TAU will receive transfers of R1 million a year from 2008/09 to 2010/11 from National Treasury. These transfers will be reviewed with the finalisation of a cost recovery plan.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of technical assistance projects	32	50	87	40	50	60	60

Public entities and other agencies

South African Revenue Service

In terms of the South African Revenue Service Act (1997), SARS is mandated to collect all revenues that are due, ensure maximum compliance with tax and customs legislation, and provide a customs service that will maximise revenue collection, protect South Africa's ports of entry and facilitate trade.

SARS has undergone a successful transformation process with a view to improving service delivery and thus contributing to improved compliance levels. Since 1994, SARS has delivered on its mandate, transformed its public image and is now widely regarded as a high performing government agency.

Tax revenue grew from R127 billion in 1995/96 to R495 billion in 2006/07. This represents average annual growth of 13.2 per cent, despite progressive reductions to tax rates for companies and individuals. In the same period, the total tax base grew from 3.2 million taxpayers in 1995/96 to 8.2 million taxpayers in 2006/07, at an average annual rate of 8.9 per cent. The number of assessments processed has increased significantly from 4.5 million in 1995/96 to 15.2 million in 2006/07. Import and export value combined has grown significantly from R229 billion in 1995/96 to R925 billion in 2006/07. SARS has also improved the cost-to-collection ratio from 1.23 per cent in 2005/06 to 1.04 per cent in 2006/07, following the upgrade and redesign of systems and processes. The SARS revenue target has been revised from R556.6 billion to R566.1 billion for 2007/08.

SARS needs to contribute to government's expenditure plan by increasing the effectiveness and efficiency of its tax collection capabilities. Manual and paper driven core operations combined with the significant revenue collection increases, growing processing volumes, increased service requirements and the need for increased border control security have outpaced available resources over the years. Sustaining its successful revenue performance and implementing new government priorities will entail modernising systems and processes using the benefits of automation and e-business. The new assessment process is an outcome of SARS' modernisation agenda, and involves fundamentally simplifying forms, filing and processes for assessing income tax.

Key priorities for the year ahead:

- continue to strive to achieve the commitments made in the SARS service charter
- develop, design and implement projects relating to the modernisation agenda
- embed a risk management approach across the organisation
- consolidate and expand the outreach and education activities to build on the small business amnesty success
- focus on selected illegal activities
- develop a new customs operating model
- implement the national integrated border management strategy
- prepare for the 2010 FIFA World Cup
- implement new tax policies, instruments and trade policies.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of employees	13 210	13 977	14 013	14 690	15 399	16 143	16 932
Number of income tax returns processed	4 496 622	4 870 238	4 958 523	5 495 346	5 928 043	6 408 347	6 741 311
Size of tax register	6 967 041	7 631 207	7 733 135	8 400 712	9 121 751	9 900 646	10 745 000
Revenue targets	R345.3bn	R417.1bn	R498.7bn	R566.1bn	R632.4bn	R699.3bn	R764bn
Number of audits (enforcement)	60 378	63 900	66 000	66 000	69 000	72 500	76 000
Number of customs seizures	-	-	3 915	4 111	4 316	4 532	5 000

Expenditure estimates

Table 7.12 SA Revenue Service

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	226 310	240 013	269 878	289 561	239 408	252 054	252 190
Other non-tax revenue	226 310	240 013	269 878	289 561	239 408	252 054	252 190
Transfers received	4 602 509	4 254 302	4 881 657	5 511 031	6 186 126	6 838 442	7 594 324
Total revenue	4 828 819	4 494 315	5 151 535	5 800 592	6 425 534	7 090 496	7 846 514

Table 7.12 SA Revenue Service (continued)

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Expenses							
Current expense	4 874 997	5 135 396	5 122 233	6 087 752	6 342 968	6 995 993	7 723 212
Compensation of employees	2 504 892	2 935 403	3 124 642	3 594 869	3 951 882	4 391 458	4 884 937
Goods and services	2 143 636	1 958 398	1 684 277	2 312 986	2 186 493	2 372 635	2 571 939
Depreciation	226 462	239 132	270 025	164 583	189 679	217 386	252 377
Interest, dividends and rent on land	7	2 463	43 289	15 315	14 915	14 514	13 958
Total expenses	4 874 997	5 135 396	5 122 233	6 087 752	6 342 968	6 995 993	7 723 212
Surplus / (Deficit)	(46 178)	(641 081)	29 302	(287 160)	82 566	94 503	123 302
Balance sheet data							
Carrying value of assets	510 421	598 748	553 699	674 060	749 221	836 163	951 505
<i>of which: Acquisition of assets</i>	<i>237 497</i>	<i>332 170</i>	<i>296 277</i>	<i>290 322</i>	<i>272 244</i>	<i>311 889</i>	<i>375 680</i>
Receivables and prepayments	35 057	56 109	69 940	72 869	73 710	77 531	77 580
Cash and cash equivalents	1 132 907	747 361	911 177	714 690	654 145	682 679	792 765
Total assets	1 678 385	1 402 218	1 534 816	1 461 619	1 477 077	1 596 373	1 821 850
Capital and reserves	1 057 897	417 351	446 942	159 782	242 347	336 850	460 153
Borrowings	–	162 152	303 645	277 811	205 595	131 144	124 576
Trade and other payables	397 623	518 463	435 776	623 134	588 429	638 653	692 364
Provisions	222 865	304 252	348 453	400 892	440 705	489 725	544 757
Total equity and liabilities	1 678 385	1 402 218	1 534 816	1 461 619	1 477 077	1 596 373	1 821 850
Contingent liabilities	118 262	73 998	72 136	–	–	–	–

