

Vote 7

National Treasury

To be appropriated by Vote	R9 176 470 000
Statutory appropriations	R152 274 260 000
Responsible Minister	Minister of Finance
Administering Department	National Treasury
Accounting Officer	Director-General: National Treasury

Aim

The National Treasury aims to promote economic development, good governance, social progress and rising living standards through accountability, economy, efficiency, equity and sustainability in the public finances.

Key objectives and programmes

The key objectives of the National Treasury are:

- To advance economic growth, employment and income redistribution through appropriate macroeconomic, fiscal and financial policies
- To prepare a sound and fiscally sustainable national budget and an equitable division of resources between the national, provincial and local spheres of government
- To raise the revenue required by the fiscus efficiently and equitably
- To manage the financial assets and liabilities of the State soundly
- To promote accountability through effective and reliable financial reporting, systems and internal controls

The National Treasury Vote consists of ten programmes:

- *Administration* provides for the overall management of the Department.
- *Expenditure planning and budget management* includes macroeconomic, financial and fiscal policy advice; expenditure analysis and planning; tax policy advice, and coordination of the budget process.
- *Asset and liability management* includes debt and contingent liability management, and oversight of Government's financial assets and public entities.
- *Procurement management and financial systems* provide for regulation and oversight of public sector procurement through policy formulation; acquisition and support of standardised financial systems for national and provincial government; and coordination of the implementation of the Public Finance Management Act.
- *Financial accounting, integrated systems and reporting* includes government accounting policy and standards, preparation of consolidated financial statements, and promotion of improved financial management.
- The *Fiscal transfers* programme provides for the South African Revenue Service, the National Development Agency and transfers to various other authorities and institutions in terms of relevant statutes and international agreements.

- The *Civil pensions and contributions to funds* programme provides for various pension and post-retirement medical benefit obligations to former employees of state departments, state-aided bodies and other specified persons.
- *Military pensions and other benefits* include pensions and medical benefits to various categories of ex-servicemen.
- The *Provincial and local government transfers* programme provides for specified grants to provinces and local government.
- The *Auxiliary and associated services* programme includes augmentation of the Secret Services Account and miscellaneous other items.

Strategic overview and key policy developments: 1997/98 – 2003/04

Over the past year, the National Treasury has been established as the outcome of a merger of the former Departments of Finance and State Expenditure. The integration of the two Departments has streamlined both the expenditure planning and the financial management functions of the Treasury and has brought greater coherence to fiscal policy and the budget coordination process. The new Treasury comprises eight divisions – the Budget Office, Economic Policy and International Relations, Corporate Services, Specialist Functions, Intergovernmental Relations, Public Finance, Asset and Liability Management, and the Accountant-General's Office.

Since 1994, several major reforms have been undertaken in the structure and organisation of South Africa's public finances:

- The introduction of a three-year medium-term expenditure framework has brought greater transparency and certainty to the budget process, and has strengthened the links between policy priorities and Government's longer term spending plans.
- The statutory Budget Council, the Budget Forum and several supporting technical committees now oversees budgetary and financial cooperation between the national, provincial and local spheres. The Financial and Fiscal Commission plays an important independent role in reviewing and advising on intergovernmental financial relations.
- Following the creation of the South African Revenue Service as an autonomous agency, tax administration has been overhauled, information systems modernised and audit and debt recovery capacity reinforced.
- Building on the work of a Commission of Inquiry into the tax structure, a wide-ranging programme of modernising and reform of the tax system is in progress.
- A unit has been established in the National Treasury to support national and provincial public-private partnerships, complemented by a municipal partnership initiative of the Department of Provincial and Local Government.
- Debt management has been put on a sounder footing, including the introduction of auction marketing arrangements for government securities and several successful foreign bond issues. As the South African bond market has matured considerably, opportunities have been created for more active management of the debt portfolio to reduce risks and servicing costs. A framework for the evaluation of project lending proposals has been agreed.
- The governance of public enterprises has improved through a protocol on corporate governance, which provides a point of departure for normalising the financial accounts and tax and dividend policies of major state-owned enterprises. The Treasury now plays a more active role in coordinating the borrowing plans of public enterprises.
- International fiscal and financial relations have been strengthened, both through participation in the major multilateral forums and through regional initiatives in the Southern African Development Community (SADC).
- The Public Finance Management Act, 1999 was passed by Parliament, laying a new foundation for financial accountability in the public sector.

