

Estimates of Public Expenditure

2009

National Treasury

**National Treasury
Republic of South Africa**



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The *Estimates of Public Expenditure 2009* booklet for each vote is compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision. In certain instances, factual or numerical errors or inaccuracies published in the main Estimates of National Expenditure 2009 have been corrected in this version. In this version, more comprehensive coverage of transfers, public entities and lower level institutional information is provided where applicable. The “information contained in each chapter” section of the main Estimates of National Expenditure 2009 provides details on the content and structure of the discussion on each vote.

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Vote 7

National Treasury

Budget summary

R thousand	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	188 769	181 257	1 304	6 208	199 960	211 782
Public Finance and Budget Management	208 482	199 663	7 407	1 412	210 226	217 449
Asset and Liability Management	64 405	63 653	–	752	67 344	69 126
Financial Management and Systems	611 704	610 942	–	762	643 985	669 297
Financial Accounting and Reporting	123 374	73 989	48 600	785	136 775	144 284
Economic Policy and International Financial Relations	87 631	81 922	5 000	709	94 545	99 332
Provincial and Local Government Transfers	14 410 631	–	14 410 631	–	12 433 250	14 415 271
Civil and Military Pensions, Contributions to Funds and Other Benefits	4 920 302	34 220	4 886 082	–	2 398 568	2 542 482
Fiscal Transfers	41 060 932	–	41 060 932	–	32 410 492	13 218 832
Total	61 676 230	1 245 646	60 419 956	10 628	48 595 145	31 587 855
Direct charge against the National Revenue Fund						
Provinces equitable share	231 050 881	–	231 050 881	–	253 670 492	272 934 054
State debt costs	55 268 000	55 268 000	–	–	60 140 000	66 826 000
General fuel levy sharing with metros	6 800 104	–	6 800 104	–	7 542 361	8 531 130
Total expenditure estimates	354 795 215	56 513 646	298 270 941	10 628	369 947 998	379 879 039
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

Programme 1: Administration

Purpose: Provide strategic leadership and support services. Manage 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.

Programme 3: Asset and Liability Management

Purpose: Manage government's financial assets and liabilities.

Programme 4: Financial Management and Systems

Purpose: Manage and regulate government's supply chain processes. Ensure standardised financial systems.

Programme 5: Financial Accounting and Reporting

Purpose: Promote and enforce transparency and effective management of revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, to facilitate accountability and governance.

Programme 6: Economic Policy and International Financial Relations

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

Programme 7: Provincial and Local Government Transfers

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

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.

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.

Strategic overview: 2005/06 – 2011/12

The Public Finance Management Act (1999) outlines the functions for which National Treasury is responsible. These are mainly: promoting government's fiscal policy framework, coordinating intergovernmental financial and fiscal relations, managing the budget process, overseeing the implementation of annual budgets, and monitoring the implementation of provincial budgets.

Over the MTEF period, National Treasury will seek to maintain macroeconomic stability, while promoting sustainable economic growth and job creation. National Treasury will embark on a number of socioeconomic, fiscal and financial management reforms, while managing government assets and liabilities and improving budget processes and international financial relations.

Fiscal reform, public finances and budget management

In the context of a marked deterioration in the global economic outlook and the associated slowdown in the South African economy, government's fiscal policy stance and budget plans have been revised considerably since the 2008 Budget. Longer term growth and development remain central to the policy stance, but fiscal and financial support measures aimed at sustaining investment, economic activity and employment in the face of adverse market trends will be required over the short to medium term.

Following a period of rapid economic growth and a moderate budget surplus, the fiscal position is expected to move into deficit in the period ahead. Supporting the investment plans of state owned enterprises, realigning the role of development finance institutions and targeted tax and spending adjustments will contribute to mitigating the effects of the global slowdown.

The Treasury's work on longer term expenditure monitoring, review of programmes and capital projects and support for improved financial management of programmes and government agencies is particularly important in the current circumstances. The Treasury's work will continue to focus on value for money and improved

efficiency in public service delivery, as well as accelerating programmes that have proved to be effective in contributing to transformation and broadening development. Programmes and projects that will come under the spotlight in the period ahead include:

- the expanded public works programme, which will be supported through a new incentive based funding arrangement in the 2009 Budget
- the financing requirements of the 2010 FIFA World Cup, including completing stadiums and meeting other infrastructure and logistical commitments on time
- health, education and other departmental budgets that need to be adjusted to the phasing in of new public service remuneration arrangements and associated initiatives to address management and service quality challenges
- social security and social insurance reforms, including unemployment benefits, health insurance and contributory retirement savings arrangements, which need to be implemented
- the criminal justice system, which needs to be modernised and renewed, including improved court processes and detection capacity and forensic support services
- planning and project assessment in the energy, transport, communications and other infrastructure sectors, which needs to be improved.

Intergovernmental fiscal relations

Intergovernmental fiscal relations are an important component in the intergovernmental system. With the legal and policy frameworks now in place, the focus can shift to cooperation between the relevant spheres of government, especially in the areas of capacity building and improved service delivery.

Siyenza Manje, the capacity building and support programme being implemented in municipalities since 2007/08, is being undertaken by the Development Bank of Southern Africa. The project aims to build capacity and sustainability in distressed municipalities. National Treasury co-funds the rollout while the Development Bank of Southern Africa employs the necessary expertise. Additional funds have been allocated to this important initiative to speed up the hiring of experts and young professionals with academic qualifications and expertise in the areas where there are skills shortages in the local government sphere.

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. Government's debt management policies will continue to support the broader macroeconomic objectives and borrowing by state owned enterprises. Increasing the operational efficiency of public entities through financial oversight remains a focus area.

Financial and regulatory management 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. A regulatory impact assessment function has been designed and is being implemented in conjunction with the Presidency to enable better Cabinet oversight of regulations and laws.

Implementation of the integrated financial management system is progressing and the procurement module and asset management modules will be tested in lead departments in 2009/10.

While there has been an improvement in the audit reports of many public entities, there are still serious challenges in financial management and governance. The rolling out of the financial management capability model by the office of the accountant-general is aimed at providing an accurate indicator of the weaknesses; and the extent of the need for support and capacity building. This will help focus support on where it is most needed.

The infrastructure delivery implementation programme

The infrastructure delivery implementation programme has brought about significant improvement in the management of infrastructure through improvements in the planning and project management practices guided

by the toolkit. The programme was initially implemented in the provincial departments of education and public works from 2006/07, after a pilot programme was carried out in the Department of Education in 2004.

Organisational environment

National Treasury's organisational environment and strategic direction are supported by four internal strategic priorities: improving coordination and communication; matching resources to workloads; developing human resource strategies to address attraction and retention challenges; and developing management skills.

The attraction and retention of skills continues to be a challenge. Improving the already successful internship programme will continue to add to the talent pool, especially in the scarce skills area. Another programme that provides a way for prospective chartered accountants to receive training is the training outside of public practice programme, and its success to date suggests that there is potential for more collaboration between National Treasury, the South African Institute of Chartered Accountants and the local government metropolitan municipalities to expand the programme to a wider public sector base. The proposed expansion should attract more trainees to the public sector.

Key policy developments

Improving accountability

National Treasury continually stresses the importance of publishing regular and reliable financial and non-financial information about government functions and activities, focusing on improved accountability to both Parliament and the public to make planning and budgeting more effective. In support of this principle, in 2009/10, it will continue its efforts at aligning the allocation of resources with expected outputs from departments in line with its focus on improved performance information and better formulated programme objectives.

Review of the Division of Revenue Bill

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 and the preparation of new budget formats for implementation in all municipalities over the medium term remains a priority.

Monitoring the implementation of the Public Finance Management Act

The Public Finance Management Act (1999) is now in its ninth year of implementation, and to date, institutions have made significant progress with its implementation. Yet there are areas of financial management that still require improvement. National Treasury is thus aiming to determine the level of financial maturity that departments have reached since the beginning of the implementation of the act. It has commissioned the development of a data bank of questions against which departments will be evaluated. The questions will be linked to a financial management capability maturity model, which will give a good indication of how financially mature a department is.

Improving financial oversight of state owned enterprises

State owned enterprises are important for lowering the cost of doing business in South Africa and promoting economic growth and development. They continue to invest in financial resources and key infrastructure projects that are intended to attract higher levels of sustainable investment. Their operational efficiency can be improved by better financial oversight. Financial modelling, including setting realistic capital structure and dividend payment targets, as well as assessing funding alternatives, should improve future financial performance and sustainability. The assessment of their treasury operations will encourage greater adherence to best practice in treasury management.

Selected performance and operations indicators

Table 7.1 National Treasury

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Value of government gross annual borrowing	Asset and Liability Management	R31.4bn	R34.8bn	R16.1bn	R46.2bn	R109.2bn	R94.9bn	R87.5bn
Cost to service debt as percentage of GDP	Asset and Liability Management	3.2%	2.9%	2.6%	2.4%	2.2%	2.2%	2.3%
Net loan debt as a percentage of GDP	Asset and Liability Management	29.6%	26.4%	23.4%	22.6%	25.6%	27.1%	27.4%
Number of training courses presented on implementation of financial management reforms per year	Financial Accounting and Reporting	282	81	217	300	300	300	300
Number of individuals trained each year to assist with implementation of financial management reforms	Financial Accounting and Reporting	6 688	2 084	4 204	6 000	6 000	6 000	6 000
Percentage of identified transversal contracts with strategic sourcing principles introduced	Financial Accounting and Reporting	54.3% 32	72% 42	80% 47	85% 35	100% 20	100% 37	100% (59 contracts)
Number of beneficiaries receiving special pension payments	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 059	6 112	6 234	6 359	6 486	6 616	7 200
Number of beneficiaries receiving post-retirement medical benefits	Civil and Military Pensions, Contributions to Funds and Other Benefits	69 007	67 141	68 417	69 767	71 117	72 467	72 467
Number of contributions to medical aid schemes paid on behalf of members	Civil and Military Pensions, Contributions to Funds and Other Benefits	72 799	72 799	67 780	71 169	74 627	76 119	79 500
Number of military pension benefits paid to beneficiaries	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 885	6 885	4 630	6 468	7 024	7 054	7 054
Number of technical assistants assigned to each province each year to assist in building infrastructure delivery capacity through the infrastructure delivery improvement programme	Public Finance and Budget Management	23	23	30	34	34	13	0
Number of municipalities receiving hands-on support from the financial management grant each year	Provincial and Local Government Transfers	35	41	44	283	283	283	283
Total number of neighbourhood development partnership grant projects granted award status	Provincial and Local Government Transfers	–	33	72	80	90	96	100
Total number of neighbourhood development partnership grant projects under construction	Provincial and Local Government Transfers	–	–	4	7	15	40	50
Real growth in consolidated national and provincial public spending (excluding interest costs)	Public Finance and Budget Management	11.4%	10.2%	10.9%	11.5%	4.3%	1.5%	1.6%
General government savings as a percentage of GDP	Public Finance and Budget Management	(0.6%)	0.9%	1.7%	–	–	–	–

Expenditure estimates

Table 7.2 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R thousand								
1. Administration	142 953	161 639	177 602	199 401	196 083	188 769	199 960	211 782
2. Public Finance and Budget Management	121 149	138 532	211 997	227 119	231 965	208 482	210 226	217 449
3. Asset and Liability Management	30 162	41 272	57 827	69 343	67 513	64 405	67 344	69 126
4. Financial Management and Systems	225 856	190 772	261 447	300 098	261 672	611 704	643 985	669 297
5. Financial Accounting and Reporting	61 295	71 391	105 249	212 159	208 464	123 374	136 775	144 284
6. Economic Policy and International Financial Relations	52 812	68 938	93 194	93 802	91 049	87 631	94 545	99 332
7. Provincial and Local Government Transfers	3 371 613	5 443 748	6 992 736	7 938 027	7 651 718	14 410 631	12 433 250	14 415 271
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 010 874	2 048 703	2 176 826	2 313 688	2 295 966	4 920 302	2 398 568	2 542 482
9. Fiscal Transfers	7 084 013	8 006 023	8 889 290	20 070 527	20 070 527	41 060 932	32 410 492	13 218 832
Subtotal	13 100 727	16 171 018	18 966 168	31 424 164	31 074 957	61 676 230	48 595 145	31 587 855
Direct charge against the National Revenue Fund	186 203 631	202 945 089	225 738 562	257 935 924	258 290 924	293 118 985	321 352 853	348 291 184
Provinces equitable share	135 291 632	150 752 930	172 861 501	204 009 924	204 009 924	231 050 881	253 670 492	272 934 054
State debt costs	50 911 999	52 192 159	52 877 061	53 926 000	54 281 000	55 268 000	60 140 000	66 826 000
General fuel levy sharing with metros	–	–	–	–	–	6 800 104	7 542 361	8 531 130
Total	199 304 358	219 116 107	244 704 730	289 360 088	289 365 881	354 795 215	369 947 998	379 879 039
Change to 2008 Budget estimate				17 428 919	17 434 712	53 868 193	45 587 481	36 148 525
Economic classification								
Current payments	51 522 785	52 844 919	53 742 831	54 886 944	55 196 768	56 513 646	61 447 712	68 190 125
Compensation of employees	199 435	230 897	272 740	314 346	318 283	334 221	368 802	395 073
Goods and services	403 316	415 549	588 296	646 598	597 485	911 425	938 910	969 052
<i>of which:</i>								
Administrative fees	6 911	7 621	9 744	10 157	10 157	7 586	7 440	7 011
Advertising	3 598	3 543	3 268	3 723	3 723	3 806	4 124	3 474
Assets less than R5 000	7 070	3 405	1 542	1 932	1 932	1 845	1 727	1 855
Audit costs: External	6 358	9 467	9 453	6 077	6 077	11 041	12 900	13 470
Bursaries: Employees	949	777	1 202	2 416	2 416	2 879	3 100	3 247
Catering: Departmental activities	20	2 130	2 557	2 919	2 919	3 270	2 733	3 448
Communication	8 013	5 635	6 164	6 503	6 503	6 589	7 070	7 527
Computer services	195 793	167 951	245 108	280 388	241 962	585 527	614 695	635 759
Consultants and professional services: Business and advisory services	77 448	112 081	176 527	162 502	153 915	115 377	130 782	129 919
Consultants and professional services: Legal costs	3 375	11 049	11 521	7 298	7 298	10 267	10 913	11 378
Contractors	3 129	2 824	1 473	8 249	8 249	4 152	3 328	2 290
Agency and support / outsourced services	69	–	–	12 089	12 089	6 769	7 397	7 271
Entertainment	1 959	247	310	592	592	517	536	555
Inventory: Food and food supplies	345	354	532	371	371	420	440	460
Inventory: Fuel, oil and gas	107	146	195	173	173	208	228	252
Inventory: Materials and supplies	2 178	764	1 126	263	263	22	24	26
Inventory: Other consumables	786	747	868	3 224	3 224	1 554	1 642	1 738
Inventory: Stationery and printing	12 306	12 718	12 810	13 433	13 433	14 620	15 540	16 302
Lease payments	1 687	18 304	25 614	21 104	21 104	22 408	23 593	25 267
Owned and leasehold property expenditure	21 672	–	4 313	17 667	17 667	12 047	12 556	13 363
Travel and subsistence	23 021	26 401	38 704	42 037	41 737	38 776	42 074	43 464
Training and development	16 535	9 327	12 321	16 835	15 035	33 573	20 905	23 630
Operating expenditure	2 617	9 526	5 361	6 891	6 891	4 213	4 387	4 608
Venues and facilities	7 370	10 532	17 583	19 755	19 755	23 959	10 776	12 738
Interest and rent on land	50 911 999	52 192 159	52 877 061	53 926 000	54 281 000	55 268 000	60 140 000	66 826 000
Financial transactions in assets and liabilities	8 035	6 314	4 734	–	–	–	–	–

Table 7.2 National Treasury (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Economic classification								
Transfers and subsidies	147 764 040	166 259 794	190 948 861	234 463 024	234 158 993	298 270 941	308 487 794	311 676 919
Provinces and municipalities	138 663 854	156 146 883	179 854 237	211 862 930	211 654 420	252 182 222	273 522 353	295 781 455
Departmental agencies and accounts	6 652 130	7 203 082	8 218 629	9 526 422	9 448 623	10 352 679	11 700 212	12 449 118
Universities and technikons	814	3 500	2 285	5 456	5 456	5 456	5 000	5 000
Public corporations and private enterprises	72 064	312 238	222 362	10 246 837	10 246 837	30 267 473	20 282 667	296 804
Foreign governments and international organisations	392 819	576 614	503 820	542 396	542 396	579 492	614 744	640 004
Non-profit institutions	58	–	127	68	68	71	75	80
Households	1 982 301	2 017 477	2 147 401	2 278 915	2 261 193	4 883 548	2 362 743	2 504 458
Payments for capital assets	17 533	11 394	13 038	10 120	10 120	10 628	12 492	11 995
Machinery and equipment	16 482	11 394	13 038	10 453	10 453	10 628	12 492	11 995
Software and other intangible assets	1 051	–	–	(333)	(333)	–	–	–
Total	199 304 358	219 116 107	244 704 730	289 360 088	289 365 881	354 795 215	369 947 998	379 879 039

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 and the Secret Services. Between 2005/06 and 2008/09, expenditure increased from R13.1 billion to R31.4 billion, at an average annual rate of 33.9 per cent, due to a R10 billion transfer to Eskom for the subordinated loan in 2008/09.

Expenditure is expected to increase at a much slower rate over the MTEF period, from R31.4 billion in 2008/09 to R31.6 billion in 2011/12 at an average annual rate of 0.2 per cent. This is mainly due to increases in transfers to the infrastructure grant to provinces, the Eskom subordinated loan, the South African Revenue Service and Secret Services, and the slower rate of growth due to the efficiency savings that have been implemented and a revision of the department's baseline. Increased spending on the operational budget over the medium term is mainly due to the implementation of the integrated financial management system, the rollout of training programmes in conjunction with the Public Administration Leadership and Management Academy (PALAMA), improving the infrastructure development improvement programme, and implementing the back office support system.

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 2009 Budget Review and the 2009 Division of Revenue Bill. The sharing of the general fuel levy for metropolitan municipalities, previously known as the Regional Services Council levy replacement grant, has been shifted to National Treasury from the Department of Provincial and Local Government from April 2009 and is included in the direct charges. There is also 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 Public Finance Management Act (1999).

Over the MTEF period, savings of R210.2 million, R262.1 million and R269.8 million have been identified. They will be made under goods and services and transfers to public entities.

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 decrease from R5.1 billion in 2008/09 to R4.4 billion in 2011/12, at an average annual rate of 4.9 per cent. Interest on exchequer investments is affected by domestic and international interest rates, exchange rates and the level of government's cash balances.