Expenditure trends

SARS funding is comprised of a transfer from National Treasury, commission earned on the collection of skills development levies and unemployment insurance, and interest received on any temporary cash balances. The fluctuating trend for non-tax revenue collection has been influenced by interest receivable on temporary cash balances. Transfers received increased from R4.6 billion in 2004/05 to R5.5 billion in 2007/08 mainly to accommodate provision for customs scanners and capacity building. Revenue largely funds goods and services and compensation of employees. Expenditure on personnel increased at an average annual rate of 12.8 per cent between 2004/05 and 2007/08, and accommodated capacity building in the areas of customs, small business amnesty and large business centres.

Transfers over the medium term increase at an average annual rate of 11.1 per cent to R7.6 billion by 2010/11, specifically to improve core systems, purchase customs scanners, fund the operational budget to lead the Border Control Operational Co-ordinating Committee, and improve fraud detection and enforcement.

Development Bank of Southern Africa

The Development Bank of Southern Africa (DBSA) was established in 1983 to perform a broad economic development function within the prevailing dispensation of the homelands. It was reconstituted in terms of the Development Bank of Southern Africa Act (1997) as a development finance institution with the primary purpose of promoting economic development and growth, developing human resources and building institutional capacity. It does this by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes.

The bank's five-pronged strategy is to:

- co-deliver social and economic infrastructure, with a focus on the public sector, in partnership with public and private sector stakeholders
- build human and institutional capacity, with a focus on municipalities

- promote broad based economic growth, job creation, co-operation and integration (with partners and stakeholders), with a focus on identified sectors (for example, infrastructure development for service delivery), geographical areas (poorest provinces, municipalities and townships) and projects (for example, Siyenza Manje and the new Local Economic Development Fund)
- serve as a centre of excellence for development financing and effectiveness
- engender sustainability, internally and externally (in infrastructure projects, the environment, the region and the bank itself).

Among the DBSA's flagship initiatives in 2008/09 are: Siyenza Manje ('we are doing it now'), a project launched in 2006/07 that contributes to operational and strategic capacity in distressed municipalities and accelerates the rollout of basic services; Sustainable Communities, launched in 2006/07 and whose focus is developing integrated housing settlements, sustainable business opportunities, BEE and entrepreneurship to stimulate local economies to create employment opportunities; the Vulindlela Academy; the Local Investment Agency; and support to the 2010 FIFA World Cup. A new initiative, the Local Economic Development Fund, is in the early stages of implementation. The aim of the fund is to advance local and regional economic development by targeting technical assistance, partnership ventures and affordable loan funding to unlock and accelerate broad based economic growth, especially in historically neglected areas with potential.

Since April 2007, the Siyenza Manje programme has recruited an additional 71 experts and 31 young graduates, who have been deployed to 30 new municipalities and 25 previously supported municipalities, the Department of Water Affairs and Forestry, and the Eastern Cape department of local government and housing. Since its launch, Siyenza Manje has deployed 158 experts and 79 young graduates to municipalities and government departments to facilitate the accelerated implementation and proactive initiation of priority infrastructure projects. Although the focus is on water and sanitation projects, various sector projects (such as housing and sanitation improvement) are also being supported.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Disbursements: Total value of loan and equity	R3bn	R3.1bn	R3.7bn	R3.9bn	R5.6bn	R6.2bn	R6.8bn
Co-funding ratio (DBSA: co-funders)	–	–	1:5.32	1:1.3	1:1.3	1:1.3	1:1.3
Value of municipal infrastructure grant funds implemented in projects	–	–	–	R2bn	R3bn	R4bn	R5bn
Cost- to-income ratio (excluding financing cost)	42%	33.7%	34.3%	37%	40%	41%	42%
Number of external learners trained	–	–	436	2 000	2 500	2 700	2 900
Siyenza Manje							
- number of municipal officials trained in priority skills	–	–	–	–	120	200	300
- number of municipalities supported	–	–	20	60	140	160	180
- number of technical projects completed	–	–	30	200	250	500	750
- number of non-technical interventions	–	–	–	160	200	300	300