Over the next three years, much of the National Treasury's work will be focused on overseeing the implementation of the budgetary and financial management changes envisaged in the Public Finance Management Act, including the introduction of objective measures of service delivery or performance into departmental budget documentation.

Developments in macroeconomic and fiscal policy and other aspects of the public finances are set out in the key annual publications of the National Treasury – the *Budget Review*, the *Estimates of National Expenditure*, the *Intergovernmental Fiscal Review*, and the *Medium Term Budget Policy Statement*. A *Guide for Accounting Officers* was released in October 2000, explaining the implications and key requirements of the Public Finance Management Act.

Expenditure estimates

Table 7.1: National Treasury

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited	Audited	Preliminary	Adjusted	Revised			
R thousand	1997/98	1998/99	outcome	appropriation	Estimate	2001/02	2002/03	2003/04
			1999/00	2000/01				
Administration ¹	39 629	42 194	46 151	90 901	82 401	68 398	70 913	76 383
Economic planning and budget management ¹	35 030	40 039	43 817	73 149	59 649	75 009	76 707	84 707
Asset and liability management	6 261	8 092	10 371	17 539	17 539	17 908	20 001	21 904
Procurement management	154 483	150 628	179 308	243 736	243 736	311 483	358 758	376 689
Financial systems and reporting	6 528	67 213	63 000	115 513	115 513	18 811	16 987	18 009
Fiscal transfers	1 885 211	2 157 922	2 593 804	2 761 226	2 753 617	3 008 694	3 317 427	3 617 916
Civil pensions and contributions to funds	1 001 038	942 240	1 290 723	1 432 712	1 321 714	1 576 709	1 749 828	1 825 986
Military pensions and other benefits	114 943	127 494	128 293	137 018	137 018	145 386	151 533	158 370
Provincial and local government transfers		4 001 168	3 995 000	3 457 000	3 457 000	2 957 877	3 022 000	3 062 000
Auxiliary and associated services ²	776 888	804 493	861 589	908 972	908 972	996 222	1 055 396	1 118 585
Computer services	85 342	100 092						
Amount to be voted	4 105 353	8 441 575	9 212 056	9 237 766	9 097 159	9 176 497	9 839 550	10 360 549
Amounts forming a direct charge on the National Revenue Fund	124 747 342	124 205 833	130 884 252	142 533 272	14 2371 641	152 274 460	162 210 956	171 237 724
Provinces	85 927 642	81 536 533	86 594 552	96 185 841	96 185 841	104 136 460	112 560 356	120 215 824
State debt commitments	38 819 700	42 669 300	44 289 700	46 347 431	46 185 800	48 138 000	49 650 600	51 021 900
Total	128 852 695	132 647 408	140 096 308	151 771 038	151 468 800	161 450 957	172 050 506	181 598 273
Change to 2000 Budget Estimate				2 501 040	2 198 802	3 156 108	6 777 939	

¹ Authorised losses of R 6 512 000 in 1997/98, R 184 000 in 1998/99 and R 325 000 in 1999/00 included.

² Improvements in conditions of service of R 1 946 000 in 1997/98 and R 1 240 000 in 1998/99 included.

Economic classification								
Current	4 088 363	8 105 144	9 039 543	7 932 975	7 799 977	8 809 579	9 315 698	9 824 263
Personnel	68 698	76 808	80 424	114 015	92 015	118 307	126 355	133 394
Transfer payments	2 902 411	6 885 653	7 464 751	6 084 769	6 084 769	6 735 492	7 012 254	7 410 276
Other current	1 117 254	1 142 653	1 494 368	1 734 191	1 623 193	1 955 780	2 177 089	2 280 593
Capital	16 990	336 461	172 513	1 304 791	1 297 182	666 918	823 852	850 286
Transfer payments	11 622	325 499	151 668	1 268 433	1 260 824	656 898	815 580	841 220
Acquisition of capital assets	5 368	10 962	20 845	36 358	36 358	10 020	8 272	9 066
Amount to be voted	4 105 353	8 441 575	9 212 056	9 237 766	9 097 159	9 176 497	9 839 550	10 360 549