Table 7.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
Departmental receipts	2 520 026	4 355 125	5 095 776	5 084 709	5 623 300	4 898 454	4 503 352	4 399 142
Sales of goods and services produced by department	51 125	36 274	45 215	48 503	59 994	51 475	54 565	57 840
Sales of scrap, waste, arms and other used current goods	5	–	–	6	6	7	6	5
Fines, penalties and forfeits	–	–	–	–	–	835	885	938
Interest, dividends and rent on land	2 428 979	4 281 186	4 884 243	4 680 005	5 207 105	4 215 669	4 191 538	4 068 620
Sales of capital assets	–	309	–	169	169	–	–	–
Financial transactions in assets and liabilities	39 917	37 356	166 318	356 026	356 026	630 468	256 358	271 739
Extraordinary receipts	2 650 000	365 000	1 340 150	–	2 151 500	–	–	–
Foreign exchange amnesty proceeds	2 650 000	–	–	–	–	–	–	–
The Gold and Foreign Exchange Contingency Reserve Accounts	–	365 000	319 273	–	–	–	–	–
Special restructuring proceeds from SASRIA	–	–	–	–	2 150 000	–	–	–
Levy accounts from South African Reserve Bank	–	–	1 020 877	–	1 500	–	–	–
Total	5 170 026	4 720 125	6 435 926	5 084 709	7 774 800	4 898 454	4 503 352	4 399 142

Programme 1: Administration

Expenditure estimates

Table 7.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Minister ¹	833	883	952	1 612	1 709	1 811	1 913
Deputy Minister ¹	677	718	773	1 328	1 407	1 492	1 575
Management	21 143	35 038	43 661	36 516	41 966	44 369	45 703
Corporate Services	67 065	87 971	95 756	102 614	96 305	102 614	109 964
Property Management	53 235	37 029	36 460	57 331	47 382	49 674	52 627
Total	142 953	161 639	177 602	199 401	188 769	199 960	211 782
Change to 2008 Budget estimate				17 769	(7 955)	(4 905)	(4 014)

¹ From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

Economic classification

	131 100	156 670	167 452	194 665	181 257	190 325	202 671
Current payments							
Compensation of employees	42 171	51 960	61 073	66 041	63 716	72 778	80 988
Goods and services	88 702	102 084	106 250	128 624	117 541	117 547	121 683
<i>of which:</i>							
Administrative fees	2 900	3 023	3 440	4 315	2 662	2 703	2 288
Advertising	795	687	675	1 040	1 067	1 072	949
Assets less than R5 000	6 264	2 889	1 120	781	832	806	881
Audit costs: External	3 653	4 896	3 263	2 195	3 589	3 948	4 343
Bursaries: Employees	205	104	262	532	707	778	712
Catering: Departmental activities	–	597	696	724	953	1 006	1 060
Communication	5 993	3 781	3 778	3 694	4 258	4 602	4 943
Computer services	6 673	13 903	18 266	21 689	18 607	19 143	19 872
Consultants and professional services: Business and advisory services	17 021	22 020	19 587	19 410	10 493	6 310	6 199
Consultants and professional services: Legal costs	3 359	10 635	10 799	7 125	10 146	10 850	11 315
Contractors	1 858	1 160	1 339	7 200	3 553	2 052	1 576
Agency and support / outsourced services	–	–	–	716	6 088	6 530	6 606

Table 7.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	131 100	156 670	167 452	194 665	181 257	190 325	202 671
<i>Entertainment</i>	529	101	183	279	211	229	247
<i>Inventory: Food and food supplies</i>	345	354	511	370	420	440	460
<i>Inventory: Fuel, oil and gas</i>	106	146	195	173	208	228	252
<i>Inventory: Materials and supplies</i>	2 166	737	1 118	249	5	5	6
<i>Inventory: Other consumables</i>	759	740	867	2 453	1 542	1 628	1 726
<i>Inventory: Stationery and printing</i>	3 427	2 846	3 376	3 203	3 852	4 089	4 666
<i>Lease payments</i>	569	17 108	17 804	19 257	20 526	21 487	22 957
<i>Owned and leasehold property expenditure</i>	21 672	–	4 312	17 667	12 047	12 556	13 363
<i>Travel and subsistence</i>	6 518	6 694	9 880	10 725	11 527	12 259	12 074
<i>Training and development</i>	2 738	2 893	3 925	1 698	2 079	2 589	2 957
<i>Operating expenditure</i>	992	6 216	364	1 400	1 370	1 392	1 434
<i>Venues and facilities</i>	160	554	490	1 729	799	845	797
Financial transactions in assets and liabilities	227	2 626	129	–	–	–	–
Transfers and subsidies	318	836	2 703	1 053	1 304	1 353	1 414
Provinces and municipalities	130	43	–	–	–	–	–
Departmental agencies and accounts	164	206	243	225	238	251	266
Public corporations and private enterprises	24	23	65	28	66	72	78
Households	–	564	2 395	800	1 000	1 030	1 070
Payments for capital assets	11 535	4 133	7 447	3 683	6 208	8 282	7 697
Machinery and equipment	10 632	4 133	7 447	3 683	6 208	8 282	7 697
Software and other intangible assets	903	–	–	–	–	–	–
Total	142 953	161 639	177 602	199 401	188 769	199 960	211 782
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	130	43	–	–	–	–	–
Regional Services Council levies	130	43	–	–	–	–	–
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	164	206	243	225	238	251	266
Finance, Accounting, Management, Consulting and other Financial Services Sector Education and Training Authority	164	206	243	225	238	251	266
Public corporations and private enterprises							
Private enterprises							
Other transfers							
Current	24	23	65	28	66	72	78
Non life insurance premium	24	23	65	28	66	72	78
Households							
Social benefits							
Current	–	564	2 395	800	1 000	1 030	1 070
Bursaries	–	540	176	800	1 000	1 030	1 070
Severance packages	–	24	2 219	–	–	–	–

Expenditure trends

Expenditure between 2005/06 and 2008/09 increased from R143 million to R199.4 million at an average annual rate of 11.7 per cent, mainly due to the rollout of the integrated document management system, the maintenance of the PABX telephone system, recruitment drive initiatives, the implementation of the internal audit strategy, increased legal costs, and the centralisation of internship intakes.

Between 2008/09 and 2009/10, expenditure is expected to decrease by 5.3 per cent, reaching R188.8 million in 2009/10. This is because of the once-off cost for the maintenance of the PABX telephone system and the lower spending on the accommodation optimisation plan. Expenditure over the MTEF period will stabilise at an average annual rate of 2 per cent.

Programme 2: Public Finance and Budget Management

- *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, coordinates international technical assistance and donor finance, supports public private partnership projects, and compiles public finance statistics.
- *Intergovernmental Relations* coordinates 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.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

Objectives and measures

- Give effect to government's economic, fiscal, social and development goals by preparing annual Budget frameworks and medium term expenditure recommendations.
- Improve financial management by promoting sound planning, budgeting and project management, including by giving support to public finance reforms in provinces and municipalities through training and issuing guidelines.
- Promote public and private investment in infrastructure and public services by providing technical support for public private partnerships, advising on financing alternatives for municipal development, and providing financial assistance for neighbourhood development projects.
- Promote transparency and access to information on government budgeting and expenditure by publishing the Budget Review, the Estimates of National Expenditure, provincial and local government budget and expenditure reviews, the medium term budget policy statement and appropriation legislation, which contain 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 by analysing expenditure and performance information and compiling quarterly reports.
- Contribute to policy development, planning and improved financial management through advice and technical assistance to support public service delivery, infrastructure development and improved public administration.
- Support project management and sound financing arrangements for South Africa's hosting of the 2010 FIFA World Cup by continuously providing advice and ensuring appropriate funding of projects related to the event.

Service delivery and spending focus

Through the intergovernmental relations division, National Treasury has played a major role in compiling municipal and provincial budgets and quarterly reports, as required in terms of section 32 of the Public Finance Management Act (1999) and section 71 of the Municipal Finance Management Act (2003). The reports have assisted in building the oversight information base required for councillors and parliamentarians to play a more meaningful role with improved information at their disposal in monitoring performance.

Expenditure estimates

Table 7.5 Public Finance and Budget Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Public Finance	27 239	25 781	31 606	34 771	35 416	37 180	40 432
Budget Office	26 790	28 312	29 898	34 457	35 386	37 587	40 415
Intergovernmental Relations	42 447	26 187	30 436	37 292	38 163	40 845	42 885
Technical and Management Support	24 673	58 252	120 057	120 599	99 517	94 614	93 717
Total	121 149	138 532	211 997	227 119	208 482	210 226	217 449
Change to 2008 Budget estimate				31 238	2 612	1 724	1 097
Economic classification							
Current payments	113 155	129 687	204 637	201 936	199 663	202 010	209 339
Compensation of employees	64 986	71 927	89 738	102 728	108 120	114 166	122 259
Goods and services	48 161	57 750	114 891	99 208	91 543	87 844	87 080
<i>of which:</i>							
<i>Administrative fees</i>	2 046	2 149	2 469	2 408	1 178	1 490	1 515
<i>Advertising</i>	1 193	1 662	1 241	1 139	839	1 184	726
<i>Assets less than R5 000</i>	281	311	184	446	288	288	289
<i>Audit costs: External</i>	13	38	58	–	100	120	85
<i>Bursaries: Employees</i>	296	358	314	521	468	456	529
<i>Catering: Departmental activities</i>	–	756	1 035	1 194	1 204	584	1 214
<i>Communication</i>	418	492	600	603	615	667	700
<i>Computer services</i>	147	–	329	1 044	327	350	366
<i>Consultants and professional services: Business and advisory services</i>	28 018	33 525	90 736	64 376	39 041	61 656	57 708
<i>Consultants and professional services: Legal costs</i>	16	–	–	50	–	–	–
<i>Contractors</i>	157	71	38	128	126	138	156
<i>Agency and support / outsourced services</i>	–	–	–	6 115	259	417	182
<i>Entertainment</i>	889	72	48	145	148	148	148
<i>Inventory: Food and food supplies</i>	–	–	–	1	–	–	–
<i>Inventory: Materials and supplies</i>	1	2	2	1	–	–	–
<i>Inventory: Other consumables</i>	23	2	1	9	5	5	3
<i>Inventory: Stationery and printing</i>	5 985	6 982	5 848	6 181	6 465	6 911	6 980
<i>Lease payments</i>	333	469	581	599	733	838	937
<i>Travel and subsistence</i>	6 236	7 571	8 040	9 839	10 119	11 201	11 547
<i>Training and development</i>	1 072	1 271	1 739	1 911	14 905	664	2 119
<i>Operating expenditure</i>	341	819	661	648	312	285	304
<i>Venues and facilities</i>	696	1 200	967	1 850	14 411	442	1 572
Financial transactions in assets and liabilities	8	10	8	–	–	–	–

Table 7.5 Public Finance and Budget Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Transfers and subsidies	6 699	6 566	6 000	23 456	7 407	6 930	6 930
Provinces and municipalities	199	66	-	-	-	-	-
Departmental agencies and accounts	6 000	6 000	6 000	23 000	6 951	6 930	6 930
Universities and technikons	-	-	-	456	456	-	-
Public corporations and private enterprises	500	500	-	-	-	-	-
Payments for capital assets	1 295	2 279	1 360	1 727	1 412	1 286	1 180
Machinery and equipment	1 260	2 279	1 360	1 765	1 412	1 286	1 180
Software and other intangible assets	35	-	-	(38)	-	-	-
Total	121 149	138 532	211 997	227 119	208 482	210 226	217 449
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	199	66	-	-	-	-	-
Regional Services Council levies	199	66	-	-	-	-	-
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	6 000	6 000	6 000	23 000	6 951	6 930	6 930
Technical Assistance Unit Trading Entity	-	-	-	17 000	993	990	990
Project Development Facility Trading Account	6 000	6 000	6 000	6 000	5 958	5 940	5 940
Universities and technikons							
Current	-	-	-	456	456	-	-
University of Pretoria: International Public Finance Conference	-	-	-	456	456	-	-
Public corporations and private enterprises							
Private enterprises							
Other transfers							
Current	500	500	-	-	-	-	-
Centre for Development and Enterprises	500	500	-	-	-	-	-

Expenditure trends

Expenditure between 2005/06 and 2008/09 increased substantially at an average annual rate of 23.3 per cent, from R121.1 million to R227.1 million. This was mainly due to increases in professional and advisory capacity for technical assistance projects falling within the project management framework. The framework is financed through the technical assistance unit trading account created in 2008/09. Further increases in expenditure relate to the 2010 FIFA World Cup, as well as improving the implementation of the infrastructure delivery improvement programme.

Expenditure over the MTEF period will decrease at an average annual rate of 1.4 per cent from R227.1 million in 2008/09 to R217.5 million in 2011/12. This is reflected in the expected decrease in the advisory services budget as the infrastructure delivery improvement programme is being phased out.

Programme 3: Asset and Liability Management

- *Management* provides strategic guidance and direction to the overall programme, including managing the central budget.
- *Asset Management* promotes the optimal allocation and use of financial resources and sound corporate governance in state owned entities.
- *Liability Management* provides for government's funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital markets.
- *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 risk management framework.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

Objectives and measures

- Oversee state owned enterprises by reviewing corporate plans and annual reports.
- Finance government's gross borrowing requirements of R109.2 billion by March 2010 through borrowing money from the domestic and international markets.
- Improve the affordability of government debt by reducing the net loan debt and the cost to service debt to 25.6 per cent and 2.2 per cent of GDP by March 2010.
- Ensure that government's liquidity requirements are met consistently through sound forecasting of R2 trillion of cash flows by March 2010.
- Enable government to control financial risks and attract investment by reviewing credit, debt, country ratings and contingent liability risk benchmarks and ensuring adherence to these standards by March 2010.

Service delivery and spending focus

Initiatives such as diversifying debt instruments and improving liquidity by creating benchmark bonds, have enabled government to develop the domestic market and finance its borrowing requirement, despite the global financial market turmoil. In 2008/09, a successful bond switch programme was introduced in which R57.8 billion of short term bonds were switched to long term bonds, thus reducing refinancing risk. The programme was active in 2008/09 and may continue into 2009/10.

The department introduced a new sales channel to promote the accessibility of retail bonds, which can now be purchased at Pick n Pay retail outlets.

The department submitted the review report of development finance institutions and a financial review on the Pebble Bed Modular Reactor project to Cabinet.

Expenditure estimates

Table 7.6 Asset and Liability Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Management	3 961	11 293	16 503	29 549	19 099	19 787	18 829
Asset Management	6 017	8 644	16 128	12 306	15 329	16 090	16 817
Liability Management	7 947	9 081	9 171	10 874	12 313	12 922	13 494
Financial Operations	7 172	7 873	11 269	10 596	11 282	11 840	12 356
Strategy and Risk Management	5 065	4 381	4 756	6 018	6 382	6 705	7 630
Total	30 162	41 272	57 827	69 343	64 405	67 344	69 126
Change to 2008 Budget estimate				7 984	3 005	6 556	4 880

Table 7.6 Asset and Liability Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	29 255	40 544	55 329	68 630	63 653	66 555	68 301
Compensation of employees	21 865	26 025	30 054	35 084	41 333	45 378	48 026
Goods and services	7 389	14 518	25 275	33 546	22 320	21 177	20 275
<i>of which:</i>							
Administrative fees	156	291	515	537	960	1 006	1 052
Advertising	414	643	379	397	573	598	623
Assets less than R5 000	136	32	29	393	64	70	72
Audit costs: External	394	421	418	495	522	548	572
Bursaries: Employees	85	57	291	330	634	663	694
Catering: Departmental activities	–	135	129	205	205	205	205
Communication	272	282	305	426	518	543	567
Computer services	1 827	2 314	4 070	5 371	2 991	4 804	3 087
Consultants and professional services: Business and advisory services	536	6 233	14 980	20 458	8 741	5 274	5 604
Consultants and professional services: Legal costs	–	296	–	27	–	–	–
Contractors	32	39	23	170	93	100	102
Entertainment	191	24	22	30	30	30	30
Inventory: Materials and supplies	8	2	4	12	11	12	12
Inventory: Other consumables	–	–	–	1	1	1	1
Inventory: Stationery and printing	307	544	493	571	867	910	950
Lease payments	106	83	83	141	158	163	173
Travel and subsistence	1 650	1 453	1 963	2 766	3 508	3 682	3 847
Training and development	621	503	452	555	894	938	983
Operating expenditure	380	641	736	518	872	916	957
Venues and facilities	274	525	383	143	678	714	744
Financial transactions in assets and liabilities	1	1	–	–	–	–	–
Transfers and subsidies	66	24	–	–	–	–	–
Provinces and municipalities	66	24	–	–	–	–	–
Payments for capital assets	841	704	2 498	713	752	789	825
Machinery and equipment	826	704	2 498	713	752	789	825
Software and other intangible assets	15	–	–	–	–	–	–
Total	30 162	41 272	57 827	69 343	64 405	67 344	69 126
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	66	24	–	–	–	–	–
Regional Services Council levies	66	24	–	–	–	–	–

Expenditure trends

Expenditure between 2005/06 and 2008/09 increased from R30.2 million to R69.3 million at an average annual rate of 32 per cent mainly due to research for the pebble bed modular reactor project, the review of the mandates of development finance institutions, the reassessment of state owned enterprises' 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 R69.3 million in 2008/09 to R69.1 million in 2011/12 at an average annual rate of 0.1 per cent. The decrease is due to the completion of the treasury management system, the once-off payment for the pebble bed modular reactor research project and the review of development finance institutions.

Public entities

Public Investment Corporation

Strategic overview: 2005/06 - 2011/12

The Public Investment Corporation is wholly owned by the South African government. National Treasury is the major shareholder on behalf of government. Although the institution was founded in 1911, it was only established as a corporate entity in 2005, in accordance with the Public Investment Corporation Act (2004). Corporatisation has enabled the institution to structure its investment activities and operations similarly to private sector investment managers.

With assets of R786.8 billion under management, the Public Investment Corporation is South Africa's biggest investment management company. The corporation's major clients include public entities such as the Government Employees Pension Fund, the Unemployment Insurance Fund, the Associated Institutions Pension Fund, the Compensation Commissioner: Pension Fund, the Compensation Fund and the Guardian's Fund.

By effectively fulfilling its strategic objectives, the corporation aims to make a positive contribution to South Africa's economy, be a model for good corporate governance and shareholder activism, drive compliance with the United Nations' corporate citizenship initiative, the UN Global Compact, and observe the principles for responsible investing and investments targeted at the second economy.

Since its incorporation, the strategic focus of the Public Investment Corporation has been on restructuring itself to build capacity that is comparable with private sector asset managers.

In setting its strategic priorities over the medium term, the corporation has reviewed its operations, taking into account the following major factors that affect its business:

- trends in the local asset management industry locally, and in other state owned asset management companies globally
- trends in the property and private equity industry
- government's strategic priorities, such as developing the second economy and the intensified rollout of infrastructure
- current challenges in the corporation's operations in relation to human resources, systems, investments and operational processes
- the corporation's business model, in particular its strategy of applying economies of scale so that it can charge significantly lower fees relative to the local asset management industry.

A key strategic priority over the medium term is ensuring the long term financial sustainability of the corporation's operations by providing an investment service and returns to clients that are comparable with the market but at a significantly lower price. Further, the corporation aims to provide centralised management of investment funds held by public entities, allowing for improved risk management by National Treasury. The corporation intends to maintain its customer base by focusing on investment performance, high standards of client service and investment solutions customised to clients' needs, operational excellence through a rigorous investment process, dynamic and robust enterprise wide risk management, motivated employees and an enabling technology platform.

Selected performance and operations indicators

Table 7.7 Public Investment Corporation

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08		2008/09	2009/10	2010/11
Amount of revenue each year	R66m	R111.9m	R349.5m	R378.6m	R432.1m	R474.4m	R521.8m
Amount of operating expenses each year	R81.5m	R100.9m	R156.1m	R224.9m	R299.5m	R314.5m	R334.1m
Amount of net profit after tax each year	(R7m)	R12.1m	R162.8m	R145.1m	R101.3m	R125.1m	R148.1m
Total amount of funds under management	R599.5m	R719.8m	R786.8m	*	*	*	*
Number of clients each year	40	40	40	41	43	43	43

* Due to market sensitivity, forward information on managed funds cannot be made available.

Service delivery and spending focus

In 2007/08, all asset classes were affected to some extent by the difficult economic conditions, notably the deteriorating inflation outlook, increases in interest rates and the weakening of emerging market prices in the wake of subprime losses in the United States. Nevertheless, the Public Investment Corporation delivered a creditable performance on behalf of its clients.

Properties grew substantially through acquisition, achieving an increase in value of 119 per cent to R18.6 billion at the end of 2007/08. Major acquisitions included the listed property fund CBS Properties.

The Isibaya Fund, which facilitates and funds BEE infrastructure development transactions, established a new investment focus area in November 2007, Dinamane, which targets SMMs. The Agri-Nomalanga project in KwaZulu-Natal has been selected as the first Dinamane investment. This investment is expected to generate good returns and will contribute to job creation and the reduction of food prices.

Funds under management grew from R719.8 billion in 2006/07 to R786.8 billion in 2007/08, a 9.3 per cent increase. Investment returns met and exceeded client benchmarks, including the SWIX index in equities, the All Bonds index in the bond market and the Alexander Forbes STeFI composite in the money market.

The equities division successfully executed the core satellite equities investment strategy in 2007/08. As a result, 75 per cent of equities are managed in-house and 25 per cent externally. The corporation initiated the tender process for appointing an external party to manage the active component of the equities portfolio (25 per cent).

Four directors were appointed to the board in 2007, bringing the total number of directors to 13.

The corporation further entrenched its culture of active shareholders by publishing the corporate governance and proxy voting policy, became a signatory to the United Nations Global Compact, and publishing voting decisions for 2008/09.

Over the MTEF period, the Public Investment Corporation will continue investing in listed property companies on the Johannesburg stock exchange, direct property companies that include retail, industrial, residential and specialised properties, and unlisted portfolio companies that include strategic investments in the Airports Company of South Africa (20 per cent shareholding), Pareto (40 per cent) and the Community Property Fund. Through Pareto, the corporation has a footprint in major retail complexes such as Sandton City and Cresta in Gauteng and the Pavillion centre in KwaZulu-Natal. The Community Property Fund owns 13 shopping centres in rural and urban townships across eight provinces.