Expenditure estimates

Table 7.13 Development Bank of Southern Africa

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	2 502 875	2 635 377	2 918 140	3 088 268	3 332 705	3 594 582	4 074 665
Sale of goods and services other than capital assets <i>of which:</i>	133 053	330 364	237 640	221 541	174 144	222 401	301 781
<i>Sales by market establishments</i>	133 053	330 364	237 640	221 541	174 144	222 401	301 781
Interest	2 369 822	2 305 013	2 680 500	2 866 727	3 158 561	3 372 181	3 772 884
Total revenue	2 502 875	2 635 377	2 918 140	3 088 268	3 332 705	3 594 582	4 074 665
Expenses							
Current expense	1 729 262	1 472 851	1 566 127	2 045 224	2 166 653	2 309 086	2 245 105
Compensation of employees	259 109	290 754	311 028	351 501	392 497	437 146	463 375
Goods and services	399 639	115 405	6 027	332 949	365 745	475 581	394 881
Depreciation	9 032	6 804	5 648	8 578	9 627	9 177	11 653
Interest, dividends and rent on land	1 061 482	1 059 888	1 243 424	1 352 196	1 398 784	1 387 182	1 375 196
Transfers and subsidies	24 124	234 145	69 241	65 360	69 281	73 438	77 844
Total expenses	1 753 386	1 706 996	1 635 368	2 110 584	2 235 934	2 382 524	2 322 949
Surplus / (Deficit)	749 489	928 381	1 282 772	977 684	1 096 771	1 212 058	1 751 716
Balance sheet data							
Carrying value of assets	160 800	210 695	283 712	347 102	394 601	415 643	435 568
<i>of which: Acquisition of assets</i>	28 255	32 199	2 695	71 968	57 126	30 219	31 578
Investments	6 906 769	7 328 629	6 364 877	6 371 498	4 686 798	4 906 505	5 608 266
Loans	15 626 429	17 321 872	20 218 239	23 356 124	26 921 890	30 089 785	33 252 625
Receivables and prepayments	17 780	103 521	168 839	178 671	189 391	200 755	212 800
Cash and cash equivalents	2 006 530	1 453 997	890 357	1 333 761	3 639 414	3 913 721	4 443 571
Total assets	24 718 308	26 418 714	27 926 024	31 587 156	35 832 094	39 526 409	43 952 830
Capital and reserves	11 961 624	13 218 656	14 538 231	15 333 913	16 265 692	17 272 532	18 806 392
Borrowings	12 082 881	12 467 179	12 714 755	15 551 040	18 832 399	21 486 167	24 342 997
Post-retirement benefits	96 452	130 902	172 204	172 204	172 204	172 204	172 204
Trade and other payables	577 351	601 977	500 834	529 999	561 799	595 506	631 237
Total equity and liabilities	24 718 308	26 418 714	27 926 024	31 587 156	35 832 094	39 526 409	43 952 830

Expenditure trends

The DBSA recorded growth of 16.7 per cent between 2005/06 and 2007/08 in the development loan portfolio. The balance sheet grew by 5.7 per cent from 2005/06, mainly attributable to the following:

- There was a net increase in gross development loans of R2.9 billion as a result of the continued acceleration of development financing activities in line with the targets set in the business plan.
- The funding for development loan disbursements was from the following sources:
 - cash and cash equivalents of R564 million
 - financial market assets of R1.3 billion
 - financial market liabilities of R248 million.
- The balance was funded from internally generated cash flows, mainly loan repayments. This resulted in a reduction in short term investments for the benefit of longer term financing activities, as well as an increase in liabilities.

- Equity investments increased by R321 million (46 per cent) due to some projects nearing maturity, as well as additional drawdowns and foreign exchange rate gains resulting from the devaluation of the rand.

The increase in the surplus from R928 million in 2005/06 to R1.3 billion in 2006/07 is attributable mainly to the 11 per cent increase in total revenue and a reduction in total expenses. Interest costs have increased mainly due to a steady increase in the market interest rates.

Disbursements for 2007/08 were forecast at the highest levels yet: R6.9 billion. There were two exceptional projects adding to increased disbursements: a large hydroelectric project in the region and a basic service expansion programme in South Africa. The increase in interest rates during the year will have had a negative effect on the cost of capital. The forecast results also included additional borrowings of R3.5 billion, of which R2 billion was raised from local capital markets.

There has been good progress in strengthening the bank's internal capacity, with expanded human capital and improved risk management as key focal points. DBSA's credit ratings of AAA and A2, awarded by Fitch and Moody's respectively, were reconfirmed in 2007/08. The bank expects to raise further capital from local and international markets to support its rapid expansion programme in the years to come.

Financial Intelligence Centre

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (2001) and has been operational since February 2002. The FIC's core mandate is to process, analyse and interpret information disclosed to it by accountable institutions in the private sector. The FIC analyses the information and then makes referrals to law enforcement authorities, intelligence services and SARS for investigation and prosecution if necessary. The FIC has implemented regulations and customer due diligence measures enabling it to operate as an independent state agency supporting the act since June 2003.

The centre has provided advice to the Minister of Finance as well as government agencies on issues relating to the financing of terrorism. South Africa successfully held the presidency of the Financial Action Task Force until June 2006. In December 2006, the FIC issued and distributed pamphlets informing the public about money laundering and the financing of terrorism.