Standard items of expenditure								
Personnel	68 698	76 808	80 424	114 015	102 979	118 307	126 355	133 394
Administrative	414 358	13 884	15 559	28 751	23 505	31 723	31 956	36 802
Inventories	3 698	4 618	4 793	7 125	7 125	8 500	7 946	9 601
Equipment	9 625	13 535	22 166	37 178	37 178	12 801	11 353	13 240
Land and buildings	22	-	-	-	-	-	-	-
Professional and special services	178 462	221 616	199 363	269 518	263 635	342 559	390 842	410 658
Transfer payments	2 914 033	7 211 152	7 616 419	7 353 202	7 345 593	7 092 390	7 527 834	7 937 496
Miscellaneous	516 457	899 962	1 273 332	1 427 977	1 317 144	1 570 217	1 743 264	1 819 358
Amount to be voted	4 105 353	8 441 575	9 212 056	9 237 766	9 097 159	9 176 497	9 839 550	10 360 549

Amounts for making a direct charge on the National Revenue Fund								
Provinces	85 927 642	81 536 533	86 594 552	96 185 841	96 185 841	104 136 460	112 560 356	120 215 824
Commitment in respect of State Debt	38 819 700	42 669 300	44 289 700	46 347 431	46 185 800	48 138 000	49 650 600	51 021 900
Total	128 852 695	132 647 408	140 096 308	151 771 038	151 468 800	161 450 957	172 050 506	181 598 273

Expenditure trends

The merger of the Departments of Finance and State Expenditure led to the amalgamation of the two Votes. *Financial and economic management* and *Expenditure management* in the Finance and State Expenditure Votes were respectively combined to form the *Economic planning and budget management* programme in the new Vote. The previous *Exchequer financing* programme is renamed the *Asset and liability* programme. The *Procurement management and financial systems* programme was created as a result of the amalgamation of the Financial systems subprogramme in the *Financial reporting systems and internal control* programme and the *Logistics management and the Office of the State Tender Board* programme in the previous State Expenditure Vote.

The subprogrammes National accounts and Financial training in the *Financial reporting systems and internal control* programme in the previous State Expenditure Vote were transferred to the *Financial accounting and reporting* programme in the new Vote. The new *Auxiliary and associated services* programme amalgamates the *Auxiliary and associated services* programmes in the previous Votes, except for the shift of the Computer services subprogramme in the previous Finance Vote to the *Administration* programme in the new Vote.

The National Treasury Vote is dominated by transfer payments. These comprise an average of 78,6 per cent of the total over the seven-year period. Excluding the *Fiscal transfers*, *Civil pensions and other benefits*, *Military pensions and other benefits*, and *Provincial and local government transfers* programmes and transfers to the Secret Service programme, the core budget of the

Department amounts to only R537,8 million in 2001/02, R504,5 million in 2002/03, and R556,8 million in 2003/04.

The 2001 Budget increases the medium-term baseline allocations by R579,8 million in 2001/02 and R721,8 million in 2002/03 to accommodate the following:

- Increased provision for the South African Revenue Service for adapting to a new tax policy regime and to accommodate the various trade agreements signed on behalf of South Africa.
- The National Intelligence Centre envisaged in the Financial Intelligence Bill, 2000.
- An adjustment to the Secret Service baseline allocation.
- Increases to local government grants for financial management, restructuring, capacity building and municipal financial management following demarcation
- An additional allocation to provinces for the R293 grant in 2001/02
- The merging into the provincial supplementary grant of several smaller grants, including the financial management grant, housing capacity-building grant, National Land Transport and Transition Grant and the R293 grant (in 2001/02).

Programme 1: Administration

The programme includes policy formulation by the Minister, Deputy Minister, Director-General and management; organising the Department; rendering centralised administrative, legal and office support services; managing departmental, personnel and financial administration; determining working methods and procedures and exercising control.