Expenditure estimates

Table 7.8 Public Investment Corporation: Financial information

R thousand							
Statement of financial performance	Audited outcome			Revised estimate 2008/09	Medium-term estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Revenue							
Non-tax revenue	71 856	121 031	384 975	405 164	449 259	499 325	549 257
Sale of goods and services other than capital assets	66 391	111 956	349 458	378 679	432 149	474 389	521 828
<i>of which:</i>							
<i>Sales by market establishments</i>	66 391	111 956	349 458	378 679	432 149	474 389	521 828
<i>Other non-tax revenue</i>	5 465	9 075	35 517	26 485	17 110	24 936	27 429
Total revenue	71 856	121 031	384 975	405 164	449 259	499 325	549 257
Expenses							
Current expense	81 761	101 134	156 235	224 937	299 573	314 569	344 199
Compensation of employees	38 613	54 024	83 788	122 632	173 833	187 540	206 294
Goods and services	36 781	37 819	61 949	93 432	104 785	108 727	119 599
Depreciation	6 253	9 136	10 361	8 800	20 917	18 262	18 262
Interest, dividends and rent on land	114	155	137	73	39	40	44
Total expenses	78 889	108 866	222 121	260 029	347 985	374 170	401 104
Surplus / (Deficit)	(7 033)	12 165	162 854	145 135	101 273	125 154	148 153

Table 7.8 Public Investment Corporation: Financial information (continued)

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial position							
Carrying value of assets	20 934	17 645	16 213	17 806	136 559	140 040	121 778
of which: Acquisition of assets	9 405	5 879	11 058	10 510	139 670	21 743	–
Investments	43 390	44 701	54 706	19 924	15 541	15 746	15 971
Receivables and prepayments	11 926	15 242	52 861	75 551	15 108	15 864	16 657
Cash and cash equivalents	30 232	50 718	198 713	367 747	298 411	420 401	439 010
Total assets	106 482	128 306	322 493	481 027	465 619	592 050	593 415
Accumulated surplus / deficit	96 783	108 946	268 030	413 165	441 138	566 292	566 292
Borrowings	2 126	910	1 024	888	2 197	2 402	2 627
Trade and other payables	5 767	16 006	50 771	66 438	19 284	20 056	20 866
Provisions	1 806	2 444	2 668	537	3 000	3 300	3 630
Total equity and liabilities	106 482	128 306	322 493	481 028	465 619	592 050	593 415

Expenditure trends

The Public Investment Corporation derives its revenue from short term and long term investments in the capital and bond markets. Revenue over the MTEF period is expected to increase from R449.3 million in 2009/10 to R549.3 million in 2011/12 at an average annual rate of 10.6 per cent. Over the same period, expenditure on compensation of employees is expected to increase from R173.8 million to R206.3 million. The corporation's investment capacity will increase significantly through the recruitment of new personnel for the investment division.

South African Special Risk Insurance Association

Strategic overview: 2005/06 - 2011/12

The South African Special Risk Insurance Association was established in 1979 and registered in terms of section 21 of the Companies Act (1973). In 1998, the conversion of the South African Special Risk Insurance Association Act (1998) made government the sole shareholder. The goal of the association is to create an environment for positive investment and GDP growth and change, by covering special risks. The association indemnifies the insured against loss of or damage to property directly related to or caused by any riot, strike or public disorder, or any act or activity that is calculated or directed to bring about a riot, strike or public disorder.

The association is one of the larger investors in the Futuregrowth Infrastructure Fund, which funds infrastructure development, and the following are some of the completed capital projects it has invested in: Inkosi Luthuli Central Hospital, Khayelitsha CBD development, and the Kanyamazane shopping centre.

Selected performance and operations indicators

Table 7.9 South African Special Risk Insurance Association: Financial information

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Amount of gross insurance premiums written each year	R512.9m	R487.7m	R555.9m	R620m	R650.3m	R715.4m	R815.5m
Percentage share reinsurance bought	40%	40%	30%	30%	20%	20%	20%
Total number of employees	24	26	28	29	30	32	35
Amount of investment in social responsibility programmes targeted at education each year	R2.9m	R2.9m	R3m	R3.2m	R3.5m	R3.8m	R4.3m
Amount of commission from reinsurance each year	R100.3m	R99m	R117m	R122m	R129m	R114m	R156m

Service delivery and spending focus

In 2007/08, the bulk of the association's social responsibility provision (1 per cent of revenue is spent on social programmes) was spent on the South African actuaries development programme, amounting to R4.5 million. After the dividend payment to government, the association retained R500 million in reserves and continued to invest in BEE investment assets at 5 per cent of revenue, or R25 million. By the end of 2007/08, these assets had grown to R64 million.

Spending over the MTEF period will focus on exploring the viability of the association expanding its operations beyond South Africa, for example to Kenya, designing specific products for the 2010 FIFA World Cup, such as cover for tourists and rental cars, and creating and increasing brand awareness.

Expenditure estimates

Table 7.10 South African Special Risk Insurance Association: Objective information

R thousand	Audited outcome			Revised estimate 2008/09	Medium-term estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Increased premium income	182 287	156 106	212 454	248 556	285 305	314 443	345 611
Increased investment income	103 973	65 236	93 764	112 128	163 535	180 496	193 957
Controlled costs	33 461	33 023	38 972	40 537	42 847	48 130	51 980
Improved awareness of company through marketing	38	238	333	367	417	467	504
Improved staff skills through training	92	88	78	117	133	150	162
Other objectives	977	954	964	1 000	1 167	1 267	1 368
Total expense	320 828	255 644	346 566	402 704	493 403	544 953	593 582

Table 7.11 South African Special Risk Insurance Association: Financial information

R thousand	Audited outcome			Revised estimate 2008/09	Medium-term estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	617 975	546 278	635 740	721 206	810 149	931 844	1 071 176
Sale of goods and services other than capital assets	339 878	333 517	458 312	537 516	602 930	686 756	788 763
<i>of which:</i>							
<i>Sales by market establishments</i>	339 878	333 517	458 312	537 516	602 930	686 756	788 763
<i>Other non-tax revenue</i>	278 097	212 761	177 428	183 690	207 219	245 088	282 413
Total revenue	617 975	546 278	635 740	721 206	810 149	931 844	1 071 176
Expenses							
Current expense	207 452	145 463	250 590	304 950	344 215	388 707	429 377
Compensation of employees	23 794	10 371	10 945	18 595	34 077	36 122	38 289
Goods and services	182 812	132 421	236 391	282 631	305 642	347 895	385 697
Depreciation	846	2 671	3 254	3 724	4 496	4 690	5 391
Transfers and subsidies	707	2 945	3 131	3 292	3 266	3 622	3 982
Total expenses	320 828	255 644	346 566	402 704	493 403	544 953	593 582
Surplus / (Deficit)	297 147	290 634	289 174	318 502	316 746	386 892	477 593
Statement of financial position							
Carrying value of assets	13 678	32 995	64 379	66 205	66 868	66 474	65 967
<i>of which: Acquisition of assets</i>	8 755	2 106	38 032	5 550	5 159	4 296	4 884
Investments	481 322	629 138	768 966	884 311	1 362 547	1 448 109	1 637 012
Receivables and prepayments	230 285	189 128	201 017	221 119	155 193	180 267	206 845
Cash and cash equivalents	1 446 603	1 552 129	1 783 523	2 051 051	2 275 460	2 725 850	3 203 263
Total assets	2 171 888	2 403 390	2 817 885	3 222 686	3 860 067	4 420 700	5 113 087
Accumulated surplus / deficit	1 759 095	2 049 729	2 338 903	2 657 405	3 365 927	3 995 452	4 761 011
Trade and other payables	246 750	353 661	478 982	565 281	494 140	425 248	352 076
Provisions	166 043	–	–	–	–	–	–
Total equity and liabilities	2 171 888	2 403 390	2 817 885	3 222 686	3 860 067	4 420 700	5 113 087

Expenditure trends

The South African Special Risk Insurance Association's revenue comes from premium income (42 per cent) for special risk insurance, investment income (40 per cent) into capital infrastructure projects in South Africa, and commissions (18 per cent). Revenue from insurance premiums increased by 14 per cent from 2005/06 to 2006/07. The main driver was the increase in the underlying value of property insured by the association.

Between 2005/06 and 2006/07, the association's surplus decreased, from R297.1 million to R290.6 million, by 2.2 per cent. Although the South African economy is being affected by the global downturn, the association projects a surplus of R318.5 million in 2008/09, which is expected to increase to R477.6 million in 2011/12. Insurance premium income grew at an average annual rate of 14.9 per cent between 2004/05 and 2007/08, from R391.4 million to R593.5 million. This created a surplus of R290.6 million in 2004/05, which decreased to R289.2 million in 2007/08 at an annual average rate of 0.2 per cent. The surplus is expected to increase to R477.6 million in 2011/12.

Programme 4: Financial Management and Systems

- *Management* monitors activities of the programme.
- *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.
- *Financial Systems* maintains and improves existing financial management systems, and replaces outdated systems with those that comply with the Public Finance Management Act (1999) and generally recognised accounting practice.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as payment of consultants.

Objectives and measures

- Improve supply chain management by:
 - rolling out a revised supply chain management framework from August 2009
 - revising and issuing a supply chain management guide for accounting officers or authorities in 2009/10
 - monitoring supply chain management compliance by submitting reports to Cabinet and the standing committee on public accounts by August 2009.
 - aligning preferential procurement with the aims of the Broad Based Black Economic Empowerment Act (2003) and its related strategy by August 2009
 - establishing a grievance mechanism to deal with supply chain management disputes and complaints by issuing a practice note by April 2009
 - improving value for money on the contracts by:
 - introducing and applying strategic sourcing principles to 100 per cent of transversal contracts in 2009/10
 - introducing strategic sourcing principles to 60 per cent of all national and provincial departments, constitutional institutions, public entities and high capacity municipalities in 2009/10.
- Maintain government's financial systems by implementing the second phase of the integrated financial management system by 2009/10, including developing the lead asset management modules using the integrated development environment toolset.

Service delivery and spending focus

The integrated financial management systems project is progressing steadily. In 2007/08, contracts have been concluded for the integrated development environment toolset and the procurement module. The contract for the

human resource management module was provisionally awarded in 2007/08. The development of the lead asset management modules, using the integrated development environment toolset, has started and is due to be finalised by the end of 2008/09.

The department will begin the implementation of the procurement module in 2009/10 in the lead sites of National Treasury and the South African National Defence Force, while the human resource management model will be implemented in the lead sites of the South African National Defence Force, the Department of Public Service and Administration, and the Free State education department. The implementation of the asset management module will begin in 2009/10 at the lead sites of National Treasury, the South African National Defence Force, and the provincial treasury, health and transport departments of Limpopo province.

Expenditure estimates

Table 7.12 Financial Management and Systems

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Management	1 116	1 342	1 334	1 543	1 501	1 577	1 660
<i>Deputy Director-General Specialist Functions</i>	1 116	1 342	1 334	1 543	1 501	1 577	1 660
Supply Chain Management	27 780	20 309	28 792	21 883	32 547	36 009	38 052
<i>Chief Directorate Supply Chain Policy</i>	14 767	9 257	14 608	6 373	16 473	18 399	19 221
<i>Chief Directorate Contract Management</i>	8 307	5 473	8 654	8 476	9 756	10 969	11 881
<i>Chief Directorate Norms and Standards</i>	4 706	5 579	5 530	7 034	6 318	6 641	6 950
Financial Systems	196 960	169 121	231 321	276 672	577 656	606 399	629 585
Operational Costs	12 979	12 707	13 745	16 265	17 370	19 314	20 195
<i>Basic Accounting System</i>	55 766	47 069	48 334	54 707	56 069	57 751	55 145
<i>PERSAL</i>	38 986	39 694	41 825	45 717	48 518	49 974	47 721
<i>Logis</i>	40 497	42 025	45 200	52 735	48 139	49 583	51 570
<i>Vulindlela</i>	18 971	16 841	22 808	24 588	24 291	25 020	26 022
<i>Integrated Financial Management System</i>	29 761	10 785	59 409	82 660	383 269	404 757	428 932
Total	225 856	190 772	261 447	300 098	611 704	643 985	669 297
Change to 2008 Budget estimate				(257 526)	(90 455)	(133 930)	(130 249)
Economic classification							
Current payments	223 016	188 828	260 684	297 669	610 942	643 143	668 462
Compensation of employees	26 230	28 666	30 259	34 989	36 564	40 095	42 345
Goods and services	196 777	160 161	230 419	262 680	574 378	603 048	626 117
<i>of which:</i>							
<i>Administrative fees</i>	160	323	482	515	122	123	134
<i>Advertising</i>	249	88	46	247	77	87	95
<i>Assets less than R5 000</i>	102	35	91	113	106	109	119
<i>Audit costs: External</i>	1 110	887	580	758	1 654	2 814	2 940
<i>Bursaries: Employees</i>	103	137	69	460	452	508	567
<i>Catering: Departmental activities</i>	20	113	120	191	150	165	179
<i>Communication</i>	976	594	580	954	565	595	634
<i>Computer services</i>	186 489	151 468	222 059	251 937	562 980	589 743	611 728
<i>Consultants and professional services: Business and advisory services</i>	610	171	695	528	200	200	200
<i>Contractors</i>	75	66	40	199	109	118	128
<i>Agency and support / outsourced services</i>	69	–	–	–	–	–	–
<i>Entertainment</i>	15	10	15	27	6	6	6
<i>Inventory: Materials and supplies</i>	–	–	2	–	5	6	7
<i>Inventory: Other consumables</i>	4	2	–	750	–	–	–
<i>Inventory: Stationery and printing</i>	362	637	387	295	571	618	672
<i>Lease payments</i>	357	399	461	847	736	810	893
<i>Owned and leasehold property expenditure</i>	–	–	1	–	–	–	–
<i>Travel and subsistence</i>	1 134	1 207	859	2 825	1 921	2 075	2 254
<i>Training and development</i>	437	679	355	(2 131)	717	744	830
<i>Operating expenditure</i>	52	66	48	165	131	156	186
<i>Venues and facilities</i>	4 453	3 279	3 529	4 000	3 876	4 171	4 545
Financial transactions in assets and liabilities	9	1	6	–	–	–	–

Table 7.12 Financial Management and Systems (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Transfers and subsidies	81	27	-	-	-	-	-
Provinces and municipalities	81	27	-	-	-	-	-
Payments for capital assets	2 759	1 917	763	2 429	762	842	835
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	2 661	1 917	763	2 724	762	842	835
Software and other intangible assets	98	-	-	(295)	-	-	-
Total	225 856	190 772	261 447	300 098	611 704	643 985	669 297
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	81	27	-	-	-	-	-
Regional Services Council levies	81	27	-	-	-	-	-

Expenditure trends

Expenditure increased between 2005/06 and 2008/09 at an average annual rate of 9.9 per cent, from R225.9 million in 2005/06 to R300.1 million in 2008/09, mainly due to the ongoing maintenance work on the legacy systems such as the basic accounting system, LOGIS, PERSAL and also Vulindlela.

Expenditure over the MTEF period is expected to increase substantially from R300.1 million in 2008/09 to R669.3 million in 2011/12 at an average annual rate of 30.7 per cent. This is due to the intensified implementation of the integrated financial management system, reflected in computer services, which takes up 92 per cent of the programme budget in 2009/10.

Programme 5: Financial Accounting and Reporting

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the Reconstruction and Development Programme Fund, banking services for national government, and 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).

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as transfer payments.

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 developing local and international standards in accounting, internal audit and risk management by formulating and publishing accounting standards with the Accounting Standards Board
 - rolling out all generally recognised accounting practices standards, as approved for implementation by the Minister of Finance, by July 2010
 - giving ongoing assistance to institutions in all spheres of government to improve their audit outcomes
 - implementing the relevant financial reporting frameworks and the revised risk management and internal audit frameworks by March 2010
 - rolling out the financial management capability model in the provincial sphere of government by March 2010 and piloting the model in local government in 2010/11
 - ongoing rollout of capacity building programmes in financial management, internal audit and risk management to improve unqualified reports in all spheres of government.
- Achieve transparency and accountability to the general public by ongoing publishing, and where applicable tabling, of the monthly statement of the National Revenue Fund and consolidated financial information for national government, and by publishing the annual financial statements of the reconstruction and development programme by October 2009.
 - Monitor compliance with the Public Finance Management Act (1999) through timeous progress reports on the improvement of financial management in August and November 2009.
 - Maintain National Treasury's status as a South African Institute of Chartered Accountants approved accredited training office for the training outside public practice programme and grow the programme by increasing the number of trainees.

Service delivery and spending focus

The department revised the internal audit and risk management frameworks through the hosting of the internal audit indaba, the risk management symposium, the public sector financial management symposium and chief financial officer forums. These are forums that provide opportunities for networking, empowerment and exchange of ideas.

In November 2008, National Treasury submitted a Cabinet memorandum, providing details of audit outcomes and the tabling of annual reports of all national and provincial institutions for 2007/08. In general, a significant number of Public Finance Management Act (1999) compliant institutions are meeting the deadline to table their annual reports and financial statements in the legislature within 6 months from the end of the financial year. Departments are making progress with improving their audit outcomes, with 8 departments having received unqualified audit reports in 2007/08, compared with only 2 in 2006/07.

Expenditure estimates

Table 7.13 Financial Accounting and Reporting

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Financial Reporting for National Accounts	28 302	46 829	62 973	65 573	74 847	84 061	87 586
Financial Management Improvement	19 385	12 646	18 409	39 839	29 419	31 337	32 725
Investment of Public Monies	–	–	–	1	1	1	1
Service Charges: Commercial Banks	17	62	66	200	68	72	75
Audit Statutory Bodies	13 591	11 854	23 800	106 545	19 038	21 303	23 896
Contingent Liabilities: Reinsurance Liabilities	–	–	1	1	1	1	1
Total	61 295	71 391	105 249	212 159	123 374	136 775	144 284
Change to 2008 Budget estimate				123 242	30 336	38 943	40 582

Table 7.13 Financial Accounting and Reporting (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Current payments	42 448	42 489	57 572	77 112	73 989	83 683	86 437
Compensation of employees	19 264	21 405	24 524	29 849	31 783	38 371	40 008
Goods and services	23 184	21 083	33 048	47 263	42 206	45 312	46 429
<i>of which:</i>							
Administrative fees	918	830	1 306	1 163	1 206	1 152	1 147
Advertising	214	199	393	428	765	719	708
Assets less than R5 000	195	58	80	103	367	258	294
Audit costs: External	1 188	3 225	5 134	2 629	5 176	5 470	5 530
Bursaries: Employees	114	61	86	253	283	306	343
Catering: Departmental activities	–	84	128	147	180	195	212
Communication	142	167	201	286	258	275	278
Computer services	530	135	58	325	481	527	567
Consultants and professional services: Business and advisory services	2 461	4 807	10 647	9 639	10 083	10 610	10 677
Consultants and professional services: Legal costs	–	–	722	–	–	–	–
Contractors	996	1 476	15	526	208	864	269
Agency and support / outsourced services	–	–	–	4 157	50	61	72
Entertainment	102	16	12	45	52	53	54
Inventory: Materials and supplies	–	22	–	1	1	1	1
Inventory: Other consumables	–	3	–	9	3	4	4
Inventory: Stationery and printing	1 234	747	851	1 194	1 516	1 606	1 578
Lease payments	61	62	53	99	98	134	142
Travel and subsistence	2 227	2 103	2 949	4 466	3 622	3 922	4 195
Training and development	11 174	3 506	5 199	14 120	14 080	15 002	15 800
Operating expenditure	154	148	194	257	249	299	301
Venues and facilities	1 474	3 434	5 020	7 416	3 528	3 854	4 257
Financial transactions in assets and liabilities	–	1	–	–	–	–	–
Transfers and subsidies	18 382	27 763	47 438	134 216	48 600	52 589	57 042
Provinces and municipalities	58	19	–	–	–	–	–
Departmental agencies and accounts	18 324	27 494	47 138	134 216	48 300	52 139	56 592
Households	–	250	300	–	300	450	450
Payments for capital assets	465	1 139	239	831	785	503	805
Machinery and equipment	465	1 139	239	831	785	503	805
Total	61 295	71 391	105 249	212 159	123 374	136 775	144 284
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	58	19	–	–	–	–	–
Regional Services Council levies	58	19	–	–	–	–	–
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	13 591	22 735	40 895	126 805	41 058	44 601	48 622
Auditor-General	13 591	11 854	23 800	106 547	19 038	21 303	23 896
Independent Regulatory Board for Auditors	–	10 881	17 095	20 258	22 018	23 296	24 724
Investment of public monies	–	–	–	–	1	1	1
Contingent Liabilities: Reinsurance liabilities	–	–	–	–	1	1	1
Capital	4 733	4 759	6 243	7 411	7 242	7 538	7 970
Accounting Standards Board	4 733	4 759	6 243	7 411	7 242	7 538	7 970
Households							
Social benefits							
Current	–	250	300	–	300	450	450
Bursaries	–	250	300	–	300	450	450

Expenditure trends

Expenditure increased from R61.3 million in 2005/06 to R212.2 million in 2008/09, at an average annual rate of 51.3 per cent, mainly due to more staff being hired, a once-off payment to the auditor-general for capping of fees, hosting a risk management symposium, the training outside public practice programme, a public sector financial management symposium, an internal audit indaba and costs relating to the formulation of the financial management capability maturity model.