Major objectives of the FIC over the medium term include: timely capture, analysis and referrals of suspicious transaction reports to law enforcement authorities; measures to manage the exchange of information with law enforcement authorities and other financial intelligence units worldwide; legislative amendments to the act; and introducing new reporting requirements as set out in the act.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of reports on unusual and suspicious transactions	15 757	19 798	21 466	23 567	30 332	33 077	36 756
Number of local feedback requests to law enforcement agencies and other stakeholders	107	185	269	404	605	908	1 362
Number of international feedback requests to law enforcement agencies and other stakeholders	92	65	49	74	110	165	248
Number of referrals to law enforcement agencies and other stakeholders	199	250	549	824	1 235	1 853	2 779

Expenditure trends

Although now an autonomous entity, the FIC continues to receive a range of support services and funding from National Treasury. The transfer from National Treasury increased from R21.8 million in 2004/05 to R42.5 million in 2007/08 at an average annual rate of 24.8 per cent. The increase was mainly to build capacity and establish systems. Over the medium term, the transfer to the FIC will increase to R47.1 million in 2010/11, at an average annual rate of 3.5 per cent, for its regular activities.

Financial Services Board

The Financial Services Board (FSB) is a statutory body established in terms of the Financial Services Board Act (1990). It supervises and regulates the non-banking financial services industry: long term and short term insurance, retirement funds and friendly societies, financial service providers, collective investment schemes and capital markets.

The FSB is responsible for ensuring that the regulated entities comply with the legislation and with capital adequacy requirements, thus promoting the financial soundness of these entities and protecting the investing community.

With the introduction of the Financial Advisory and Intermediary Services Act (2004) (FAIS), the mandate of the FSB was expanded to include aspects of market conduct in both the banking and non-banking financial services industries. In addition, the Financial Intelligence Centre Act (2001) (FICA) has added another dimension to the jurisdiction of the FSB. Amendments to FICA are currently being finalised to clarify the regulatory responsibilities of monitoring the provisions on compliance with anti-money laundering and combating the financing of terrorism.

The FSB also advises the Minister of Finance through various expert and representative advisory committees comprising industry experts. A further function of the FSB is to promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services.

Achievements in 2007/08 include:

- the Promulgation of the Pension Funds Amendment Act (2007) to strengthen the enforcement powers of the registrar of pension funds and to clarify aspects of the pension fund surplus apportionment provisions
- the successful implementation of the enforcement tribunal responsible for applying administrative penalties for cases of market abuse under the Securities Services Act (2005)
- significant progress in terms of the pension fund surplus apportionment process: 485 surplus apportionment schemes were submitted, 386 were approved (including those submitted in the previous year) and 214 are in process
- the licensing committee's consideration of applications for approximately 1 800 financial advisory and intermediary services, 12 collective investment schemes, 20 pension funds and 12 insurance licences
- the implementation of a risk based approach to supervision, where the depth of supervision varies according to an objective assessment of the risk levels in a particular financial institution, based on reported information
- the placing of Fidentia, Common Cents and Ovation under curatorship due to fraud and regulatory contraventions, and making progress in bringing the responsible parties to account.

Over the medium term, the FSB has identified the following strategic focus areas: create and implement an effective legislative framework to promote compliance; ensure that an appropriate regulatory environment is maintained and enhanced; collaborate and build critical stakeholder relationships to continuously align operations with their needs; inform consumers of financial products and services; and encourage and improve transformation in the financial services sector.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue from financial services industry	R139.7m	R210.7m	R245.1m	R260m	R280m	R300m	R320m
Total number of supervised entities	22 771	26 465	28 206	26 219	24 344	24 389	24 427
- financial advisory and intermediary services	8 861	12 601	14 400	14 500	14 500	14 500	14 500
- long term insurance	78	81	82	87	93	99	99
- short term insurance	100	103	106	113	121	130	130
- retirement funds	13 616	13 561	13 500	11 500	9 500	9 500	9 500
- collective investment schemes	116	119	118	119	130	160	198
Number of inspections	23	26	18	20	20	20	20
- financial advisory and intermediary services	6	9	5	7	-	-	-
- insurance	10	3	2	1	-	-	-
- capital markets	1	1	-	1	-	-	-
- retirement funds	5	12	10	11	-	-	-
- collective investment schemes	1	1	1	-	-	-	-

Expenditure estimates

Table 7.14 Financial Services Board

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	152 170	228 154	264 808	267 344	301 297	320 450	334 874
Sale of goods and services other than capital assets	120 050	187 322	224 381	228 093	262 598	278 730	290 672
of which:							
Advisory, fees and inspection revenue	120 050	187 322	224 381	228 093	262 598	278 730	290 672
Other non-tax revenue	32 120	40 832	40 427	39 251	38 699	41 720	44 202
Total revenue	152 170	228 154	264 808	267 344	301 297	320 450	334 874
Expenses							
Current expense	146 185	196 606	203 387	265 954	299 342	319 996	333 962
Compensation of employees	88 905	111 909	123 342	179 665	200 495	211 433	224 743
Goods and services	54 210	82 045	77 264	81 407	93 605	100 307	100 079
Depreciation	3 069	2 647	2 780	4 882	5 242	8 255	9 140
Interest, dividends and rent on land	1	5	1	-	-	1	-
Total expenses	146 185	196 606	203 387	265 954	299 342	319 996	333 962
Surplus / (Deficit)	5 985	31 548	61 421	1 390	1 955	454	912
Acquisition of assets	3 253	5 326	5 447	8 639	5 500	11 800	5 050