Table 7.2: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary Outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Minister ¹	395	503	518	598	634	669	702
Deputy Minister ²	320	409	425	442	469	494	519
Management	3 032	3 319	5 011	6 219	7 232	7 776	8 232
Corporate services	35 882	37 963	40 197	83 642	60 063	61 974	66 930
Total	39 629	42 194	46 151	90 901	68 398	70 913	76 383
Change to 2000 Budget Estimate				25 260	2 774	1 899	

¹ Payable as from 1 April 2000. Salary: R 478 530 Car allowance: R 119 632

² Payable as from 1 April 2000. Salary: R 342 584 Car allowance: R 99 396

Economic classification

Current	39 129	40 898	43 048	70 309	65 967	68 560	73 767
Personnel	18 742	23 447	23 065	33 301	34 117	35 635	36 773
Transfer payments	-	-	-	-	-	-	-
Other	20 387	17 451	19 983	37 008	31 850	32 925	36 994
Capital	500	1 296	3 103	20 592		2 353	2 616
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	500	1 296	3 103	20 592	2 431	2 353	2 616
Total	39 629	42 194	46 151	90 901	68 398	70 913	76 383

Standard items of expenditure							
Personnel	18 742	23 447	23 065	33 301	34 117	35 635	36 773
Administration	3 650	5 013	5 910	12 147	14 062	12 667	13 989
Inventories	806	1 238	1 026	2 740	2 244	2 338	2 484
Equipment	1 082	1 610	3 517	20 951	3051	2 518	3 246
Land and buildings	1	-	-	-	-	-	-
Professional and special services	9 119	10 607	12 030	20 507	13 724	16 255	18 091
Transfer payments	-	-	-	-	-	-	-
Miscellaneous							
Civil pensions stabilisation fund	202	279	555	-	-	-	-
Authorised losses	6 027	-	48	-	-	-	-
Bank costs	-	-	-	1 255	1 200	1 500	1 800
Total	39 629	42 194	46 151	90 901	68 398	70 913	76 383

Policy developments

Merging of the two departments to form the National Treasury has been accompanied by a thorough overhaul of the core administrative functions. Key developments include:

- Organisational restructuring, supported by the launch of an Employee Assistance Programme to provide counselling, support and assistance to members of staff; implementation of a performance management system throughout the Department; a greater focus on employment equity; and successful implementation of the Senior Management Service
- Preparation of a Public Finance Management Act implementation plan to improve financial management and accountability within the National Treasury
- Implementation of the Logistical Information System in April 2000 to manage procurement and inventory controls
- Adoption of Persal and the Basic Accounting System for the integrated department.

Over the next three years, the Department will focus on finalising and filling the microstructure within each of the eight divisions in terms of the absorption framework agreed with unions. The job evaluation process will be implemented for newly created posts and for posts that have changed considerably, particularly for levels 9 and above.

Extensive teambuilding exercises are planned throughout the Department to create a common culture and purpose. Special attention will be given to the education, training and development of human resources to comply with the requirements of the Skills Development Act.

The National Treasury was elected to pilot a programme of procurement reform and supply management to give effect to the Preferential Procurement Policy Framework Act and to make the tendering system accessible to black companies and small, medium and microenterprises. A Head of Procurement, together with a procurement unit will be established with approved procurement guidelines implemented by 1 April 2001.

In terms of the implementation of the Public Finance Management Act in the Department, a Chief Financial Officer and a new Audit Committee will be appointed. The Treasury plans to outsource the internal audit function. Business systems will be reviewed and appropriate changes introduced.

Expenditure trends

Administration grows strongly at an average rate of 27,6 per cent a year between 1997/98 and 2000/01, owing to a significant increase in spending in 2000/01 on the one-off costs of relocation to and refurbishment of the new building. This includes notable expenditure on information technology systems and equipment. *Administration* spending declines markedly over the medium term.

Programme 2: Economic planning and budget management

The programme provides for advice and professional support to the Minister of Finance on economic and fiscal policy, developments in public finances and coordination of the annual budget process. The programme includes:

- Public finance – economic and financial advice on public administration, protection services, economic development and social services, and evaluation of policy proposals and budget submissions
- Budget coordination – fiscal policy advice, budget planning, the medium-term expenditure framework, international development finance coordination, public-private partnerships and public finance statistics
- Intergovernmental relations – coordination of fiscal relations between the national, provincial and local spheres of government; promotion of sound provincial and local finances; management of the division of revenue
- Economic policy – macroeconomic analysis and policy advice, international financial relations, tax policy analysis and financial regulation