Expenditure over the MTEF period is expected to decrease at an average annual rate of 12.1 per cent, from R212.2 million in 2008/09 to R144.3 million in 2011/12, mainly due to the once-off payment to the auditor-general of R106.5 million in 2008/09.

Public entities

Accounting Standards Board

Strategic overview: 2005/06 – 2011/12

The Accounting Standards Board was established in accordance with the Public Finance Management Act (1999). Its main function is to set standards and guidelines for financial reporting as required by section 216(a) of the Constitution. It also promotes transparency and the effective management of the revenue, expenditure, assets and liabilities of the entities to which the standards apply.

The board is on target to complete a core set of standards by the end of 2009 to be implemented by all spheres of government. Impairment, financial instruments, employee benefits, and related parties still need to be developed.

The board's 2009/10 work programme will focus on:

- completing a core set of standards of generally recognised accounting practices
- initiating international cooperation with the International Public Sector Accounting Standards Board to align national accounting standards with international standards
- filling gaps in municipalities and local government in the implementation of the accrual accounting and generally accepted accounting practice
- developing accounting and reporting guidelines, and undertaking research in identified areas of financial reporting.

Selected performance and operations indicators

Table 7.14 Accounting Standards Board

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of employees	6	7	7	7	7	7	7
Total number of documents completed related to setting generally recognized accounting practice standards	12	16	12	12	12	12	12

Service delivery and spending focus

To date, the Accounting Standards Board has issued 17 generally recognised standards for municipalities and public entities to implement in 2009/10 and 2010/11. In 2007/08, 5 standards were approved for issue and 2 exposure drafts were open for comment. A final standard on revenue from non-exchange transactions (taxes and transfers) was issued in February 2008. 2 standards drafts on impairment were approved for issue in March 2008. An exposure draft for the accounting of heritage assets was developed and a final standard on borrowing costs was issued in July 2007. Standards on reporting on hyperinflationary economies and the effects of changes in foreign exchange rates were issued in July 2007 and are based on the equivalent international public sector accounting standards.

The implementation of generally recognised accounting practice standards will lead to improved decision making and allocation of resources, and improved accountability, as all spheres of government will be preparing comparable financial statements.

Expenditure estimates

Table 7.15 Accounting Standards Board: Programme information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Set standards of GRAP	4 600	4 787	6 062	7 461	7 292	7 588	8 020
Total expense	4 600	4 787	6 062	7 461	7 292	7 588	8 020

Table 7.16 Accounting Standards Board: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	57	96	211	50	50	50	50
<i>Other non-tax revenue</i>	57	96	211	50	50	50	50
Transfers received	4 733	4 596	5 807	7 411	7 242	7 538	7 970
Total revenue	4 790	4 692	6 018	7 461	7 292	7 588	8 020
Expenses							
Current expense	4 600	4 787	6 062	7 461	7 292	7 588	8 020
Compensation of employees	2 320	2 873	3 844	4 404	4 844	5 136	5 444
Goods and services	2 124	1 743	2 056	2 873	2 284	2 374	2 498
Depreciation	156	171	162	184	164	78	78
Total expenses	4 600	4 787	6 062	7 461	7 292	7 588	8 020
Surplus / (Deficit)	190	(95)	(44)	-	-	-	-
Statement of financial position							
Carrying value of assets	556	462	418	322	158	80	2
<i>of which: Acquisition of assets</i>	346	77	70	88	-	-	-
Receivables and prepayments	64	77	158	158	158	158	158
Cash and cash equivalents	1 293	1 451	995	806	806	806	806
Total assets	1 913	1 990	1 571	1 286	1 122	1 044	966
Accumulated surplus / deficit	557	462	418	133	46	6	(72)
Trade and other payables	598	594	551	987	910	872	872
Provisions	54	67	166	166	166	166	166
Liabilities not classified elsewhere	704	867	436	-	-	-	-
Total equity and liabilities	1 913	1 990	1 571	1 286	1 122	1 044	966

Expenditure trends

Funding for the Accounting Standards Board comprises a transfer from National Treasury, which increased from R4.7 million in 2005/06 to R7.5 million in 2008/09. Transfers received will stabilise over the MTEF period to reach R8 million in 2011/12. The full transfer was not used in 2007/08 because vacancies in the board's membership resulted in lower attendance at meetings, there were savings on international airfares, and anticipated employment costs were lower. The following costs were also below budget: cleaning, electricity and water charges, audit fees, legal fees and consulting fees. In accordance with legislation, the unspent portion, amounting to R435 564, will be surrendered to the National Revenue Fund.

Between 2005/06 and 2006/07, total expenditure increased by 4.1 per cent to reach R4.8 million. Spending in 2007/08 increased by 26.6 per cent due to higher spending on compensation of employees.

Independent Regulatory Board for Auditors

Strategic overview: 2005/06 2011/12

The Independent Regulatory Board for Auditors functions in terms of the Auditing Profession Act (2005). Its members are appointed by the Minister of Finance.

The strategic focus of the board is to protect the financial interest of the public by ensuring that only suitably qualified individuals are admitted to the profession and that registered auditors deliver services of the highest ethical standards.

Selected performance and operations indicators

Table 7.17 Independent Regulatory Board of Auditors

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of registered auditors re-registered each year	–	4 419	4 345	4 260	4 170	4 085	4 085
Number of new registrations each year	–	390	300	500	500	500	500
Number of disciplinary case files opened each year	–	149	149	149	140	135	135
Number of disciplinary case files disposed of each year	–	145	145	145	135	130	130

Service delivery and spending focus

In 2007/08, the Independent Regulatory Board of Auditors' public practice examination yielded a record pass rate of 71 per cent, with a record number of 580 successful black candidates.

Internationally, the board continued to make a significant contribution to the International Forum for Independent Audit Regulators in finalising its founding charter. It also conducted its first joint international practice inspection with the Canadian Public Accountability Board, and initiated steps for the mutual agreement recognition of inspection processes with the Public Company Accounting Oversight Board of the United States.

The board began establishing an effective stakeholder management plan for its interaction with stakeholders over the implementation of the new act and beyond.

A special concessions policy was finalised.

R8.4 million was received in fees and 1 184 investigations were undertaken in the second half of 2007/08.

In 2008/09, 147 new investigations were initiated by the investigating committee, including enquiries or allegations of improper conduct received, as well as investigations initiated by the board itself.

The spending focus of the board over the MTEF period will be on developing and maintaining international auditing and ethical standards, assisting professional accountants in addressing issues related to the global financial crisis, providing an appropriate framework for the education and training of properly qualified auditors, inspecting and reviewing the work of registered auditors, and taking appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct.

Expenditure estimates

Table 7.18 Independent Regulatory Board of Auditors: Activity information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Audit standards	–	2 242	2 985	3 568	6 253	6 896	7 463
Practice review	–	11 972	15 939	19 053	22 051	23 733	25 506
Legal - disciplinary	–	4 351	5 792	6 924	7 604	7 842	8 024
Education and training	–	3 851	5 127	6 129	8 431	7 802	8 315
Other activities	–	11 762	15 657	18 716	25 818	27 415	28 255
Total expense	–	34 178	45 500	54 390	70 157	73 688	77 563

Table 7.19 Independent Regulatory Board of Auditors: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	-	26 150	31 743	35 352	50 907	52 751	54 659
Sale of goods and services other than capital assets	-	25 585	31 312	34 902	7 403	7 068	7 384
<i>of which:</i>							
Admin fees	-	2 028	1 508	1 025	775	-	-
Sales by market establishments	-	13 053	15 473	22 844	6 628	7 068	7 384
Other sales	-	10 504	14 331	11 033	-	-	-
Other non-tax revenue	-	565	431	450	43 504	45 683	47 275
Transfers received	-	10 881	17 095	20 258	22 018	23 296	24 724
Total revenue	-	37 031	48 838	55 610	72 925	76 047	79 383
Expenses							
Current expense	-	34 178	45 500	54 390	70 157	73 688	77 563
Compensation of employees	-	17 953	24 723	32 185	40 454	43 669	47 142
Goods and services	-	15 360	19 965	20 485	27 221	27 663	28 855
Depreciation	-	721	701	1 720	2 482	2 356	1 566
Interest, dividends and rent on land	-	144	111	-	-	-	-
Total expenses	-	34 178	45 500	54 390	70 157	73 688	77 563
Surplus / (Deficit)	-	2 853	3 338	1 220	2 768	2 359	1 820
Statement of financial position							
Carrying value of assets	-	5 916	5 734	4 838	6 606	5 236	4 677
<i>of which: Acquisition of assets</i>	-	1 934	518	1 320	4 250	977	1 007
Receivables and prepayments	-	2 569	5 852	6 365	6 953	7 590	8 285
Cash and cash equivalents	-	4 870	5 443	6 912	6 999	10 534	13 578
Total assets	-	13 355	17 029	18 115	20 558	23 360	26 540
Accumulated surplus / deficit	-	3 143	6 159	7 448	9 670	12 265	15 246
Capital and reserves	-	6 348	6 671	6 671	6 671	6 671	6 671
Borrowings	-	981	695	-	-	-	-
Trade and other payables	-	2 883	3 504	3 996	4 217	4 424	4 623
Total equity and liabilities	-	13 355	17 029	18 115	20 558	23 360	26 540

Expenditure trends

The operations of the Independent Regulatory Board of Auditors are funded by revenue from exchange transactions and government transfers. The exchange transactions comprise annual licence fees, examination fees, practice review fees, registration fees, and revenue derived from administration of training contracts. Practice review fees for 2007/08 were R25.3 million. Practice review fees increased in 2007/08 due to the increase in the number of engagement reviews and commencement reviews. Registration fees decreased from R1 million to R769 560 because fewer auditors registering with the board. National Treasury transfers to the board started in 2006/07 with R10.9 million to facilitate the establishment of the board, and increased to R20.3 million in 2008/09. Transfers received will increase to reach R24.7 million in 2010/12, at an average annual rate of 6.9 per cent over the MTEF period.

Operating expenses increased from R34.2 million in 2006/07 to R45.5 million in 2007/08, due to the implementation of the Auditing Profession Act (2005) and the resulting increase in operational activity. The staff complement nearly doubled, which increased expenditure on compensation of employees from R18 million in 2006/07 to R24.7 million in 2007/08. Expenditure on examinations increased from R1 million to R2 million due to the increase in the number of marking centres and the number of markers.

The board received transfers of R17.1 million in 2007/08 compared to R10.9 million in 2006/07, which were primarily used for implementing the act. Transfers over the medium term will increase from R22 million in 2008/09 to reach R24.7 million in 2011/12. Spending over the MTEF period will focus on improving practice reviews, and funding the operational budget.

Programme 6: Economic Policy 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 (the Southern African Development Community (SADC) and the Southern African Customs Union) and works through key economic institutions, such as the African Development Bank, the 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.

Funding for all subprogrammes will mainly be used for compensation of employees, and related expenditure in goods and services.

Objectives and measures

- Improve the macroeconomic framework of the country by publishing research papers and proposals on promoting growth, macroeconomic stability, retirement reform, and related policy areas.
- Review and strengthen the regulatory framework for the financial sector by continuing to implement the Basle II capital accord, which came into effect on 01 January 2008.
- Expand access to financial services by 2009/10 by:
 - developing a legislative framework for a second tier of banks
 - establishing a cooperative banks development agency for the registration, support, supervision and regulation of the cooperative banks sector
 - facilitating the transformation of the financial sector through ongoing participation in the Charter Council.
- Develop tax policy proposals for the annual Budget, prepare legislative changes to support tax proposals and monitor collection of revenue through ongoing consultation with relevant stakeholders and consideration of contributing factors.
- Improve South Africa's participation in international economic institutions like the International Monetary Fund, the World Bank, and the G20 and the African Development Bank, by influencing the agendas and providing inputs for the meetings.
- Promote regional economic integration in SADC and strengthen economic links within Africa by:
 - continuously participating in SADC forums
 - supporting the Southern African Customs Union to meet regional challenges, including reviewing the existing revenue sharing formula.

Service delivery and spending focus

In June 2008, the department successfully hosted the annual bank conference on development economics, which reflected on issues such as high food prices, financial turmoil, investment and growth, human development and the role of China in financing Africa's development.

In 2008/09, the final research papers of the International Growth Advisory Panel were released to the public. The Financial Services Laws General Amendment Bill was also presented to Cabinet. A research paper on prudential foreign exposure limits was finalised for institutional investors, and National Treasury's 2008 Tax Statistics, published late in 2008, provides a detailed breakdown of tax revenues by income categories and sectors.

Expenditure estimates

Table 7.20 Economic Policy and International Financial Relations

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Management and Research	4 045	14 766	10 825	18 994	22 083	25 185	27 031
Financial Sector Policy	19 248	14 502	16 087	22 306	21 461	22 354	23 187
Tax Policy	7 770	11 514	12 411	14 447	15 478	17 073	17 842
International Economics	9 209	9 619	13 142	16 078	16 911	17 801	18 604
Economic Policy	12 540	18 537	40 729	21 977	11 698	12 132	12 668
Total	52 812	68 938	93 194	93 802	87 631	94 545	99 332
Change to 2008 Budget estimate				11 254	7 794	10 972	11 045

Economic classification

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Current payments	45 985	64 190	90 178	88 065	81 922	88 755	93 679
Compensation of employees	24 919	30 914	37 092	45 655	52 705	58 014	61 447
Goods and services	21 064	33 271	53 083	42 410	29 217	30 741	32 232
<i>of which:</i>							
Administrative fees	731	1 005	1 532	1 219	1 458	966	875
Advertising	733	264	534	472	485	464	373
Assets less than R5 000	92	80	38	96	188	196	200
Bursaries: Employees	146	60	180	320	335	389	402
Catering: Departmental activities	–	445	449	458	578	578	578
Communication	212	319	700	540	375	388	405
Computer services	127	131	326	22	141	128	139
Consultants and professional services: Business and advisory services	10 763	18 643	14 552	15 224	12 599	13 491	14 295
Consultants and professional services: Legal costs	–	118	–	96	121	63	63
Contractors	11	12	18	26	63	56	59
Agency and support / outsourced services	–	–	–	1 101	372	389	411
Entertainment	233	24	30	66	70	70	70
Inventory: Food and food supplies	–	–	21	–	–	–	–
Inventory: Fuel, oil and gas	1	–	–	–	–	–	–
Inventory: Materials and supplies	3	1	–	–	–	–	–
Inventory: Other consumables	–	–	–	2	3	4	4
Inventory: Stationery and printing	991	962	1 855	1 989	1 349	1 406	1 456
Lease payments	261	183	6 632	161	157	161	165
Travel and subsistence	5 256	7 373	15 013	11 416	8 079	8 935	9 547
Training and development	493	475	651	682	898	968	941
Operating expenditure	698	1 636	3 358	3 903	1 279	1 339	1 426
Venues and facilities	313	1 540	7 194	4 617	667	750	823
Financial transactions in assets and liabilities	2	5	3	–	–	–	–
Transfers and subsidies	6 189	3 526	2 285	5 000	5 000	5 000	5 000
Provinces and municipalities	75	26	–	–	–	–	–
Universities and technikons	814	3 500	2 285	5 000	5 000	5 000	5 000
Public corporations and private enterprises	5 300	–	–	–	–	–	–
Payments for capital assets	638	1 222	731	737	709	790	653
Machinery and equipment	638	1 222	731	737	709	790	653
Total	52 812	68 938	93 194	93 802	87 631	94 545	99 332

Table 7.20 Economic Policy and International Financial Relations (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Details of transfers and subsidies							
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	75	26	-	-	-	-	-
Regional Services Council levies	75	26	-	-	-	-	-
Universities and technikons							
Current	814	3 500	2 285	5 000	5 000	5 000	5 000
University of Cape Town	814	3 500	2 285	5 000	5 000	5 000	5 000
Public corporations and private enterprises							
Private enterprises							
Other transfers							
Current	5 300	-	-	-	-	-	-
Centre for Development and Enterprises	5 300	-	-	-	-	-	-

Expenditure trends

Expenditure increased from R52.8 million in 2005/06 to R93.8 million in 2008/09, at an average annual rate of 21.1 per cent, mainly due to: an increase in the staff complement; the hosting of the annual bank conference on development economics in 2008; and an increase in research funding, including research for regulatory impact analysis and microeconomic analysis, and on the implications of policy advice and implementation on legislation including tax, pensions and banking regulations.

Expenditure over the MTEF period is expected to increase from R93.8 million in 2008/09 to R99.3 million in 2011/12 at an average annual rate of 1.9 per cent. This is due to improvements in the functioning of the financial regulatory system in the *Financial Sector Policy* subprogramme and the improvement of economic policy proposals in the *Economic Policy* subprogramme.

Public entity

Financial Services Board

Strategic overview: 2005/06 – 2011/12

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

The introduction of the Financial Advisory and Intermediary Services Act (2004) expanded the mandate of the board to include aspects of market conduct in both the banking and non-banking financial services industries. The Financial Intelligence Centre Act (2001) introduced another dimension to the jurisdiction of the board in terms of monitoring compliance provisions to combat money laundering and the financing of terrorism. The board also advises the Minister of Finance through various committees made up of industry experts. Another responsibility of the board is to promote information and education programmes by financial institutions and its representative bodies for users and potential users of financial products and services.

Over the medium term, the board has identified the following strategic areas of focus: to create and implement an effective legislative framework to promote compliance; to ensure that an appropriate regulatory environment is maintained and enhanced; to collaborate and build critical stakeholder relationships that will continuously

align operations to their needs; to inform consumers of financial products and services; and to encourage and enhance transformation in the financial services sector.

Selected performance and operations indicators

Table 7.21 Financial Services Board

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Amount of revenue from financial services industry	R210.7m	R244.5m	R255.3m	R261.8m	R285m	R305m	R325m
Number of entities supervised each year:	26 520	28 268	28 338	26 339	23 309	21 805	20 809
- financial advisory and intermediary services	12 601	14 400	14 529	14 530	14 500	14 500	14 500
- long term insurance	81	82	82	82	82	82	82
- short term insurance	103	107	106	106	106	106	106
- retirement benefits	13 616	13 561	13 500	11 500	8 500	7 000	6 000
- collective investment schemes	119	118	121	121	121	121	121
Number of inspections each year:	26	18	32	32	32	32	32
- financial advisory and intermediary services	9	5	12	12	12	12	12
- insurance	3	2	6	6	6	6	6
- capital markets	12	10	11	11	11	11	11
- retirement funds	1	1	1	1	1	1	1
- collective investment schemes	1	0	2	2	2	2	2

Service delivery and spending focus

In 2008/09, an independent assessment was made of the South African financial sector and financial regulatory environment by a joint International Monetary Fund and World Bank team. The Financial Services Laws General Amendment Act (2008) was promulgated to update existing legislation in order to close identified regulatory gaps, improve certain provisions and increase the board's enforcement capabilities. The Insurance Laws Amendment Act (2008) was promulgated to strengthen the supervisory framework for ensuring the ongoing financial soundness and proper governance of long term and short term insurance companies.

The jurisdiction of the capital markets enforcement committee was extended to all the industries regulated by the board. An enforcement unit and an extended enforcement committee were appointed for imposing administrative penalties for any contravention of an act under the supervision of the board.