Expenditure trends

The FSB is a schedule 3 entity in terms of the PFMA and is funded entirely from the levies and fees it charges the regulated industries, with no contribution from government. The FSB is also responsible for funding the operations of the office of the ombud for financial services providers and the office of the pension funds adjudicator, based on an approved budget. These offices are part of the same regulatory framework within which the FSB operates but are independent from the FSB; their sole mandate is to dispose of complaints lodged by consumers of financial services in terms of their respective acts.

The challenge for the FSB is to balance income with operational requirements. Revenue comprises levies, fees and various cost recoveries, excluding interest received. The increases in revenue were mainly due to the expansion of the mandate of the FSB. This was necessitated by the implementation of the FAIS Act, which brought about 14 000 entities into the FSB's regulatory net. The expected increase in revenue in 2007/08 was

because of a rebate to the industry during the course of the year. Going forward, revenue is projected to grow at the rate of inflation.

Operational expenditure has mirrored revenue growth over the past three years. During these years the FSB had to increase its capacity particularly in the FAIS department: the department was migrating from the phase of registering financial services providers to the next phase of enforcing the provisions of FAIS against non-compliant service providers. It is projected that over the MTEF period, operational expenditure will grow in line with inflation.

Public Investment Corporation

The Public Investment Corporation (PIC) is a corporate body governed in terms of the Public Investment Corporation Act (2004). The corporation was officially launched in April 2005, before which it was known as the Public Investment Commissioners. The PIC invests funds on behalf of the South African public sector. There are currently 40 entities or clients whose funds are managed by the PIC. Major clients include the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund (UIF), the Associated Institutions Pension Fund (AIPF), the Compensation Commissioner: Pension Fund (CC:PF), the Compensation Fund (CF) and the Guardian's Fund.

The strategic focus of the PIC since 2005/06 to 2007/08 has been on restructuring to build capacity which is comparable to private sector asset managers.

Key activities and achievements during this period have included the following:

- revising PIC's governance structure and regulatory oversight
- concluding comprehensive client mandates that set clear risk adjusted investment return targets and service levels
- achieving investment returns that meet or exceed agreed client benchmarks, which are unique and stipulated in each client's mandate
- establishing subsidiaries, Advent and the Pan African Infrastructure Development Fund (PAIDF), to focus on property investments in townships or rural areas and infrastructure development in Africa
- adopting the role as corporate governance champion and activist in relation to investments managed on behalf of the PIC's clients
- establishing an enterprise risk management capacity comprising the risk, compliance and internal audit divisions
- revising human resource policies and recruiting skilled professionals across the three business divisions (investments, risk and operations)
- implementing key IT infrastructure and systems, including an investment administration system and a performance and attribution system
- revising client fee scales to a level that can sustain PIC operations in the long term.

Strategic priorities over the MTEF period are to ensure the long term financial sustainability of PIC operations, retain key customers through investment performance and a high standard of client service, and achieve operational excellence and make a positive contribution to South Africa's economy, including corporate governance and shareholder activism.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of personnel	67	86	91	105	130	155	175
Number of clients	40	40	40	40	41	43	43
Total value of PIC assets under management	R461.5m	R599.5m	R719.8m	-	-	-	-

Expenditure estimates

Table 7.15 Public Investment Corporation Limited

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	65 291	71 798	121 300	192 888	177 862	187 404	187 404
Sale of goods and services other than capital assets <i>of which:</i>	59 031	66 391	111 629	157 895	167 368	177 411	177 411
<i>Sales by market establishments</i>	59 031	66 391	111 629	157 895	167 368	177 411	177 411
Other non-tax revenue	6 260	5 407	9 671	34 993	10 493	9 993	9 993
Total revenue	65 291	71 798	121 300	192 888	177 862	187 404	187 404
Expenses							
Current expense	58 628	78 831	102 420	154 518	163 801	173 919	173 017
Compensation of employees	26 837	38 613	51 649	79 388	99 375	108 890	108 890
Goods and services	28 310	33 851	41 504	64 393	51 955	56 869	56 869
Depreciation	3 435	6 253	9 112	10 723	12 456	8 145	7 243
Interest, dividends and rent on land	46	114	155	15	15	15	15
Total expenses	58 628	78 831	104 861	165 645	167 879	177 830	176 927
Surplus / (Deficit)	6 663	(7 033)	16 439	27 243	9 983	9 574	10 477
Acquisition of assets	12 072	10 497	5 049	25 918	122 822	2 000	2 000

Expenditure trends

Assets managed by the Public Investment Corporation grew from R599.5 billion in 2005/06 to R719.8 billion in 2006/07. Total returns on investment for 2006/07 were 18.7 per cent compared to 27.6 per cent in 2005/06. The Isibaya Fund, which facilitates and funds BEE and infrastructure development transactions, achieved a return of 36 per cent in 2006/07 against the previous year's 26 per cent.