Table 7.4: Economic planning and budget management

Programme	Expenditure outcome			Adjusted appropriation 2000/01	Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Public finance	5 329	6 996	7 143	14 746	15 673	16 232	17 396
Budget co-ordination	14 270	14 730	16 292	23 723	20 415	19 710	22 261
Intergovernmental relations	5 462	6 324	7 273	9 837	11 293	10 909	12 113
Economic policy	9 969	11 989	13 109	24 843	27 628	29 856	32 937
Total	35 030	40 039	43 817	73 149	75 009	76 707	84 707
Change to 2000 Budget Estimate				6 718	2 313	(184)	
Economic classification							
Current	32 241	35 247	42 055	70 115	71 786	73 941	81 490
Personnel	20 726	25 358	29 365	44 496	45 009	46 528	49 880
Transfer payments	-	-	-	-	-	-	-
Other	11 515	9 889	12 690	25 619	26 777	27 413	31 610
Capital	2 789	4 792	1 762	3 034	3 223	2 766	3 217
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	2 789	4 792	1 762	3 034	3 223	2 766	3 217
Total	35 030	40 039	43 817	73 149	75 009	76 707	84 707
Standard items of expenditure							
Personnel	20 726	25 358	29 365	44 496	45 009	46 528	49 880
Administration	3 454	4 681	4 782	8 550	9 316	10 051	12 136
Inventories	1 225	1 280	1 844	2 099	3 480	2 565	3 806
Equipment	2 991	5 201	2 081	3 287	4 669	4 009	4 663
Land and Building	8	-	-	-	-	-	-
Professional and special services	4 577	3 025	5 101	14 041	12 535	13 554	14 222
Transfer payments	-	-	-	-	-	-	-
Miscellaneous							
Civil Pensions Stabilisation Fund	1 564	310	367	676	-	-	-
Authorised losses	485	184	277	-	-	-	-
Total	35 030	40 039	43 817	73 149	75 009	76 707	84 707

Policy developments

This year, changes to the budget process have focused on improving transparency, reinforcing political accountability for budget priorities and strengthening the links between government spending and service delivery. South Africa's three-year medium term budgeting framework is now well established across the national and provincial spheres of government.

The introduction of a new format for the annual *Estimates of Expenditure* in the 2001 Budget is a significant step forward in giving effect to the Public Finance Management Act, which requires "measurable objectives" to be identified for government spending programmes. The Treasury will continue to liaise closely with national departments and provincial treasuries in implementing this and other budgetary and financial management reforms.

Several broader economic, fiscal and financial policy developments will continue to enjoy priority in the years ahead. These include:

- Improving economic growth, employment and income redistribution through sound and sustainable policies
- Regulatory reforms in the financial sector aimed at financial stability, more efficient financial markets and improved consumer protection
- Strengthening infrastructure investment, maintenance, and financial management of land and buildings
- Promotion of public-private partnerships and ensuring that associated financial commitments are affordable and good value for money
- Ongoing tax reform aimed at broadening the tax base and moderating the overall burden of tax on the economy
- Equitable allocations to provinces and local government – the international development cooperation activities of the Treasury include major agreements with the European Union, the European Investment Bank, the United Nations Development Programme and several specific country programmes; involvement in financial coordination within the SADC region is gathering momentum and South Africa is playing an active part in the deliberations of several international groupings, such as the G-20, through which an improved policy dialogue between developed and developing nations is fostered

Expenditure trends

Economic planning and budget management accounts for an average of 12,3 per cent of the core departmental budget over the seven-year period. Programme spending grew on average by 15,9 per cent a year between 1997/98 and 2000/01, owing to significant increases in the Public finance and Economic policy subprogrammes. Over the next few years, growth slows marginally, averaging 12,4 per cent a year. This includes provision for establishing a Fiscal Information Centre and strengthening financial regulation capacity.

Table 7.5: Economic planning and budget management: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Public finance	Sectoral and departmental policy advice	Quality and timeliness of advice
	Analysis of budget submissions	Quality and reliability of budget documentation
Budget coordination	Annual framework for the budget and the division of revenue	Contribution of fiscal policy to economic performance
	Budget documentation and public finance statistics	Budget plans vs outcomes
	Public-private partnership agreements	Quality and accuracy of reports and statistical releases
	International cooperation agreements	Affordability and value for money
		Contribution to reconstruction and development