Expenditure estimates

Table 7.22 Financial Services Board: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	228 154	264 825	289 087	235 142	287 495	310 069	328 677
Sale of goods and services other than capital assets	187 322	224 381	234 491	197 842	246 899	266 651	282 236
<i>of which:</i>							
<i>Sales by market establishments</i>	187 322	224 381	234 491	197 842	246 899	266 651	282 236
<i>Other non-tax revenue</i>	40 832	40 444	54 596	37 300	40 596	43 418	46 441
Total revenue	228 154	264 825	289 087	235 142	287 495	310 069	328 677
Expenses							
Current expense	196 609	206 313	253 934	262 970	301 801	304 879	322 477
Compensation of employees	111 909	126 250	116 538	179 776	195 965	209 683	224 361
Goods and services	82 045	77 281	132 139	77 359	97 727	86 912	89 552
Depreciation	2 650	2 780	5 256	5 835	8 108	8 284	8 564
Interest, dividends and rent on land	5	2	1	–	1	–	–
Total expenses	196 609	206 313	253 934	262 970	301 801	304 879	322 477
Surplus / (Deficit)	31 545	58 512	35 153	(27 828)	(14 306)	5 190	6 200

Table 7.22 Financial Services Board: Financial information (continued)

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial position							
Carrying value of assets	6 903	9 294	9 052	10 567	18 823	18 799	19 154
<i>of which: Acquisition of assets</i>	5 326	5 447	5 202	7 350	16 364	8 260	8 919
Investments	25 326	32 062	31 075	29 055	31 135	33 278	35 485
Inventory	424	625	395	415	521	580	606
Receivables and prepayments	19 860	16 231	20 147	18 942	17 626	16 650	15 817
Cash and cash equivalents	64 411	122 329	154 588	130 389	104 172	88 002	66 613
Total assets	116 924	180 541	215 257	189 368	172 277	157 309	137 675
Accumulated surplus / deficit	86 696	141 228	171 059	140 201	119 955	101 603	78 338
Post-retirement benefits	8 116	15 466	15 568	15 568	16 035	16 516	17 012
Trade and other payables	22 112	23 847	28 630	33 599	36 287	39 190	42 325
Total equity and liabilities	116 924	180 541	215 257	189 368	172 277	157 309	137 675

Expenditure trends

The Financial Services Board is funded entirely from the levies and fees that it charges registered financial institutions. In 2005/06 revenue increased by 51 per cent, and in 2006/07 by 16.1 per cent, mainly due to the expansion of the board's mandate necessitated by the introduction of the Financial Advisory and Intermediary Services Act, after which about 14 000 entities were incorporated into the board's regulatory net. The 22.3 per cent projected growth in revenue for 2009/10 excludes rebates. Revenue is projected to grow at an average annual rate of 11.8 per cent over the medium term.

About 70 per cent of operational expenditure relates to compensation of employees. R3.6 million was spent in 2007/08 on various training programmes. Operational expenditure grew by 15 per cent in 2005/06, 5 per cent in 2006/07 and 23 per cent in 2007/08, almost mirroring the growth in the number of staff: 23 per cent in 2005/06, 4 per cent increase in 2006/07, and 16 per cent in 2007/08. Over the past four years, the board had to increase its capacity, particularly in its financial advisory and intermediary service department, in order to carry out its mandate of registering and supervising financial institutions. Operational expenditure is expected to grow by 3.6 per cent in 2008/09 and by 14.8 per cent in 2009/10.

Programme 7: Provincial and Local Government Transfers

- *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 transfers to municipalities and assists municipalities in building capacity to implement the financial management reforms underpinning the Municipal Finance Management Act (2003).
- *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.

Funding will be used for transfers to provinces and municipalities.

Objectives and measures

- Assist in the design and co-financing of neighbourhood development partnership grant projects by:
 - increasing the number of projects granted award status from 80 to 90 by 2009/10
 - increasing the number of capital projects under construction that supports township regeneration from 7 to 10 by 2009/10.
- Build financial skills by improving internal and external reporting on financial management grants as they relate to budget, service business delivery implementation plans, in-year monitoring and annual reports by 2010.

- Manage conditional grants by transferring 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.

Service delivery and spending focus

National Treasury commissioned a study to identify 25 of the poorest municipalities in South Africa, with a view to providing additional financial and technical support to these in 2008/09. With the support of the provincial treasuries, all these municipalities submitted proposals on their areas of focus.

The neighbourhood development partnership grant is a hybrid grant, comprising a technical assistance fund and a capital grant for selected township regeneration projects, aimed at leveraging private sector investment and improving citizens' quality of life. By 2008/09, 729 applications were received. 86 awards were made to 51 municipalities, and the department is targeting a potential 135 townships.

The level of spending on technical assistance has been less than projected, mainly due to slow planning processes by municipalities. By September 2008, capital grant spending was on track in 8 projects under construction.

Expenditure estimates

Table 7.23 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation 2008/09	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand							
Infrastructure Grant to Provinces	2 984 113	4 983 498	6 276 244	7 384 487	9 249 247	11 314 911	13 091 190
Local Government Financial Management and Restructuring Grants	387 500	410 250	675 250	180 000	299 990	364 589	384 641
Neighbourhood Development Partnership Grant	–	50 000	41 242	373 540	661 394	753 750	939 440
Gautrain loan	–	–	–	–	4 200 000	–	–
Total	3 371 613	5 443 748	6 992 736	7 938 027	14 410 631	12 433 250	14 415 271
Change to 2008 Budget estimate				(18 680)	4 443 934	939 194	2 288 797

Economic classification

of which:

Transfers and subsidies	3 371 613	5 443 748	6 992 736	7 938 027	14 410 631	12 433 250	14 415 271
Provinces and municipalities	3 371 613	5 393 748	6 992 736	7 853 006	14 331 237	12 309 500	14 316 271
Departmental agencies and accounts	–	50 000	–	85 021	79 394	123 750	99 000
Total	3 371 613	5 443 748	6 992 736	7 938 027	14 410 631	12 433 250	14 415 271

Details of transfers and subsidies

Provinces and municipalities							
Provinces							
Provincial revenue funds							
Capital	2 984 113	4 983 498	6 276 244	7 384 487	13 449 247	11 314 911	13 091 190
Infrastructure grant to provinces	2 984 113	4 983 498	6 026 244	7 384 487	9 249 247	11 314 911	13 091 190
Transitional grant: North West	–	–	250 000	–	–	–	–
Gautrain loan	–	–	–	–	4 200 000	–	–
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	387 500	410 250	675 250	180 000	299 990	364 589	384 641
Financial management grant: Municipalities	132 500	145 250	145 250	180 000	299 990	364 589	384 641
Local government restructuring grant	255 000	265 000	530 000	–	–	–	–
Capital	–	–	41 242	288 519	582 000	630 000	840 440
Neighbourhood development partnership grant	–	–	41 242	288 519	582 000	630 000	840 440
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	–	50 000	–	85 021	79 394	123 750	99 000
Neighbourhood development partnership grant	–	50 000	–	85 021	79 394	123 750	99 000

Expenditure trends

The infrastructure grant to provinces, which takes up 64.2 per cent of the programme budget in 2009/10, 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 billion in 2005/06 to R7.4 billion in 2008/09 at an average annual rate of 35.3 per cent, mainly due to higher expenditure on roads and transport and increased capital spending.

Spending on the infrastructure grant over the MTEF period is expected to increase from R7.4 billion in 2008/09 to R13.1 billion in 2011/12, at an average annual rate of 21 per cent, mainly due to improvements in the national education infrastructure management system and transport coal road haulage system.

The local government financial management restructuring grant was introduced to assist municipalities in implementing 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 decreased from R387.5 million in 2005/06 to R180 million in 2008/09, at an average annual rate of 22.6 per cent due to the phasing out of the local government restructuring grant. Over the MTEF period, the grant increases at an average annual rate of 28.8 per cent, to reach R384.6 million in 2011/12, due to increased capacity support for municipalities.

The expenditure for the neighbourhood development partnership grant has increased from R373.5 million in 2008/09 to R939.4 million in 2011/12 at an average annual rate of 36 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 R373.5 million in 2008/09.

The Gautrain project will be funded through a once-off loan of R4.2 billion in 2009/10, which accounts for the 81.5 per cent increase in spending in transfers in 2009/10.

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

- *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.

Funding is mainly used for transfers to funds and beneficiaries.

Objectives and measures

- Pay pensions to people who made sacrifices or served the public interest in the democratisation of South Africa through full implementation of the Special Pensions Amendment Act (2008) by December 2010.
- Improve turnaround time for pension payments by reviewing special pensions, medical pensions, military pensions and injury on duty processes and procedures by October 2009.
- Alleviate poverty by ensuring timely and accurate monthly payments of military pension funds (on behalf of 7 024 beneficiaries), contributions to medical aid schemes (on behalf of 75 400 members), and risk and administrative fees on behalf of 900 members of the Political Office Bearers Pension Fund.

Service delivery and spending focus

The enactment of the Special Pensions Amendment Act (2008) will extend the right to a pension to persons 30 years of age, but not yet 35 years of age, on 31 December 1996.

All staff from the special pensions division were absorbed into the Government Employees Pension Fund with permanent and long term contracts. The communications and promotional strategy for the implementation of the special pensions amendments was completed in 2008/09.

The department also addressed the backlog of more than 50 per cent in the post-retirement medical benefits in 2008/09.

Expenditure estimates

Table 7.24 Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Civil Pensions and Contributions to Funds	1 860 893	1 901 674	2 027 434	2 157 570	4 741 780	2 214 690	2 347 571
Military Pensions and Other Benefits	149 981	147 029	149 392	156 118	178 522	183 878	194 911
Total	2 010 874	2 048 703	2 176 826	2 313 688	4 920 302	2 398 568	2 542 482
Change to 2008 Budget estimate				(39 000)	2 480 000	-	-
Economic classification							
Current payments	25 827	30 352	29 918	32 867	34 220	33 241	35 236
Goods and services	18 039	26 682	25 330	32 867	34 220	33 241	35 236
<i>of which:</i>							
<i>Consultants and professional services: Business and advisory services</i>	18 039	26 682	25 330	32 867	34 220	33 241	35 236
Financial transactions in assets and liabilities	7 788	3 670	4 588	-	-	-	-
Transfers and subsidies	1 985 047	2 018 351	2 146 908	2 280 821	4 886 082	2 365 327	2 507 246
Foreign governments and international organisations	2 688	1 688	2 075	2 638	3 763	3 989	4 228
Non-profit institutions	58	-	127	68	71	75	80
Households	1 982 301	2 016 663	2 144 706	2 278 115	4 882 248	2 361 263	2 502 938
Total	2 010 874	2 048 703	2 176 826	2 313 688	4 920 302	2 398 568	2 542 482
Details of transfers and subsidies							
Foreign governments and international organisations							
Current	2 688	1 688	2 075	2 638	3 763	3 989	4 228
United Kingdom tax	2 688	1 688	2 075	2 638	3 763	3 989	4 228
Non-profit institutions							
Current	58	-	127	68	71	75	80
SA Legion	58	-	127	68	71	75	80
Households							
Social benefits							
Current	1 982 301	2 016 663	2 144 706	2 278 115	4 882 248	2 361 263	2 502 938
Civil pensions	1 835 192	1 872 131	1 997 889	2 123 523	2 208 713	2 182 519	2 313 470
Military pensions	147 109	144 532	146 817	154 592	173 535	178 744	189 468
Political Office Bearers Pension Fund	-	-	-	-	2 500 000	-	-

Expenditure trends

Government's contributions to pensions and other benefits on behalf of retired civil servants increased from R1.9 billion in 2005/06 to R2.2 billion in 2008/09, at an average annual rate of 5.1 per cent, due to increases in medical and other benefit tariffs and increased spending on injury on duty.

Expenditure for the programme is expected to increase from R2.3 billion in 2008/09 to R2.5 billion in 2011/12 at an average annual rate of 3.2 per cent. This is due to the implementation of the Special Pensions Amendment Act (2008), which will expand benefits to widows and orphans of beneficiaries and also increase the payment of claims for injury on duty by the special pensions division. The increase of 112.7 per cent between 2008/09 and 2009/10 is due to a once-off amount of R2.5 billion added for the Political Office Bearers Pension Fund.

Public entity

Government Employees Pension Fund

Strategic overview: 2005/06 – 2011/12

The Government Employees Pension Fund was established in terms of the Government Employees Pension Law (1996). The fund is responsible for administering pensions and related benefits on behalf of its members, pensioners and their beneficiaries. The fund has approximately 1.2 million contributing members and 311 345 pensioners and beneficiaries, with assets under management of R707 billion.

Over the years, the fund has been faced with service delivery challenges, including ensuring that benefits are paid on time, maintaining accurate information on paid and payable pension benefits, communicating with members and building relations with government departments that provide the information for benefit claims when members exit. Over the past three years, the fund has focused on addressing these challenges by ensuring that backlogs in benefit payments are reduced and correct benefits are paid to legitimate members on time. The fund has developed and implemented a client service strategy, the main components of which are strengthening existing regional offices, planning for the establishment of regional offices and improving data quality.

Attracting competent staff has been another of the fund's key challenges. Over the past 18 months, critical positions have been filled by competent professionals to ensure that the fund's transformation agenda is effectively driven.

To comprehensively address its service delivery challenges, the fund has adopted a three-pronged strategy: service improvements, increasing the fund's capacity and accessibility, and sustained high performance. Implementation will be phased in over the medium term. It is envisaged that the strategy will extend over five years and will require considerable resources. Central to the service delivery improvement strategy over the MTEF period is the service delivery improvement plan, which lays the foundation for sound administration. The plan addresses the fund's business processes, its administrative system, the state of its data, developing creative partnerships, risk management and customer satisfaction.

Selected performance and operations indicators

Table 7.25 Government Employees Pension Fund

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of members receiving special pensions each year	6 059	6 112	6 208	6 359	6 486	6 616	7 200
Number of beneficiaries receiving post retirement medical benefits each year	69 007	67 141	68 417	69 767	71 117	72 467	72 467
Amount of contribution to medical aid schemes paid on behalf of members each year	R72.8m	R72.8m	R67.8m	R74.3m	R75.4m	R77.4m	R79.5m
Amount paid to beneficiaries as military pensions each year	R6.9m	R6.9m	R4.6m	R6.5m	R7m	R7m	R7m
Number of beneficiaries paid due to withdrawal from fund each year	42 896	55 845	64 425	65 000	67 500	70 000	75 000
Amount of benefits paid due to withdrawal from fund each year	R16.3m	R21.1m	R24.1m	R24.5m	R25.6m	R25.9m	R26m
Number of beneficiaries receiving funeral benefits each year	15 721	17 282	18 715	19 400	20 000	22 000	25 000

Service delivery and spending focus

In 2007/08, the fund paid 63 per cent of benefit claims within the legislated 60-day period. The call centre answered 90 per cent of all calls, reducing abandoned calls from 23 per cent to 13 per cent.

Proactive employer liaison resulted in a reduction of 28 per cent in error rated documents from employers, and the external newsletter is now available in 6 official languages.

5 regional offices were opened in Mpumalanga, Pietermaritzburg, Cape Town, Port Elizabeth and Bloemfontein.

Most contract workers, including special pensions staff, have been absorbed into the fund through permanent and long term contracts.

The fund's accumulated funds and reserves amounted to R707 billion, an increase of 7.3 per cent from 2006/07. R25.9 billion in contributions was received (R22.7 billion in 2006/07), and net benefits paid were R24.1 billion (R21.3 billion in 2006/07). Net investment income was R48 billion (R116 billion in 2006/07), and the fund has a healthy solvency reserve of R42 billion to counter market volatility as well as a pension reserve increase of R57 billion to allow the trustees greater discretion in targeting real pension increases each year.

In 2008/09, considerable effort was directed at addressing current operational priorities, including reducing backlogs, in-depth client data quality analysis, training interventions for junior and middle management, and operational training.

Expenditure estimates

Table 7.26 Government Employees Pension Fund: Activity information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Use of assets (Depreciation)	4 786	4 292	4 772	3 055	3 735	6 055	8 771
Repairs and maintenance activity	7 911	8 089	8 933	19 361	21 781	24 676	27 035
Service delivery improvement plan	–	–	–	27 100	74 550	120 000	75 500
Consulting and professional services	137 396	132 645	166 905	44 717	24 323	23 400	23 287
Other activities	166 699	109 705	99 178	250 508	326 391	371 686	424 776
Total expense	316 792	254 731	279 788	344 741	450 780	545 817	559 369

Table 7.27 Government Employees Pension Fund: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	316 792	254 731	279 788	354 037	470 736	560 674	570 678
Sale of goods and services other than capital assets	316 792	254 640	279 788	354 037	470 736	560 674	570 678
<i>of which:</i>							
Admin fees	316 792	254 640	279 788	354 037	470 736	560 674	570 678
Other non-tax revenue	–	91	–	–	–	–	–
Total revenue	316 792	254 731	279 788	354 037	470 736	560 674	570 678
Expenses							
Current expense	249 127	234 391	279 788	344 741	450 780	545 817	559 369
Compensation of employees	61 333	58 834	71 545	135 306	190 829	222 587	264 391
Goods and services	183 008	171 265	203 471	206 380	256 216	317 175	286 207
Depreciation	4 786	4 292	4 772	3 055	3 735	6 055	8 771
Transfers and subsidies	67 665	20 340	–	–	–	–	–
Total expenses	316 792	254 731	279 788	344 741	450 780	545 817	559 369
Surplus / (Deficit)	–	–	–	9 296	19 956	14 857	11 309
Statement of financial position							
Carrying value of assets	9 526	11 426	14 527	21 169	35 771	45 274	52 120
<i>of which: Acquisition of assets</i>	3 543	6 480	8 449	12 374	23 691	20 912	20 079
Inventory	2 198	1 302	940	989	1 038	1 090	1 145
Total assets	11 724	12 728	15 467	22 158	36 809	46 364	53 265
Capital and reserves	11 724	12 728	15 467	22 158	36 809	46 364	53 265
Total equity and liabilities	11 724	12 728	15 467	22 158	36 809	46 364	53 265

Expenditure trends

Between 2005/06 and 2008/09, expenditure increased from R316.8 million to R344.7 million, at an average annual rate of 2.9 per cent. This was mainly to ensure that correct benefits are paid to legitimate members on time.

Expenditure over the MTEF period is expected to increase from R344.7 million in 2008/09 to R559.4 million in 2011/12, at an average annual rate of 17.5 per cent. The increase is due to service delivery improvement plan projects and the full rollout of regional and satellite offices in all provinces by 2011/12.

Programme 9: Fiscal Transfers

The subprogrammes reflect the different types of transfers.

Domestic transfers are made to the South African Revenue Service, 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, which forms 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 International Monetary Fund
- 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
- the African integration and support programmes
- various international programmes, such as the Commonwealth Fund for Technical Cooperation, the Investment Climate Facility, and the Global Alliance for Vaccines and Immunisation.