Accounting Standards Board

The Accounting Standards Board (ASB), established in 2002 in accordance with the PFMA, is responsible for setting the accounting standards of generally recognised accounting practice (GRAP) in government. The ASB sets standards and guidelines for financial statements as required by section 216(a) of the Constitution.

To date, the ASB has issued 20 GRAP standards, a preface to the GRAP standards, and a framework for preparing and presenting financial statements. These standards are ready for implementation by entities in the public sector that use accrual accounting, and implementation by public entities and local government is anticipated. The ASB has also issued documents on the following issues for comment: heritage assets, PPP agreements and transfer of functions.

Over the short term, the board aims to complete the development of a core set of GRAP standards that would be available for implementation by all spheres of government. This is in line with the movement towards accrual accounting. A core set of standards will enable a co-ordinated approach to GRAP implementation and training and contribute to transparency and accountability.

Over the medium term, the board will concentrate on maintaining the core set of standards and focus on public sector specific issues by contributing to the development of international public sector standards that meet the needs of public sector financial reporting.

Selected performance indicator

Indicator	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of documents completed relevant to setting GRAP standards	17	12	16	12	12	12	12

Expenditure trends

The transfer to the ASB increased from R3.6 million in 2004/05 to R6.2 million in 2007/08, at an average annual rate of 20.1 per cent. The transfer will stabilise over the MTEF period to reach R6.3 million in 2010/11, increasing at an average annual rate of 0.5 per cent.

South African Special Risk Insurance Association

The South African Special Risk Insurance Association (SASRIA) was established in 1979 and was registered in terms of section 21 of the Companies Act (1973), but in 1998 the conversion of the SASRIA Act (1998) made government the sole shareholder. The goal of SASRIA is to create an environment for positive growth and change, even in the face of special risks.

In 2005/06, SASRIA changed its financial year end from December to March in line with government. This led to reporting over a 15-month period. SASRIA also aligned its financial statements with the international financial reporting standards (IFRS) from 2005/06, including comparative information for 2004/05.

SASRIA's short term objectives include improving its current book of business, researching and developing new products, and increasing awareness of the SASRIA brand.

Selected performance indicators

Indicators	Annual performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Gross insurance premiums written	R375.2m	R513m	R487.8m	R537.5m	R591.3m	R650.4m	R715.4m
Quota share reinsurance bought	50%	40%	40%	30%	30%	20%	20%
Number of employees	27	24	26	28	29	30	32
Investment in social responsibility programmes targeted at education	R2.3m	R2.9m	R2.9m	R3m	R3.2m	R3.5m	R3.8m

Expenditure estimates**Table 7.16 SA Special Risk Insurance Association (SASRIA)**

R thousand	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue							
Non-tax revenue	415 881	539 282	527 274	593 540	652 894	718 183	790 002
Sale of goods and services other than capital assets	391 362	617 922	528 384	593 540	652 894	718 183	790 002
of which:							
Premium income	391 362	617 922	528 384	593 540	652 894	718 183	790 002
Other non-tax revenue	24 519	(78 640)	(1 110)	-	-	-	-
Total revenue	415 881	539 282	527 274	593 540	652 894	718 183	790 002

Table 7.16 SA Special Risk Insurance Association (SASRIA) (continued)

	Audited outcome			Estimated outcome	Medium-term estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Expenses							
Current expense	105 080	128 759	126 941	118 104	129 897	142 867	157 135
Compensation of employees	27 683	23 794	31 314	11 967	13 164	14 480	15 928
Goods and services	77 078	104 119	92 956	103 677	114 045	125 449	137 994
Depreciation	319	846	2 671	2 460	2 688	2 938	3 213
Transfers and subsidies	362	707	83	91	100	110	122
Total expenses	125 292	242 135	236 640	245 908	270 482	297 512	327 246
Surplus / (Deficit)	290 589	297 147	290 634	347 632	382 412	420 671	462 756
Balance sheet data							
Carrying value of assets	5 804	13 678	13 113	42 797	42 467	42 274	41 915
<i>of which: Acquisition of assets</i>	2 712	8 755	2 106	32 144	2 358	2 760	2 854
Investments	310 081	481 322	612 041	675 158	1 178 526	1 940 327	2 667 939
Loans	115 183	153 528	101 782	–	–	–	–
Receivables and prepayments	85 428	76 757	104 270	198 285	222 723	249 434	239 523
Cash and cash equivalents	1 193 539	1 446 603	1 552 129	1 875 808	1 558 032	1 115 809	612 765
Total assets	1 710 035	2 171 888	2 383 335	2 792 048	3 001 748	3 347 844	3 562 142
Capital and reserves	1 461 948	1 759 095	2 049 729	2 254 702	2 480 172	2 728 189	3 000 000
Trade and other payables	166 480	246 750	210 923	366 967	403 663	444 030	450 000
Provisions	81 607	166 043	122 683	170 379	117 913	175 625	112 142
Total equity and liabilities	1 710 035	2 171 888	2 383 335	2 792 048	3 001 748	3 347 844	3 562 142