Expenditure estimates

Table 7.28 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R thousand							
Eskom	–	–	–	10 000 000	30 000 000	20 000 000	–
Domestic Budgetary Transfers	6 627 642	7 119 382	8 165 248	9 283 960	10 217 796	11 517 142	12 286 330
<i>South African Revenue Service</i>	4 254 302	4 874 591	5 511 031	6 302 778	7 035 548	7 948 962	8 600 182
<i>Financial and Fiscal Commission</i>	19 660	21 705	27 497	26 125	24 580	26 391	28 036
<i>Secret Services</i>	2 330 063	2 223 086	2 584 240	2 843 583	2 997 251	3 251 632	3 473 045
<i>Financial Intelligence Centre</i>	23 617	–	42 480	111 474	156 417	281 957	169 757
<i>Cooperative Banking Development Agency</i>	–	–	–	–	4 000	8 200	15 310
Domestic Programme Transfers	66 240	311 715	222 297	246 809	267 407	282 595	296 726
<i>Development Bank of Southern Africa: Siyenza Manje</i>	–	258 308	168 890	246 809	267 407	282 595	296 726
<i>Development Bank of Southern Africa: Financial management grant</i>	66 240	53 407	53 407	–	–	–	–
Africa Integration and Support	244 669	282 755	320 597	349 576	414 475	439 044	465 386
<i>Common Monetary Area Compensation</i>	244 669	282 755	320 597	342 773	359 393	380 957	403 814
<i>Regional Integration</i>	–	–	–	5 000	5 000	5 000	5 300
<i>Financial and Technical Support</i>	–	–	–	1 803	50 082	53 087	56 272
Multilateral Institutions	143 153	282 094	163 586	170 382	139 154	148 567	145 929
<i>African Development Bank and African Development Fund</i>	121 569	104 939	76 945	102 382	76 006	80 567	85 401
<i>World Bank Group (including IDA)</i>	21 584	177 155	86 641	68 000	63 148	68 000	60 528
International Projects	2 309	10 077	17 562	19 800	22 100	23 144	24 461
<i>Collaborative Africa Budget Reform Initiative</i>	–	–	–	–	1 200	1 200	1 200
<i>Commonwealth Fund for Technical Cooperation</i>	2 309	2 858	3 434	3 500	3 500	3 500	3 710
<i>International Funding Facility for Immunization</i>	–	7 219	7 363	8 000	8 500	9 010	9 551
<i>Investment Climate Facility</i>	–	–	6 765	8 300	8 900	9 434	10 000
Total	7 084 013	8 006 023	8 889 290	20 070 527	41 060 932	32 410 492	13 218 832
Change to 2008 Budget estimate				10 229 691	30 471 251	20 838 272	955 133

Table 7.28 Fiscal Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Economic classification							
Transfers and subsidies	7 084 013	8 006 023	8 889 290	20 070 527	41 060 932	32 410 492	13 218 832
Departmental agencies and accounts	6 627 642	7 119 382	8 165 248	9 283 960	10 217 796	11 517 142	12 286 330
Public corporations and private enterprises	66 240	311 715	222 297	10 246 809	30 267 407	20 282 595	296 726
Foreign governments and international organisations	390 131	574 926	501 745	539 758	575 729	610 755	635 776
Total	7 084 013	8 006 023	8 889 290	20 070 527	41 060 932	32 410 492	13 218 832
Details of transfers and subsidies							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	5 798 316	6 754 340	7 308 583	7 983 468	9 606 380	10 767 255	11 514 748
South African Revenue Service	3 803 868	4 788 029	5 255 704	6 021 111	6 883 555	7 778 790	8 409 079
Financial and Fiscal Commission	19 660	21 705	27 497	26 125	24 580	26 391	28 036
Secret Services Account	1 955 216	1 944 606	1 988 556	1 830 677	2 585 449	2 764 712	2 892 566
Financial Intelligence Centre	19 572	–	36 826	105 555	108 796	189 162	169 757
Cooperative Banking Development Agency	–	–	–	–	4 000	8 200	15 310
Capital	829 326	365 042	856 665	1 300 492	611 416	749 887	771 582
South African Revenue Service	450 434	86 562	255 327	281 667	151 993	170 172	191 103
Secret Services Account	374 847	278 480	595 684	1 012 906	411 802	486 920	580 479
Financial Intelligence Centre	4 045	–	5 654	5 919	47 621	92 795	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	66 240	311 715	222 297	246 809	267 407	282 595	296 726
Development Bank of Southern Africa: Siyenza Manje	–	258 308	168 890	246 809	267 407	282 595	296 726
Development Bank of Southern Africa: Financial management grant	66 240	53 407	53 407	–	–	–	–
Capital	–	–	–	10 000 000	30 000 000	20 000 000	–
Eskom	–	–	–	10 000 000	30 000 000	20 000 000	–
Foreign governments and international organisations							
Current	246 978	292 832	338 158	367 573	386 493	409 101	433 575
Common Monetary Area Compensation	244 669	282 755	320 596	342 773	359 393	380 957	403 814
Regional Integration	–	–	–	5 000	5 000	5 000	5 300
Collaborative Africa Budget Reform Initiative	–	–	–	–	1 200	1 200	1 200
Commonwealth Fund for Technical Cooperation	2 309	2 858	3 434	3 500	3 500	3 500	3 710
International Funding Facility for Immunization	–	7 219	7 363	8 000	8 500	9 010	9 551
Investment Climate Facility	–	–	6 765	8 300	8 900	9 434	10 000
Capital	143 153	282 094	163 587	172 185	189 236	201 654	202 201
Financial and Technical Support	–	–	–	1 803	50 082	53 087	56 272
Africa Development Bank and African Development Fund	121 569	104 939	76 945	102 382	76 006	80 567	85 401
World Bank	21 584	177 155	86 642	68 000	63 148	68 000	60 528

Expenditure trends

There is no direct expenditure under this programme, only transfers. Transfers increased from R7.1 billion in 2005/06 to R20.1 billion in 2008/09, at an average annual rate of 41.5 per cent. The increase was mainly due to additional budgetary allocations which also included inflation adjustments to the South African Revenue Service and the Secret Services, the Financial Intelligence Centre for capacity building and accommodation, and the Eskom subordinated loan for building infrastructure for sustainable electricity. Transfers are expected to decrease from R20.1 billion in 2008/09 to R13.2 billion in 2011/12, at an average annual rate of 13 per cent, due to the phasing out of the Eskom funding.

Trading entities

Project development facility

The project development facility is a single function trading entity in National Treasury's public private partnership unit, created in accordance with the Public Finance Management Act (1999). 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 public private partnership projects. After the financial close of the project, the funds are recovered from the successful private party bidder, allowing the project development facility to fund further projects.

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

The project development facility receives R6 million a year over the medium term for transaction advisors.

The following table shows project commitments in transactional advisory services for 2009/10.

New funding

Institution	Project	Funding approved
Greater Tubatse Municipality	Solid waste management	R2 000 000
Eastern Cape Department of Transport	Fleet	R3 780 394
Department of Correctional Services	Fleet	R2 000 000
Thaba Chweu Municipality	Tourism	R750 000
Waterberg District Municipality	Solid waste management	R1 500 000
Total		R10 030 394

Technical assistance unit

The technical assistance unit is a facility within National Treasury. It was established in 2001, and from April 2008, a trading entity has been operated within the unit. The technical assistance unit 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 unit will receive transfers of R1 million a year from 2009/10 to 2011/12 from National Treasury. National Treasury is in the process of establishing the unit as a government component and this will affect the governance arrangements of this unit.

Public entities

South African Revenue Service

Strategic overview: 2005/06 - 2011/12

The South African Revenue Service is mandated to support government in meeting its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. By administering an efficient tax system, the South African Revenue Service is reducing the compliance burden, ensuring delivery on revenue targets and ensuring good governance and administration.

Key priorities of the *South African Revenue Service* over the MTEF period include implementing new tax policies, instruments and trade policies, and implementing and improving the modernisation programme.

Government's framework for tax policy

The implementation of government's framework for tax policy began in 2006/07 and was aimed at broadening the tax base, where appropriate. Outcomes are already apparent through lowered tax rates to improve the equity of the tax system, while promoting savings and investment. The main underpinnings of the 2007 tax proposals were: to support economic growth, investment, and job creation; boost business confidence and development;

promote financial security for poorer households; and support macroeconomic policy objectives. In 2006/07, government offered total tax relief of R12.4 billion.

Modernisation programme

In 2007, the South African Revenue Service introduced its modernisation programme. The first phase of the programme, which was launched in 2007/08, included e-filing and focused on the income tax assessment process. This resulted in significant improvement for taxpayers and practitioners: 34 per cent of returns are now processed within 48 hours, compared to only 1.6 per cent in 2006/07. Another outcome was a major increase in electronic filing as the preferred way of submitting tax returns. More than 1 million e-filed returns were submitted compared to only 35 000 in 2006/07.

Tax collection strategy

2007/08 saw a temporary slowdown in a cycle of buoyant activity. However, the 2008 Budget cautioned that financial market turbulence and a sharp economic slowdown in the United States would have a negative impact on global economic growth and growth prospects domestically. In this context, the South African Revenue Service still managed to deliver and surpass revenue targets year on year. For 2007/08, revenue collection grew by 16 per cent (R79 billion) to R572.8 billion.

Border control operations coordination committee

The South African Revenue Service was also appointed the lead agency in preparing a national integrated border management system in preparation for the 2010 FIFA World Cup. A mobile X-ray container scanner was installed and commissioned at the Durban container terminal, and militarily trained customs border control staff and a new detector dog unit are required in support of the border control operations coordination committee project. SARS is responsible for all the border control committee's operational expenses and funding has been requested for the implementation of the committee's projects over the MTEF period. As lead agency and chair of the committee, the South African Revenue Service is responsible for monitoring all ports of entry, and implementing all the committee's projects and initiatives.

Selected performance and operations indicators

Table 7.29 South African Revenue Service

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Amount of annual revenue collected	R417.3bn	R495.5bn	R572.8bn	R642.3bn	R711.5bn	R777.9bn	R850.6bn
Number of personal income tax returns each year	4 290 175	4 301 865	3 747 376	5 091 963	5 474 249	5 885 237	6 179 499
Number of corporate income tax returns each year	600 869	636 270	442 391	1 558 976	1 131 424	1 267 195	1 330 555
Number of value added tax returns processed each year	3 501 943	3 704 194	3 794 204	4 021 856	4 263 168	4 518 958	4 744 906
Number of pay as you earn returns processed each year	3 739 225	3 995 580	3 977 234	4 215 867	4 468 819	4 736 947	4 973 794
Number of imports bill of entry each year	2 067 867	2 192 853	2 436 690	2 975 114	3 985 503	5 028 402	5 279 822
Number of exports each year	2 705 762	2 807 934	3 135 939	3 675 114	4 685 503	5 818 402	6 109 322

Service delivery and spending focus

Revenue has grown from R123 billion in 1995/96 to R642 billion in 2008/09, exceeding the revised 2008 Budget of R571.1 billion by R1.8 billion (0.3 per cent). This was achieved in an economic environment characterised by moderate economic growth (from 5 per cent to 5.1 per cent) in 2007/08. Although the economy experienced a temporary slowdown and recession in 2008/09, the South African Revenue Service has projected a 24 per cent increase in revenue collection over the MTEF period.

This represents an average annual growth rate of 14.8 per cent, despite progressive reductions in the tax rates for companies and individuals. The total tax base has grown from 2.4 million taxpayers in 1995/96 to 9 million taxpayers in 2007/08, yielding an average increase of 11.6 per cent. The number of assessments processed has increased significantly, from 4.5 million in 1995/96 to 15.2 million in 2007/08. Import and export value has grown significantly from R229 billion in 1995/96 to R980 billion in 2007/08.

The first phase of the modernisation programme was launched in 2007/08, and resulted in significant improvement in the income tax assessment process. This led to a major increase in electronic filing as a preferred channel for the submission of returns. More than 1 million e-filed returns were submitted in 2007/08 compared to only 35 000 in 2006/07. As a result, the South African Revenue Service managed to reduce the cost/collection ratio from 1.23 per cent in 2005/06 to 1.1 per cent in 2007/08.

The South African Revenue Service continues to model the principles of the Batho Pele programme by providing appropriate services to stakeholders by improving efficiency, channel access, stakeholder contact and core assessment processes. Through education, outreach and marketing, the South African Revenue Service has actively communicated with its stakeholders (taxpayers) to change their understanding and perception of tax obligations and the potential use of different service channels. The outcomes are evident in the successes of the modernisation programme.

Changes to the submission of returns were introduced in 2006/07 through the electronic filing process, which reduced compliance costs and improved service delivery and the risk management process. Other fundamental changes included a move away from issuing cheques for refunds to electronic payments and an improved process for verifying IRP5 information. During 2007/08, a scanning solution was introduced and implemented effectively. The focus was on scanning income tax under review, which increased the number of electronic submissions, and enabled the South African Revenue Service to exceed the target set for processing returns.

The introduction of the modernised returns processing model has helped to address the increased volumes with fewer staff, while improving service delivery. This has resulted in the effective processing of 34 per cent of returns within 2 days and 96 per cent of returns within 90 days.

The South African Revenue Service introduced a dedicated channel of tax practitioners. The call centre was equipped with multiskilled agents to assist with all types of tax queries. A dedicated small business tax amnesty call centre was also established.

Expenditure estimates

Table 7.30 South African Revenue Service: Activity information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Taxpayers services and business enablement and delivery	1 741 547	1 703 672	1 722 859	1 861 056	2 162 679	2 335 693	2 522 549
Customs operations	454 654	493 796	532 630	630 851	733 094	791 741	855 080
Enforcement, risk and debt collection	744 548	910 629	1 154 551	1 398 459	1 625 108	1 755 117	1 895 527
South African Revenue Service Administration	1 596 082	1 526 198	1 643 706	1 720 528	1 850 039	2 080 179	2 323 866
Modernisation: Business as usual and projects	598 565	521 831	554 159	1 054 561	894 361	1 126 847	1 214 382
Total expense	5 135 396	5 156 126	5 607 905	6 665 455	7 265 281	8 089 578	8 811 404

Table 7.31 South African Revenue Service: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	240 013	281 778	333 054	328 408	270 054	264 190	264 190
<i>Other non-tax revenue</i>	240 013	281 778	333 054	328 408	270 054	264 190	264 190
Transfers received	4 254 302	4 881 657	5 511 031	6 302 778	7 035 548	7 948 962	8 600 182
Total revenue	4 494 315	5 163 435	5 844 085	6 631 186	7 305 602	8 213 152	8 864 372
Expenses							
Current expense	5 135 396	5 156 126	5 607 905	6 665 455	7 265 281	8 089 578	8 811 404
Compensation of employees	2 935 403	3 123 986	3 500 297	4 078 930	4 690 171	5 065 385	5 470 616
Goods and services	1 958 398	1 712 355	1 865 093	2 233 489	2 124 634	2 470 441	2 713 756
Depreciation	239 132	276 345	211 523	316 315	409 679	508 426	627 032
Interest, dividends and rent on land	2 463	43 440	30 992	36 721	40 797	45 326	–
Total expenses	5 135 396	5 156 126	5 607 905	6 665 455	7 265 281	8 089 578	8 811 404
Surplus / (Deficit)	(641 081)	7 309	236 180	(34 269)	40 321	123 574	52 968

Table 7.31 South African Revenue Service: Financial information (continued)

R thousand	Audited outcome			Revised estimate 2008/09	Medium-term estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
Statement of financial position							
Carrying value of assets	598 748	577 568	798 568	1 216 891	1 254 972	1 375 743	1 425 162
<i>of which: Acquisition of assets</i>	332 170	321 806	438 446	734 638	450 000	632 000	680 000
Receivables and prepayments	56 109	87 731	79 108	79 000	68 389	68 432	68 432
Cash and cash equivalents	747 361	911 176	1 072 516	627 618	641 902	629 296	600 861
Total assets	1 402 218	1 576 475	1 950 192	1 923 509	1 965 263	2 073 470	2 094 455
Accumulated surplus / deficit	417 351	437 708	673 888	639 619	679 940	803 514	856 482
Borrowings	162 152	518 763	507 595	484 890	470 343	446 826	406 612
Trade and other payables	518 463	342 162	433 802	434 000	442 680	447 107	451 578
Provisions	304 252	277 842	334 907	365 000	372 300	376 023	379 783
Total equity and liabilities	1 402 218	1 576 475	1 950 192	1 923 509	1 965 263	2 073 470	2 094 455
Contingent liabilities	73 998	72 136	68 974	65 493	62 301	60 269	55 481

Expenditure trends

Funding for the South African Revenue Service comprises a transfer from National Treasury, commission earned on the collection of skills development levies and unemployment insurance contributions, 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 R4.3 billion in 2005/06 to R6.3 billion in 2008/09 mainly to accommodate provisions 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 11.6 per cent between 2005/06 and 2008/09, and the 15 per cent growth in 2009/10 is to cover capacity building in the areas of customs, small business amnesties and large business centres.

Transfers over the medium term will increase at an average annual rate of 10.9 per cent to R8.6 billion by 2011/12. Spending over the MTEF period will focus on improving the core systems, buying customs scanners, funding the operational budget to lead the border control operations coordination committee, and improving fraud detection and enforcement.

Development Bank of Southern Africa

Strategic overview: 2005/06 – 2011/12

The Development Bank of Southern Africa is one of several development finance institutions in South and Southern Africa. Its purpose is to accelerate sustainable socioeconomic development by funding physical, social and economic infrastructure. The bank's core goal is to improve the quality of life of the people of the region. The bank has a five-pronged strategy:

- co-deliver social and economic infrastructure, with a focus on the public sector
- build human and institutional capacity, with a focus on municipalities
- promote broad based economic growth, job creation, cooperation, integration and prosperity, with a focus on identified sectors, geographical areas and projects
- serve as a centre of excellence for development financing and effectiveness
- promote development sustainability, both internally and externally.

Siyenza Manje

In partnership with National Treasury and the South African Local Government Association the Development Bank of Southern Africa is rolling out the Siyenza Manje (We are Doing it Now) flagship project, which was launched in 2006/07. The project deploys experts in engineering, finance, project management and town planning to second and third tier municipalities. By providing these resources, the Siyenza Manje programme

aims to unlock municipal infrastructure grants and other funding from the fiscus, and to deploy priority skills in under capacitated municipalities and government departments. The aim is to accelerate the implementation of infrastructure projects, especially in water and sanitation.

Capacity has been bolstered with the deployment of 338 personnel in 2007/08 compared with 97 in the previous year. In 2007/08, the programme was supporting 155 municipalities, a significant increase on the 86 in 2006/07. Training in local government involved 2 676 delegates, including more than 500 delegates from the remaining SADC region participating in the programme.

Pan African capacity building platform

In 2006/07, the Development Bank of Southern Africa and the Agence Française de Développement signed a five-year agreement that will regulate their working relationship in the creation of a joint pan-African capacity building platform. The focus of this agreement is a professional training programme in infrastructure project management, with a specific focus on the energy, water and sanitation, and transport sectors. The Development Bank of Southern Africa and the North West provincial government are making progress with their efforts to eradicate the bucket system and address sanitation backlogs in the province, which is part of this initiative.

Accelerated and Shared Growth Initiative for South Africa

The Development Bank of Southern Africa has been involved in infrastructure initiatives linked to the Accelerated and Shared Growth Initiative for South Africa. These range from water and sanitation to rail and road, ICT, sport and recreation, and housing.

Examples include: the R25 million Hex Valley augmentation water scheme; technical assistance of R1.3 million to BEE participants in the independent power producer projects of the Department of Minerals and Energy; empowerment funding and project debt of R500 million for the Gautrain project; participation in capital raising and re-financing of the N4 toll road amounting to R140 million; approval of a R467 million loan to the second fixed line network operator; disbursement of funds for stadium infrastructure for the 2010 FIFA World Cup and monitoring and controlling systems developed for the construction phase; funding a housing project of R55 million in Polokwane; and an inner city accommodation project worth R54 million in Braamfontein. The bank is a key player in the Accelerated and Shared Growth Initiative for South Africa's Joint Initiative on Priority Skills Acquisition.

In 2006/07, the bank funded the R7.3 million Gillimburg Farming project in Limpopo, which seeks to establish an animal feed company to produce a stable supply of value adding animal feed products, creating 75 new jobs. The bank has also contributed to the funding and technical support of women in construction and supports small, micro and medium enterprises. The bank's loan disbursements are expected to increase from R3.9 billion in 2008 to R6.9 billion in 2012.

Focus over the medium term

Over the next three years, the bank's strategy envisages the investment of R8 billion in Southern Africa and the deployment of 150 experts to develop and implement infrastructure projects. The growth will be on the sectors and projects identified in the Accelerated and Shared Growth Initiative of South Africa, the SADC regional indicative strategic development plan and the New Partnership for Africa's Development short term action plan for infrastructure. The Development Bank of Southern Africa is also involved in infrastructure initiatives ranging from water and sanitation to rail and road, ICT, sport and recreation, and housing.

Selected performance and operations indicators

Table 7.32 Development Bank of Southern Africa

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total value of disbursements (loans and equity) to infrastructure related projects	R3.1bn	R3.7bn	R3.9bn	R5.6bn	R6.2bn	R6.8bn	R7.2bn
Co-funding ratio (other funding as proportion of bank disbursements) ¹	-	1:5.32	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3

Table 7.32 Development Bank of Southern Africa (continued)

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cost to income ratio	33.7%	34.3%	37%	40%	41%	42%	43%
Total number of learners not employed by the bank trained at Vulindlela Academy	–	436	2 000	3 300	2 700	2 900	3 000
Total number of municipal officials trained at Vulindlela Academy	–	–	–	120	200	300	300
Value of municipality infrastructure grant and other infrastructure expenditure grants implemented in projects	–	–	R2bn	R3.8bn	R4bn	R5bn	R6bn
Total number of municipalities supported	–	20	60	140	160	180	200
Total number of technical projects completed	–	30	200	250	500	750	750
Total number of non-technical projects completed	–	–	160	200	300	300	300

1. For every R1 the bank commits, other organisations commit R5.32 (2006/07).

Service delivery and spending focus

Since its launch in 2006/07, Siyenza Manje has deployed 158 experts and 79 young graduates to municipalities and government departments to facilitate the proactive initiation and accelerated implementation of priority water and sanitation infrastructure projects.

Through the local organising committee of the 2010 FIFA World Cup partnership, the bank continued to support the host cities with developing infrastructure for the event. In the rest of the region, the bank extended its partnership programmes with institutions such as the African Development Bank, the Agence Française de Développement and the Bank of Japan. The significant grant funding committed by the Agence Française de Développement in a new skills development partnership with the bank and the Industrial Development Corporation aims to develop approximately 100 skilled public sector delegates annually for deployment across the region.

The bank has maintained a healthy financial position characterised by strong growth in total assets (up by 19 per cent to R33.2 billion), higher net interest margins and sound returns on equity investments. Despite significant development challenges, the bank maintained a strong balance sheet during 2007/08 with its debt to equity ratio growing to 107.6 percent from 88.3 per cent in 2006/07.

The Development Bank of Southern Africa uses a unique social accounting matrix model to estimate the impact of its operations. The impact of the bank's disbursements on the GDP will be about R3 billion, contributing to the creation of 30 000 jobs in South Africa.

Expenditure estimates

Table 7.33 Development Bank of Southern Africa: Project information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Disbursements of loan and equity	1 706 996	1 755 229	2 161 256	1 789 538	2 209 733	3 014 265	3 147 601
Siyenza Manje	–	42 156	121 323	365 382	443 635	–	–
Vulindlela Academy	–	–	9 202	19 278	28 994	32	–
Sustainable Communities	–	–	12 649	60 517	68 981	76	–
Total expense	1 706 996	1 797 385	2 304 430	2 234 715	2 751 344	3 014 373	3 147 601

Table 7.34 Development Bank of Southern Africa: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	2 635 377	3 080 157	3 570 319	3 332 705	3 882 757	4 327 358	4 564 879
Sale of goods and services other than capital assets	56 181	46 807	54 096	88 524	112 368	132 950	146 240
of which:							
Sales by market establishments	56 181	46 807	54 096	88 524	112 368	132 950	146 240
Interest on loans	2 579 196	3 033 350	3 516 223	3 244 181	3 770 389	4 194 408	4 418 639
Total revenue	2 635 377	3 080 157	3 570 319	3 332 705	3 882 757	4 327 358	4 564 879

Table 7.34 Development Bank of Southern Africa: Financial information (continued)

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Expenses							
Current expense	1 472 851	1 763 914	2 258 135	2 165 434	2 605 666	2 859 954	2 983 917
Compensation of employees	290 754	346 798	398 363	392 497	439 195	465 547	493 480
Goods and services	115 405	168 044	515 880	365 745	371 983	372 286	397 199
Depreciation	6 804	5 648	5 777	8 408	9 483	13 281	17 794
Interest, dividends and rent on land	1 059 888	1 243 424	1 338 115	1 398 784	1 785 005	2 008 840	2 075 444
Transfers and subsidies	234 145	33 471	46 295	69 281	145 678	154 419	163 684
Total expenses	1 706 996	1 797 385	2 304 430	2 234 715	2 751 344	3 014 373	3 147 601
Surplus / (Deficit)	928 381	1 282 772	1 265 889	1 097 990	1 131 413	1 312 985	1 417 278
Statement of financial position							
Carrying value of assets	210 695	283 712	318 470	401 449	409 969	428 267	497 998
<i>of which: Acquisition of assets</i>	32 199	2 695	34 981	91 387	18 003	31 579	87 525
Investments	7 328 629	6 316 755	7 191 557	5 066 881	6 982 886	7 699 274	7 020 788
Loans	17 321 872	20 218 239	23 307 537	26 921 890	30 473 071	32 514 694	34 784 989
Receivables and prepayments	103 521	168 839	114 930	189 391	200 755	212 800	225 568
Cash and cash equivalents	1 453 997	890 357	2 313 804	3 639 414	1 624 933	1 733 858	2 820 070
Total assets	26 418 714	27 877 902	33 246 298	36 219 025	39 691 614	42 588 893	45 349 413
Capital and reserves	13 218 656	14 538 231	15 779 874	16 652 254	18 214 179	19 331 885	20 617 474
Borrowings	12 467 179	12 666 637	16 780 517	18 832 399	20 709 725	22 453 567	23 890 624
Post-retirement benefits	130 902	172 204	195 769	172 204	172 204	172 204	172 204
Trade and other payables	601 977	500 830	490 138	562 168	595 506	631 237	669 111
Total equity and liabilities	26 418 714	27 877 902	33 246 298	36 219 025	39 691 614	42 588 893	45 349 413

Expenditure trends

The bank's annual expenditure on financial contributions towards development increased over the five-year period from R98.6 million in 2003/04 (or 8 per cent of the operational surplus) to R308.4 million, that is 24.4 per cent of operational surplus in 2007/08. Current financial budgets and forecasts indicate that this ratio may grow to as much as 45 per cent over the next three years, which is why the bank is paying particular attention to managing its financial risk. Total assets grew at an annual average rate of 12.2 per cent to R33.2 billion from 2005/06 to 2007/08, owing mainly to the 19.3 per cent growth in income earning assets. Development loans have grown by 15.8 per cent to R26.9 billion in 2008/09.

The Land and Agricultural Bank of Southern Africa

Strategic overview: 2005/06 – 2011/12

The Land and Agricultural Bank is an agricultural development finance institution whose mission is to support developing and resource poor farmers by providing them with retail, wholesale, project and micro-finance. As a specialist agricultural financier, the bank's aim is to improve the sector by providing the necessary support, especially for training and capacity building of (development) farmers and the sustainability of the sector.

Turnaround strategy

Key components of the Land and Agricultural Bank's turnaround strategy to ensure that it delivers on its mandate include a focus on promoting previously disadvantaged individuals in the agriculture sector and promoting sustainable development and BEE in the agricultural sector. The bank's support to previously disadvantaged communities should help government with the redistribution of 30 per cent of agricultural land by 2014, and other land reform objectives.

Focus on development

The Land and Agricultural Bank is refocusing its strategy on development as core to its business to address its business challenges. With only 4 per cent of loans having gone to development projects, the Land and Agricultural Bank has been unable to grow in line with its mandate as a development finance institution. The new focus will be on improving its financial position and re-aligning the bank's operations with its mandate.

Better financial management

The Land and Agricultural Bank will put initiatives in place to improve its liquidity position, lengthen the maturity profile of investments, minimise short term refinancing risks, as well as increase rollovers and the issuing of new funding. The biggest concern has been the declining loan book – a decline from R14.1 billion to R12.4 billion. Equity (retained earnings) is set at a healthy R1.8 billion (excluding the government guarantee of R1.5 billion). The decrease in funds and administration was mainly due to the Micro-Agricultural Financial Institutions of South Africa fund remaining flat because the bank had stopped disbursing funds. Proper procedures and controls had to be put in place to ensure that irregularities could be avoided in future. National Treasury developed a policy that required the Land and Agricultural Bank to maintain fixed and floating assets.

Government has reaffirmed its support to the Land and Agricultural Bank by extending a capital guarantee of R1.5 billion, and a further cash injection of R700 million to support its turnaround strategy and to provide a prudent level of capital adequacy to ensure that the bank fulfils its mandate.

Selected performance and operations indicators

Table 7.35 The Land and Agricultural Bank of Southern Africa

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Funds set aside for agricultural development	R421m	R428m	R432m	R586m	R1.186bn	R2.386m	R4.773m
Ratio of expense to income	58.9 %	81 %	74.2 %	129 %	114.8 %	138.1 %	145.5 %
Loan book quality	11.4 %	15.3 %	17.6 %	16.2 %	20 %	20 %	20 %
Net interest margin	–	2.75 %	3.57 %	3.42 %	3.31 %	2.77 %	2.66 %
Capital adequacy ratio (including guarantee from National Treasury)	9.58%	18.41 %	24.46 %	25.32 %	24 %	22.68 %	21.06 %

Service delivery and spending focus

The Land and Agricultural Bank has made significant progress in regaining investor confidence by refining and stabilising its processes. This is reflected in the longer term funding that the bank is able to obtain in the markets. During 2007/08, the Land and Agricultural Bank grappled with a range of adverse developments. These included low levels of capitalisation and sustainability concerns, which partly emanated from a high number of non-performing loans and write-offs, damage to its reputation and weakening stakeholder confidence, the migration of clients to the private sector, and concerns regarding the alignment of its mandate with government policy.

In 2008, the asset and liability management division of National Treasury conducted two meetings with the Land and Agricultural Bank about progress since the transfer of the Land and Agricultural Bank from the Minister of Agriculture and Land Affairs to the Minister of Finance in 2008/09.

The Land and Agricultural Bank focused on three issues:

- restructuring the bank's operations, based on the recommendations of the McKinsey and the development finance institution review reports
- stabilising the bank, by stabilising its financial and operational position, including identifying new funding sources and adjusting the funding structure, reducing running costs, and boosting the human resource capacity and IT systems
- planning the way forward, by focusing on reworking both the short and long term goals of the bank, the redevelopment and the approval of the corporate plan and turnaround strategy.

Expenditure estimates

Table 7.36 Land and Agricultural Bank of South Africa: Objective information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Financing development farmers and related agricultural businesses	1 896 734	1 885 891	1 892 252	2 031 000	1 862 888	1 966 598	2 022 287
Total expense	1 896 734	1 885 891	1 892 252	2 031 000	1 862 888	1 966 598	2 022 287

Table 7.37 Land and Agricultural Bank of South Africa: Financial information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Statement of financial performance							
Revenue							
Non-tax revenue	1 962 296	1 875 784	2 062 125	2 283 000	1 928 774	1 940 423	1 934 921
Sale of goods and services other than capital assets	54 029	70 635	31 454	20 518	71 135	76 578	44 758
<i>of which:</i>							
Administrative fees	22 041	43 405	27 062	14 018	26 631	28 176	29 951
Sales by market establishments	31 748	26 563	4 392	6 501	44 504	48 401	14 807
Other sales	240	667	–	–	–	–	–
Interest on loans	1 908 267	1 805 149	2 030 671	2 262 482	1 857 638	1 863 846	1 890 163
Total revenue	1 962 296	1 875 784	2 062 125	2 283 000	1 928 774	1 940 423	1 934 921
Expenses							
Current expense	1 892 490	1 881 641	1 892 252	2 031 000	1 862 888	1 966 598	2 022 287
Compensation of employees	200 911	229 002	234 304	252 761	292 892	309 880	329 402
Goods and services	460 401	365 031	259 269	445 378	343 396	363 824	386 916
Depreciation	9 060	12 287	13 063	7 861	6 129	5 973	6 178
Interest, dividends and rent on land	1 222 118	1 275 321	1 385 616	1 325 000	1 220 471	1 286 921	1 299 790
Transfers and subsidies	4 244	4 250	–	–	–	–	–
Total expenses	1 896 734	1 885 891	1 892 252	2 031 000	1 862 888	1 966 598	2 022 287
Surplus / (Deficit)	65 562	(10 107)	169 873	252 000	65 886	(26 175)	(87 365)
Statement of financial position							
Carrying value of assets	230 920	271 276	244 717	242 447	241 665	241 103	240 984
<i>of which: Acquisition of assets</i>	26 621	48 573	4 280	1 582	1 856	1 834	1 949
Investments	1 204 057	1 285 278	274 662	191 878	203 391	215 187	228 744
Loans	14 951 852	15 598 898	14 102 136	12 977 352	14 275 087	14 869 338	15 412 602
Receivables and prepayments	49 916	29 841	6 418	7 000	7 420	7 850	8 345
Cash and cash equivalents	3 249 884	1 118 260	1 443 992	1 884 000	1 997 040	2 102 883	2 235 365
Assets not classified elsewhere	–	–	305 791	328 782	–	–	–
Total assets	19 686 629	18 303 553	16 377 716	15 631 459	16 724 603	17 436 361	18 126 041
Accumulated surplus / deficit	1 693 786	1 696 717	1 709 658	1 961 685	2 027 571	2 001 396	1 914 031
Borrowings	17 589 355	16 195 598	13 554 530	12 298 658	13 528 524	14 204 950	14 915 197
Trade and other payables	198 267	204 194	136 470	129 412	137 177	145 133	154 276
Provisions	205 221	207 044	224 909	495 635	247 960	262 342	278 869
Managed funds	–	–	752 149	746 068	783 371	822 540	863 667
Total equity and liabilities	19 686 629	18 303 553	16 377 716	15 631 458	16 724 603	17 436 361	18 126 041

Expenditure trends

In 2004/05, the Land and Agricultural Bank recorded total revenue of R2.5 billion, which declined by 21.5 per cent in 2005/06. In 2006/07, a slight increase was realised when it recorded a 24 per cent increase of R96.6 million. In 2007/08, total revenue closed at R2.1 billion, which is 17.5 per cent below total revenue in 2004/05. This indicates that the Land and Agricultural Bank's revenue is on a declining trend. This is largely due to decreases in interest income because some clients are failing to service their debt. In 2005/06, the Land and Agricultural Bank recorded losses that translated to a negative profit margin of 16.1 per cent. In 2006/07, a slight improvement of 3.1 per cent was recorded in the profit margin. By the end of 2007/08, there was a positive margin of 0.8 per cent when it recorded a net profit of R17.5 million.

The Land and Agricultural Bank's total expenses are mainly driven by personnel and related costs. On average, these costs make up about 33 per cent of total expenses. This is because as a financial services organisation, its business is human resource driven. The significant increase in expenses in 2008/09 is attributable to accruals

that the bank had effected. These costs include professional fees for the clean-up project, anticipated claims against the bank and employee related expenses. These costs are once-off in nature and not expected to recur. Interest income is not expected to increase significantly as a lot of interest might have to be suspended or written off if the current trend in the development loan book persists. However, much effort is going to be channelled towards ensuring that development farmers are assisted and monitored to reduce associated risks.

Financial and Fiscal Commission

Strategic overview: 2005/06 – 2011/12

The Financial and Fiscal Commission was established in terms of the Financial and Fiscal Commission Act (1997). The commission plays a key role in the evolution of the intergovernmental fiscal relations system. It is also strategically positioned to take cognisance of the financial needs of local, provincial and national government. The findings and recommendations of the 2007 ad hoc committee on the review of chapter 9 and associated institutions provides a summary of the past achievements of the commission and also highlights its important role in assisting and maintaining the balance between fiscal decentralisation and the unitary state.

The execution of the commission's mandate is primarily driven through a research and recommendations programme. A key development in the intergovernmental fiscal relations system that affects the work of the commission relates to the rollout of legislation that has implications for the finances of the three spheres of government. Most of the legislation pertains to the local sphere and has only been promulgated in the last three to five years.

Selected performance and operations indicators

Table 7.38 Financial and Fiscal Commission

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Number of public hearings on local government each year	7	9	5	9	5	5	5
Number of reports to Parliament to advise on legislation each year	5	6	5	4	3	3	3

Service delivery and spending focus

In 2007/08, the Financial and Fiscal Commission met all its annual constitutionally mandated requirements, including submitting inputs for the Division of Revenue Bill and commentary, and responded to all requests from stakeholders in line with the Financial and Fiscal Commission Act.

The commission has constructed a variety of world class models that are currently operational, the most recent of which include the constitutionally mandated basic services model, the energy computable general equilibrium model and the 2010 FIFA World Cup social accounting matrix model. In 2007/08, the basic services model was launched at an international workshop.

In the spirit of the New Partnership for Africa's Development (NEPAD), in 2007/08 the commission assisted other African countries with their intergovernmental fiscal relations systems and fiscal decentralisation efforts.

The commission was also involved in improving a means test for the national schools nutrition programme, particularly among primary school learners in 2007/08.

The spending focus over the MTEF period is on research on the built environment in relation to infrastructure backlogs, housing delivery and the maintenance and financing of new infrastructure, the adequacy of social assistance funding and the efficiency of education and health spending. Other projects over the MTEF period include research on local government financials, a fiscal impact assessment, budget analysis, and the performance of government programmes.

Expenditure estimates

Table 7.39 Financial and Fiscal Commission: Financial information

R thousand		Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
Revenue								
Non-tax revenue	208	389	144	186	120	100	90	
<i>Other non-tax revenue</i>	208	389	144	186	120	100	90	
Transfers received	19 899	22 096	27 851	26 125	24 580	26 391	28 036	
Total revenue	20 107	22 485	27 995	26 311	24 700	26 491	28 126	
Expenses								
Current expense	19 047	25 525	26 510	26 311	24 700	27 997	29 795	
Compensation of employees	8 463	12 750	16 123	17 023	17 862	21 577	23 112	
Goods and services	9 647	11 696	9 251	8 492	6 401	6 143	6 406	
Depreciation	910	1 035	1 079	796	437	277	277	
Interest, dividends and rent on land	27	44	57	–	–	–	–	
Total expenses	19 047	25 525	26 510	26 311	24 700	27 997	29 795	
Surplus / (Deficit)	1 060	(3 040)	1 485	–	–	(1 506)	(1 669)	
Statement of financial position								
Carrying value of assets	2 020	3 133	2 363	1 697	1 540	1 401	1 270	
<i>of which: Acquisition of assets</i>	1 936	2 156	335	130	280	138	146	
Receivables and prepayments	141	3	151	52	52	52	53	
Cash and cash equivalents	1 589	19	172	100	100	100	100	
Total assets	3 750	3 155	2 686	1 849	1 692	1 553	1 423	
Accumulated surplus / deficit	2 307	(1 652)	(168)	(168)	(168)	(168)	(168)	
Capital and reserves	–	919	919	919	919	919	919	
Borrowings	22	2 023	–	–	–	–	–	
Trade and other payables	1 121	1 443	1 616	898	761	652	542	
Provisions	300	397	204	200	180	150	130	
Liabilities not classified elsewhere	–	25	115	–	–	–	–	
Total equity and liabilities	3 750	3 155	2 686	1 849	1 692	1 553	1 423	

Expenditure trends

The Financial and Fiscal Commission receives a transfer payment from National Treasury.

Transfers received increased from R19.9 million in 2005/06 to R27.9 million in 2007/08 at an average annual rate of 18.3 per cent.

Total expenditure increased from R19 million in 2005/06 to R25.5 million in 2006/07 and R26.5 million in 2007/08. This is driven by personnel, commissioned research, compliance, capital expenditure and accommodation and administration. High compensation of employee costs are the result of benchmarking remuneration with the market and inflation. In 2007/08, the commission contributed to a provident fund for all its employees, and R1.5 million (R1.6 million in 2006/07) was contributed to the retirement fund.

The commission has improved its financial accountability and implemented prudent financial management as required by Public Finance Management Act (1999), evident in its consistent unqualified audit reports and the shift from a R3 million deficit in 2006/07 to a R1.5 million surplus in 2007/08. Over the MTEF period, expenditure will increase from R24.7 million in 2009/10 to R29.8 million in 2011/12.

Financial Intelligence Centre

Strategic overview: 2005/06 – 2011/12

The Financial Intelligence Centre was established in terms of the Financial Intelligence Centre Act (2001). The main objective of the centre is to assist in identifying the proceeds of unlawful activities, combating money

laundering activities and combating the financing of terrorist and related activities. The centre aims to protect South Africa's financial system, its institutions and citizens from being abused by criminals and their networks. The centre has been mandated to facilitate and enable the development of a comprehensive financial intelligence system. The centre became operational in February 2003, when banks and other reporting institutions started reporting to it electronically.

The act sets up an anti-money laundering and terror finance regulatory regime which encourages voluntary compliance and self-regulation by institutions that may be vulnerable to being exploited by criminals or terror networks. It provides that the centre works closely with the private sector, government departments and international organisations.

The centre's two key strategic priorities for the medium term are:

- to make the information it collects available to investigating authorities, the intelligence services and the South African Revenue Service to facilitate the administration and enforcement of the laws of South Africa
- to exchange information with similar bodies in other countries.

Over the medium term, the centre aims to give its various counterparts in business and law enforcement better quality feedback and direction in relation to domestic money laundering typologies and trends.