Expenditure trends

SASRIA gets its revenue from insurance premiums. Between 2004/05 and 2006/07, SASRIA increased its insurance premium income from R391.4 million in 2004/05 to R593.5 million in 2007/08 at an average annual rate of 14.9 per cent. This led to a surplus of R290.6 million in 2004/05 that increased to R347.6 million in 2007/08, at an average annual rate of 6.2 per cent. The surplus is expected to increase from there to R462.8 million in 2010/11, at an average annual rate of 10 per cent.

Independent Regulatory Board for Auditors

The Independent Regulatory Board for Auditors (IRBA) was established in terms of section 3 of the Auditing Profession Act (2005), and came into effect in April 2006. The goal of the IRBA is to protect the public that relies on the services of registered auditors and to support registered auditors. The board has strategic influence in the financial services regulatory environment.

In 2005/06 and 2006/07, the IRBA focused on creating and implementing the legislated, regulated and operational structures, frameworks, policy and procedures of the act.

The objectives of the IRBA over the medium term are to develop and maintain auditing and ethical standards that are internationally comparable, provide an appropriate framework for the education and training of properly qualified auditors, inspect and review the work of registered auditors, and investigate and take appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct.

Selected performance indicators

Indicators	Annual performance				
	Past	Current	Projected		
	2006/07	2007/08	2008/09	2009/10	2010/11
Annual re-registration of registered auditors	4 419	4 345	4 260	4 170	4 085
Number of new registrations	390	300	500	500	500
Number of disciplinary case files opened	149	149	149	140	135
Number of disciplinary case files disposed of	145	145	145	135	130

Expenditure trends

Transfers to the IRBA started in 2006/07 and have increased from R10.8 million in 2006/07 to R17.1 million in 2007/08. The IRBA's transfer will increase to reach R22.8 million in 2010/11 at an average annual rate of 10 per cent.

Co-operative Banks for Development Agency

The Co-operative Banks for Development Agency (CBDA) was established in terms of the Co-operative Banks Act (2007) and is expected to operate from April 2008.

The objectives of the CBDA are to provide for the registration, as co-operative banks, of deposit-taking financial services co-operatives, savings and credit co-operatives, community banks and village banks, and the regulation and supervision of these banks. The CBDA will also facilitate, promote and fund the education and training of co-operative banks.

The CBDA will start receiving transfers from the National Treasury in 2008/09: R2.5 million in 2008/09, R2.6 million in 2009/10 and R2.7 million in 2010/11.

Selected performance indicators

Indicators	Annual performance		
	Projected		
	2008/09	2009/10	2010/11
Number of co-operative banks registered and regulated	15	35	50
Number of co-operative banks participating in training programmes	15	35	50
Number of financial services co-operatives registered and regulated	25	35	45
Number of financial services co-operatives participating in training programmes	25	35	45
Number of representative bodies registered and regulated	3	5	7
Number of support organisations accredited and regulated	3	7	10

Additional tables

Table 7.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2006/07		2006/07	2007/08			2007/08
1. Administration	135 362	173 392	161 639	143 732	75 251	218 983	210 405
2. Public Finance and Budget Management	163 185	240 537	138 532	172 407	51 283	223 690	217 351
3. Asset and Liability Management	45 474	59 155	41 272	57 739	18 214	75 953	72 105
4. Financial Management and Systems	559 798	363 314	196 378	722 237	(353 527)	368 710	249 110
5. Financial Accounting and Reporting	86 684	75 644	65 785	82 076	12 020	94 096	97 994
6. Economic Policy and International Financial Relations	83 471	5 677 155	68 938	86 663	30 495	117 158	103 837
7. Provincial and Local Government Transfers	4 663 369	2 189 085	5 443 748	7 159 275	225 000	7 384 275	7 265 875
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 217 532	7 951 299	2 048 703	2 338 308	(100 000)	2 238 308	2 178 308
9. Fiscal Transfers	7 671 785	–	8 006 023	8 945 741	81 453	9 027 194	8 914 694
Subtotal	15 626 660	16 729 581	16 171 018	19 708 178	40 189	19 748 367	19 309 679
Direct charge against the National Revenue Fund	202 801 930	203 341 010	202 945 089	224 187 393	1 611 108	225 798 501	225 690 501
Provinces Equitable Share	150 752 930	150 752 930	150 752 930	171 271 393	1 590 108	172 861 501	172 861 501
State Debt Costs	52 049 000	52 588 080	52 192 159	52 916 000	21 000	52 937 000	52 829 000
Total	218 428 590	220 070 591	219 116 107	243 895 571	1 651 297	245 546 868	245 000 180