Selected performance and operations indicators

Table 7.40 Financial Intelligence Centre

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of reports received on unusual and suspicious transactions	19 798	21 466	24 580	29 554	32 775	36 708	40 378
Total number of requests from domestic law enforcement agencies	185	269	327	458	687	962	1 250
Total number of referrals to law enforcement agencies and other stakeholders	199	250	549	1 002	1 221	1 540	1 702
Total number of requests from international counterparts	65	49	79	102	125	153	188

Service delivery and spending focus

In 2007/08, the Financial Intelligence Centre completed 85 joint inspections for non-compliance with the act, together with the supervisory bodies for casinos and bookmakers, estate agents, authorised dealers in foreign exchange, insurance companies, financial service providers, collective investment scheme managers, members of the Johannesburg stock exchange and branches of the Post Office bank. The centre undertook 212 joint audit reviews of businesses and 27 independent audits of post office branches.

A detailed design and specification identification for the development of the centre's new IT system was done. The centre received 24 580 suspicious transaction reports and made 999 referrals to the law enforcement authorities for investigations worth more than R2 billion, as part of its responsibility to capture, analyse and refer reports.

The centre prepared for the evaluation of South Africa by its financial action task force and the Eastern and Southern African anti-money laundering group. It interacted with various counterparts across government and facilitating workshops, and continuing to develop close working relationships with the various supervisory bodies.

The centre initiated research to identify trends to enable it to issue regular typology reports in future.

Expenditure estimates

Table 7.41 Financial Intelligence Centre: Project information

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Ensure secure and effective IT	–	2 450	21 075	27 643	48 166	146 287	110 073
Relocation	–	–	4 606	33 358	13 563	13 310	10 648
Ensure effective capacity: Staffing	32 583	42 458	34 241	47 898	53 818	57 025	76 010
Other projects	–	–	–	3 455	8 871	5 925	7 348
Total expense	32 583	44 908	59 922	112 354	124 417	222 547	204 079

Table 7.42 Financial Intelligence Centre: Financial information

R thousand		Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	
Revenue								
Non-tax revenue	5 069	4 577	1 505	950	2 300	4 400	2 800	
Sale of goods and services other than capital assets	200	350	62	350	300	400	500	
<i>of which:</i>								
<i>Sales by market establishments</i>	200	350	62	350	300	400	500	
<i>Other non-tax revenue</i>	4 869	4 227	1 443	600	2 000	4 000	2 300	
Transfers received	23 617	–	42 480	111 474	156 417	281 957	169 757	
Total revenue	28 686	4 577	43 985	112 424	158 717	286 357	172 557	
Expenses								
Current expense	32 450	44 626	59 859	111 154	122 517	220 247	201 079	
Compensation of employees	16 668	21 692	34 241	51 100	59 873	73 684	83 254	
Goods and services	14 299	21 596	23 930	55 040	37 887	102 561	71 523	
Depreciation	1 483	1 324	1 621	2 279	15 957	34 322	34 322	
Interest, dividends and rent on land	–	14	67	2 735	8 800	9 680	11 980	
Transfers and subsidies	133	282	63	1 200	1 900	2 300	3 000	
Total expenses	32 583	44 908	59 922	112 354	124 417	222 547	204 079	
Surplus / (Deficit)	(3 897)	(40 331)	(15 937)	70	34 300	63 810	(31 522)	
Statement of financial position								
Carrying value of assets	3 112	5 994	26 587	43 308	75 308	134 718	100 396	
<i>of which: Acquisition of assets</i>	2 787	4 217	22 189	19 000	47 957	93 732	–	
Receivables and prepayments	237	578	465	500	700	1 300	900	
Cash and cash equivalents	71 823	31 767	1 180	1 200	1 000	3 200	1 200	
Total assets	75 172	38 339	28 232	45 008	77 008	139 218	102 496	
Accumulated surplus / deficit	72 842	32 514	16 577	16 647	50 947	114 757	83 235	
Capital and reserves	–	–	23	–	–	–	–	
Trade and other payables	643	4 782	9 897	26 113	24 361	19 961	17 161	
Provisions	1 687	895	1 154	2 248	1 700	4 500	2 100	
Liabilities not classified elsewhere	–	148	581	–	–	–	–	
Total equity and liabilities	75 172	38 339	28 232	45 008	77 008	139 218	102 496	

Expenditure trends

The Financial Intelligence Centre receives a transfer from National Treasury.

Transfers received increased from R23.6 million in 2005/06 to R111.5 million in 2008/09 mainly due to increased spending on compensation of employees and the centre's move to new offices.

In 2006/07 expenditure increased by 37.8 per cent, and in 2007/08 by 33.4 per cent. In 2008/09, it increased by 87.5 per cent. The increases are largely due to growth in the staff complement and increased in the centre's operating costs. For example, in 2005/06 and 2006/07 the centre began improving its IT system, and in 2007/08 it began moving to new premises. Operating costs in 2007/08 increased in line with the increase in capital expenditure. This trend continued with a significant increase in 2008/09 as the centre established its own site. Expenditure is set to increase by 10.7 per cent in 2009/10 and 78.9 per cent in 2010/11 as the centre grows.

Cooperative Banks Development Agency

Strategic overview: 2005/06 – 2011/12

The Cooperative Banks Development Agency provides for savings and access to credit for people who are not served by the formal banking system. The objectives of the agency are to provide for the registration of cooperative banks, which include deposit-taking financial services cooperatives, savings and credit

cooperatives, community banks and village banks, and the regulation and supervision of the banks. The agency will also facilitate, promote and fund the education and training of cooperative banks.

Over the past decade, various forms of cooperative banks have emerged in South Africa, largely facilitated by international organisations or government. Coordinating associations were established to set the rules, promote the establishment of new cooperatives, and support the existing cooperatives. Over time, most of these coordinating associations have failed or disappeared. Cooperative banks are often weakly capacitated to ensure adequate prudential care and the lack of formal coordination and support further undermines them and puts their members at risk. In line with government's responsibility for regulating banking and developments in the cooperative banking sector, National Treasury has begun developing appropriate legislation to supervise and support the sector.

Selected performance and operations indicators

Table 7.43 Cooperative Banks Development Agency

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total number of cooperative banks registered and regulated	-	-	-	15	35	50	60
Total number of cooperative banks participating in training programmes	-	-	-	15	35	50	55
Total number of financial services registered and regulated	-	-	-	25	35	45	55
Number of financial services participating in training programmes	-	-	-	25	35	45	55
Total number of representative bodies registered and regulated	-	-	-	3	5	7	9
Total number of support organisations accredited and regulated	-	-	-	3	7	10	13

Expenditure trends

From 2008/09, the agency started to receive transfers from National Treasury. In 2008/09, transfers received were used for capacity building and setting up the agency. Over the MTEF period, the agency receives transfers of R4 million in 2009/10, R8.2 million in 2010/11 and R15.3 million in 2011/12.

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	2007/08		2007/08	2008/09			2008/09
1. Administration	143 732	218 983	177 602	181 632	17 769	199 401	196 083
2. Public Finance and Budget Management	172 407	223 690	211 997	195 881	31 238	227 119	231 965
3. Asset and Liability Management	57 739	75 953	57 827	61 359	7 984	69 343	67 513
4. Financial Management and Systems	722 237	368 710	267 936	540 854	(240 756)	300 098	261 672
5. Financial Accounting and Reporting	82 076	94 096	98 760	105 687	106 472	212 159	208 464
6. Economic Policy and International Financial Relations	86 663	117 158	93 194	82 548	11 254	93 802	91 049
7. Provincial and Local Government Transfers	7 159 275	7 384 275	6 992 736	7 956 707	(18 680)	7 938 027	7 651 718
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 338 308	2 238 308	2 176 826	2 352 688	(39 000)	2 313 688	2 295 966
9. Fiscal Transfers	8 945 741	9 027 194	8 889 290	9 840 836	10 229 691	20 070 527	20 070 527
Subtotal	19 708 178	19 748 367	18 966 168	21 318 192	10 105 972	31 424 164	31 074 957
Direct charge against the National Revenue Fund	224 187 393	225 798 501	225 738 562	250 612 977	7 322 947	257 935 924	258 290 924
Provinces equitable share	171 271 393	172 861 501	172 861 501	199 376 977	4 632 947	204 009 924	204 009 924
State debt costs	52 916 000	52 937 000	52 877 061	51 236 000	2 690 000	53 926 000	54 281 000
Total	243 895 571	245 546 868	244 704 730	271 931 169	17 428 919	289 360 088	289 365 881
Economic classification							
Current payments	54 134 375	55 306 905	53 742 831	52 352 923	2 534 021	54 886 944	55 196 768
Compensation of employees	317 730	1 640 813	272 740	326 807	(12 461)	314 346	318 283
Goods and services	900 645	729 092	588 296	790 116	(143 518)	646 598	597 485
Interest and rent on land	52 916 000	52 937 000	52 877 061	51 236 000	2 690 000	53 926 000	54 281 000
Financial transactions in assets and liabilities	–	–	4 734	–	–	–	–
Transfers and subsidies	189 749 306	190 209 268	190 948 861	219 566 884	14 896 140	234 463 024	234 158 993
Provinces and municipalities	178 180 668	180 245 776	179 854 237	207 210 699	4 652 231	211 862 930	211 654 420
Departmental agencies and accounts	8 452 519	8 211 339	8 218 629	9 192 545	333 877	9 526 422	9 448 623
Universities and technikons	5 000	5 000	2 285	5 456	–	5 456	5 456
Public corporations and private enterprises	278 620	278 667	222 362	296 837	9 950 000	10 246 837	10 246 837
Foreign governments and international organisations	512 646	594 099	503 820	527 808	14 588	542 396	542 396
Non-profit institutions	65	65	127	68	–	68	68
Households	2 319 788	874 322	2 147 401	2 333 471	(54 556)	2 278 915	2 261 193
Payments for capital assets	11 890	30 695	13 038	11 362	(1 242)	10 120	10 120
Machinery and equipment	11 209	28 557	13 038	10 312	141	10 453	10 453
Software and intangible assets	681	2 138	–	1 050	(1 383)	(333)	(333)
Total	243 895 571	245 546 868	244 704 730	271 931 169	17 428 919	289 360 088	289 365 881

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

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Permanent and full time contract employees							
Compensation (R thousand)	196 335	226 568	264 522	307 226	326 560	360 666	386 473
Unit cost (R thousand)	277	310	338	343	364	402	431
Personnel numbers (head count)	710	732	782	897	897	897	897
Interns							
Compensation of interns (R thousand)	3 100	4 329	8 218	7 120	7 661	8 136	8 600
Unit cost (R thousand)	62	79	19	119	128	136	143
Number of interns	50	55	435	60	60	60	60
Total for department							
Compensation (R thousand)	199 435	230 897	272 740	314 346	334 221	368 802	395 073
Unit cost (R thousand)	262	293	224	328	349	385	413
Personnel numbers (head count)	760	787	1 217	957	957	957	957

Table 7.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R thousand)	199 435	230 897	272 740	314 346	334 221	368 802	395 073
Training expenditure (R thousand)	16 535	9 328	16 104	16 913	33 573	20 905	23 630
Training as percentage of compensation	8.3%	4.0%	5.9%	5.4%	10.0%	5.7%	6.0%
Total number trained in department (head count)	362	884	993	792			
<i>of which:</i>							
Employees receiving bursaries (head count)	60	74	70	46			
Internships trained (head count)	50	55	435	46			
Households receiving bursaries (R thousand)	–	400	600	800	1 000	1 030	1 070
Households receiving bursaries (head count)	–	18	20	20			

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

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Conditional grants to provinces							
7. Provincial and Local Government Transfers							
Infrastructure grant to provinces	2 984 113	4 983 498	6 026 244	7 384 487	9 249 247	11 314 911	13 091 190
Gautrain loan	–	–	–	–	4 200 000	–	–
Transitional grant: North West	–	–	250 000	–	–	–	–
Total	2 984 113	4 983 498	6 276 244	7 384 487	13 449 247	11 314 911	13 091 190
Conditional grants to municipalities							
7. Provincial and Local Government Transfers							
Local government restructuring grant	255 000	265 000	530 000	–	–	–	–
Financial management grant : Municipalities	132 500	145 250	145 250	180 000	299 990	364 589	384 641
Neighbourhood development partnership grant	–	–	41 242	288 519	582 000	630 000	840 440
Total	387 500	410 250	716 492	468 519	881 990	994 589	1 225 081

1. Detail provided in the Division of Revenue Act (2009)

Table 7.E Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome		Estimate		Medium-term expenditure estimate	
						2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
R thousand											
Foreign In cash											
European Union	Technical assistance team phase I	Public Finance and Budget Management	3 064	Goods and services	Provided technical and management support to programmes	–	3 045	28	–	–	–
Japan Development Corporation Information System	Establish and operationalise a management information system	Public Finance and Budget Management	302	Goods and services	Development Corporation Information System upgrade	77	229	22	–	–	–
European Union	Technical assistance team phase II	Public Finance and Budget Management	6 834	Goods and services	Provided technical and management support to various donor funded programmes	3 242	3 592	–	–	–	–
Sweden	Collaborative African Budget Reform Initiative	Economic Policy and International Financial Relations	2 428	Goods and services	Organise and participate in annual Africa budget reform workshops	236	344	570	985	–	–
Norway	Capacity building for aid effectiveness	Public Finance and Budget Management	4 852	Goods and services	Capacity building of officials on management of aid	–	–	–	–	–	–
Canada	Capacity building technical assistance facility	Public Finance and Budget Management	67 349	Goods and services	Provide capacity building to all spheres of government to achieve timely, adequate, gender sensitive, pro-poor service delivery	–	–	8 638	36 449	22 262	–
European Union	Financial management improvement	Public Finance and Budget Management	4 141	Goods and services	Raise government's financial management performance	5 127	–	–	–	–	–
European Union	International development cooperation support programme	Public Finance and Budget Management	30 000	Goods and services	Official development assistance prioritisation principles and framework and a proactive mobilisation strategy were completed	1 821	–	–	–	–	–
European Union	Official development assistance programme	Public Finance and Budget Management	110 000	Goods and services	Leveraging the official development assistance programme to improve outcome orientated delivery systems	–	–	–	5 000	7 000	1 200
European Commission	Strengthening the secretariat of the Collaborative Africa Budget Reform Initiative	Economic Policy and International Financial Relations	2 390	Goods and services	Technical and logistical support personnel recruited	–	–	–	–	2 390	–
African Development Bank	Strengthening budget practices and procedures in Africa	Economic Policy and International Financial Relations	1 007	Goods and services	Establish budget resource centre, conduct research on regional public goods, and publish report on budget practices and procedures	–	–	–	–	1 007	–

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Medium-term expenditure estimate				
						2005/06	2006/07	2007/08	Estimate 2008/09	2009/10	2010/11	2011/12	
R thousand													
Foreign													
In cash													
Irish Aid	Support of the 5th annual Collaborative Africa Budget Reform Initiative seminar	Economic Policy and International Financial Relations	896	Goods and services	Seminar to be held in April 2009	-	-	-	-	896	-	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	9 266	Compensation of employees	Salary for project management of the programme	-	-	-	-	8 353	913	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	786	Goods and services	Operational costs to support the rollout of the implementation of the programme	-	-	-	-	724	66	-	-
In kind													
Department for International Development	Consolidation of municipal transformation programmes	Public Finance and Budget Management	8 038	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	1 000	3 519	3 519	2 500	-	-	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GIZ)	Strengthening local government programme	Public Finance and Budget Management	10 810	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	4 100	3 355	3 355	2 200	-	-	-	-
United Nations Development Programme	Sustainable urban development programme	Public Finance and Budget Management	1 800	Goods and services	Technical assistance in developing guidelines for the management of official development assistance	720	720	360	-	-	-	-	-
United States Agency for International Development	Support for the implementation of the Municipal Finance Management Act (2003)	Public Finance and Budget Management	2 000	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	2 000	-	-	-	-	-	-	-
	Black economic empowerment review	Economic Policy and International Financial Relations	130	Goods and services	Compiled report on the black economic empowerment review	-	130	130	-	-	-	-	-
	Housing tax incentives	Economic Policy and International Financial Relations	185	Goods and services	Provided housing tax incentives	-	185	185	-	-	-	-	-
	Commission for Gender Equality workshop with University of Cape Town	Economic Policy and International Financial Relations	113	Goods and services	Increased capacity and improved Commission for Gender Equality analysis	-	113	113	-	-	-	-	-
	Labour market vulnerability and social protection	Economic Policy and International Financial Relations	525	Goods and services	Workshops on labour market vulnerability and social protection	-	5 255	525	-	-	-	-	-
	Economic advice	Public Finance and Budget Management	365	Goods and services	Increased capacity in microeconomic policy analysis	-	365	365	-	-	-	-	-

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate			Medium-term expenditure estimate			
						2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12			
R thousand															
In kind															
United States Agency for International Development	Funding of guidelines on consultants and collaboration (public private partnership unit)	Public Finance and Budget Management	10 839	Goods and services	Published guidelines on consultants and collaboration on the public private partnership unit's website	3 258	2 839	2 839	-	-	-	-	-	-	
	Support for economic growth and analysis	Economic Policy and International Financial Relations	215	Goods and services	Scholarships and study aids for students completing identified fields in economics	215	-	-	-	-	-	-	-	-	
	Support for economic growth and analysis	Economic Policy and International Financial Relations	1 005	Goods and services	Scholarships and study aids for students completing identified fields in economics	1 005	-	-	-	-	-	-	-	-	
		Public Finance and Budget Management	2 561	Goods and services	Technical expertise to assist in the development of new data	2 561	-	-	-	-	-	-	-	-	
		Public Finance and Budget Management	4 814	Goods and services	Report on evaluation impact of various welfare programmes compiled	4 814	-	-	-	-	-	-	-	-	
		Economic Policy and International Financial Relations	300	Goods and services	Conducted research	-	300	300	-	-	-	-	-	-	
		Public Finance and Budget Management	1 262	Goods and services	Research on rural land studies conducted	-	1 262	1 262	-	-	-	-	-	-	
		Public Finance and Budget Management	988	Goods and services	Conducted primary nutrition survey	-	988	988	-	-	-	-	-	-	
		Economic Policy and International Financial Relations	1 600	Goods and services	Temporary placement of United States Treasury officials at National Treasury	1 600	-	-	-	-	-	-	-	-	
		Economic Policy and International Financial Relations	147	Goods and services	Support in economic and policy research	147	-	-	-	-	-	-	-	-	
	United States Agency for International Development	Limited scope grant agreement	Public Finance and Budget Management	1 890	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	-	-	-	-	-	-
		Limited scope grant agreement	Public Finance and Budget Management	-	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	377	-	-	-	-	-	-

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Medium-term expenditure estimate					
						2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12		
R thousand														
In kind														
	Limited scope grant agreement	Public Finance and Budget Management	1 035	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	5 076	-	-	-	-	-
	Limited scope grant agreement	Public Finance and Budget Management	10 000	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	-	5 000	-	-	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening support to the Collaborative Africa Budget Reform Initiative secretariat	Economic Policy and International Financial Relations	4 482	Goods and services	Hold regular dialogues, develop common African positions and establish decision making structures and rules and procedures	-	-	-	-	4 482	-	-	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	38 833	Compensation of employees	Salaries for advisors to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objectives of the financial management improvement programme II	-	-	-	-	38 833	-	-	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	3 178	Goods and services	Operational costs to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objectives of the financial management improvement programme II	-	-	-	-	23 599	-	-	-	-
Local In kind														
University of Cape Town	Modelling and forecasting	Economic Policy and International Financial Relations	33	Goods and services	Increased capacity and improved microeconomic policy analysis	-	-	-	-	-	-	-	-	-
Total			350 453			31 923	26 241	23 576	52 210	114 546	2 179	-	-	-

Table 7.F Summary of expenditure on infrastructure

R thousand	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation 2008/09	Medium-term expenditure estimate		
					2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
	Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)										
	Infrastructure grant to provinces	Roads, clinics, hospitals and schools	Conditional grant to supplement provincial infrastructure projects	33 655 348	2 984 113	4 983 498	6 276 244	7 384 487	9 249 247	11 314 911	13 091 190
	Neighbourhood development partnership grant	Social and economic town regeneration plan	For designing partnership projects and co-financing the construction of new and better township plan	2 354 584	-	50 000	41 242	373 540	661 394	753 750	939 440
	Small projects or programmes (costing less than R50 million per annum)										
	Refurbishment of 240 Vermeulen Street			-	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	-	-	-	-
	Refurbishment of 28 Church Square			-	-	-	-	10 000	-	-	-
	Total			36 009 932	3 017 645	5 035 746	6 327 271	7 768 027	9 910 641	12 068 661	14 030 630