Economic classification

	53 168 774	53 484 957	52 844 919	54 134 375	(173 964)	53 960 411	53 646 959
Current payments							
Compensation of employees	372 047	256 213	230 897	317 730	(23 411)	294 319	215 058
Goods and services	747 727	640 664	415 549	900 645	(171 553)	729 092	602 901
Interest and rent on land	52 049 000	52 588 080	52 192 159	52 916 000	21 000	52 937 000	52 829 000
Financial transactions in assets and liabilities	–	–	6 314	–	–	–	–
Transfers and subsidies	165 247 265	166 565 359	166 259 794	189 749 306	1 806 456	191 555 762	191 324 862
Provinces and municipalities	155 419 756	156 380 301	156 146 883	178 180 668	2001 308	180 181 976	180 178 976
Departmental agencies and accounts	7 198 282	7 237 744	7 203 082	8 452 519	(177 380)	8 275 139	8 159 739
Universities and technikons	5 000	5 000	3 500	5 000	–	5 000	5 000
Public corporations and private enterprises	500	258 832	312 238	278 620	47	278 667	166 167
Foreign governments and international organisations	502 382	544 501	576 614	512 646	81 453	594 099	594 099
Non-profit institutions	62	62	–	65	–	65	65
Households	2 121 283	2 138 919	2 017 477	2 319 788	(98 972)	2 220 816	2 220 816
Payments for capital assets	12 551	20 275	11 394	11 890	18 805	30 695	28 359
Machinery and equipment	12 196	15 906	11 394	11 209	17 348	28 557	26 642
Software and intangible assets	355	4 369	–	681	1 457	2 138	1 717
Total	218 428 590	220 070 591	219 116 107	243 895 571	1 651 297	245 546 868	245 000 180

Table 7.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
A. Permanent and full-time contract employees							
Compensation (R thousand)	160 635	196 335	226 568	286 101	318 178	332 596	349 227
Unit cost (R thousand)	245	277	310	366	368	385	404
Personnel numbers (head count)	655	710	732	782	864	864	864
C. Interns							
Compensation of interns	1 680	3 100	4 329	8 218	8 629	9 060	9 513
Unit cost (R thousand)	60	62	79	19	19	20	21
Number of interns	28	50	55	435	450	450	450
Total for department							
Compensation (R thousand)	162 315	199 435	230 897	294 319	326 807	341 656	358 740
Unit cost (R thousand)	238	262	293	242	249	260	273
Personnel numbers (head count)	683	760	787	1 217	1 314	1 314	1 314

Table 7.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Compensation of employees (R thousand)	162 315	199 435	230 897	294 319	326 807	341 656	358 740
Training expenditure (R thousand)	4 812	16 535	9 328	16 104	19 616	19 982	20 249
Training as percentage of compensation	3%	8%	4%	5%	6%	6%	6%
Total number trained in department (head count)	311	362	884	993			
<i>of which:</i>							
Employees receiving bursaries (head count)	48	60	74	70			
Internships trained (head count)	28	50	55	435			
Households receiving bursaries (R thousand)	–	–	400	600	800	1 000	1 030
Households receiving bursaries (head count)	–	–	18	20			

Table 7.D Summary of conditional grants to provinces and municipalities¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Conditional grants to provinces							
7. Provincial and Local Government Transfers							
Infrastructure grant to provinces	3 348 362	2 984 113	4 983 498	6 164 025	7 246 707	8 796 707	10 080 467
Transitional grant: North West	–	–	–	250 000	–	–	–
Total	3 348 362	2 984 113	4 983 498	6 414 025	7 246 707	8 796 707	10 080 467
Conditional grants to municipalities							
7. Provincial and Local Government Transfers							
Local government restructuring grant	387 900	255 000	265 000	530 000	–	–	–
Financial management grant - municipalities	129 000	132 500	145 250	145 250	180 000	299 990	364 589
Neighbourhood development partnership grant	–	–	–	231 200	407 015	700 000	1 000 000
Total	516 900	387 500	410 250	906 450	587 015	999 990	1 364 589

1. Detail provided in the Division of Revenue Act (2008).

Table 7.E Summary of expenditure on infrastructure

Description	Service delivery outputs			Adjusted appropriation	Medium-term expenditure estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Infrastructure transfers to other spheres, agencies and departments							
Infrastructure grant to provinces	3 348 362	2 984 113	4 983 498	6 414 025	7 246 707	8 796 707	10 080 467
Neighbourhood development partnership grant	–	–	50 000	295 000	530 000	870 000	1 049 000
Maintenance on infrastructure							
Refurbishment of 240 Vermeulen Street	6 337	12 904	2 248	3 000	–	–	–
Refurbishment of 40 Church Square	–	5 628	–	–	–	–	–
Refurbishment of SITA Centurion	–	15 000	–	–	–	–	–
Refurbishment of 120 Plein Street	–	–	–	6 785	–	–	–
Total	3 354 699	3 017 645	5 035 746	6 718 810	7 776 707	9 666 707	11 129 467