Subprogramme	Outputs	Service delivery indicators
Intergovernmental relations	Equitable division of revenue between spheres	Credible provincial and municipal budgets
	Framework for provincial and local government grants	Better targeted conditional grants
	Provincial and local fiscal framework	Broadening own revenue
	Support for provincial and municipal financial development	Progress with improved financial management
Economic policy	Macroeconomic policy and advice	Quality and coherence of economic policy
	Financial policy advice, legislation and regulations	Contribution to financial stability, efficiency of financial markets and consumer protection
	Tax policy analysis and advice	Effectiveness and acceptability of tax proposals
	Advice on international financial relations	Quality of advice and effectiveness in international fora

Programme 3: Asset and liability management

The programme aims to manage Government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring and financial management, and optimal management of Government's domestic and foreign debt portfolio. The programme is divided into two branches:

- Asset management is responsible for cash management and plays a role in the restructuring and financial management of state assets, especially government business enterprises. This includes coordinating the borrowing activities of public entities, advising public enterprises on the financial aspects of restructuring, and monitoring the corporate governance of general government bodies and public entities. The branch is also responsible for compiling a database on the financial assets and liabilities of national Government, and monitoring guarantees and other contingent liabilities.
- Liability management is responsible for managing domestic and foreign debt portfolios, ensuring that risk is minimised, repayments are made and that the most favourable terms are obtained. The branch contributes to the orderly functioning and development of the domestic financial markets and manages the exposure of Government to financial risks arising from activities of general government bodies and public entities.

Table 7.6: Programme 3 Asset and liability management

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary Outcome	Adjusted appropriation			
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Asset Management	1 190	1 537	1 970	3 332	3 444	3 846	4 212
Liability management	5 071	6 555	8 401	14 207	14 464	16 155	17 692
Total	6 261	8 092	10 371	17 539	17 908	20 001	21 904
Change to 2000 Budget Estimate				2 416	2 213	4 321	
Economic classification							
Current	5 853	7 464	10 005	12 822	17 294	19 256	21 036
Personnel	4 737	5 460	6 805	8 444	9 331	10 423	10 904
Transfer payments	-	-	-	-	-	-	-
Other	1 116	2 004	3 200	4 378	7 963	8 833	10 132
Capital	408	628	366	4 717	614	745	868
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	408	628	366	4 717	614	745	868
Total	6 261	8 092	10 371	17 539	17 908	20 001	21 904

Standard items of expenditure

Personnel	4 737	5 460	6 805	8 444	9 331	10 423	10 904
Administration	247	936	1 138	2 114	2 060	2 702	3 546
Inventories	73	249	193	601	663	785	806
Equipment	419	751	384	4 717	824	960	1 225
Land and Building	3	-	-	-	-	-	-
Professional and special services	712	621	1 762	1 543	5 030	5 131	5 423
Transfer payments	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Civil Pensions Stabilisation Fund	70	75	89	120	-	-	-
Total	6 261	8 092	10 371	17 539	17 908	20 001	21 904

Policy developments

During 2000, the Department continued to concentrate on reducing the interest burden on national debt and to manage risks prudently in volatile market conditions. In March 2000, bonds linked to the consumer price index were introduced, further signalling Government's commitment to achieving its inflation targets. The increasingly active debt management reflects the need to maintain liquidity and integrity under conditions of a declining Government funding requirement, and is facilitated by the growing sophistication and efficiency of the South African bond markets. Switch auctions, introduced in November 2000, buy-backs of bonds and a facility to "strip" bonds into separate coupon and redemption cash flows are among the measures that will be used to maintain and enhance the liquidity of the Government securities market.

Government has tapped the public international bond markets regularly and is an established issuer, with a well-developed yield curve in both the euro and dollar currencies. Government's foreign borrowing strategy will continue to focus on:

- Establishing sovereign benchmarks in key currencies in the international capital markets
- Broadening and improving the quality of its foreign investor base
- Lengthening and smoothening the maturity structure of its debt portfolio

The Division is developing a risk management framework. This entails the quantification and limiting of risks arising from exogenous factors and the development of benchmarks for government debt costs. All intergovernmental cash will be coordinated through the Corporation for Public Deposits as from 2001, contributing to lower borrowing costs at national and provincial level. This assists in optimising Government's credit risk management.

Steady progress is being made towards the privatisation of Sasria, and support is provided to the Department of Public Enterprises in respect of Government's accelerated privatisation programme. The Liabilities Chief Directorate is also driving a process to ensure payment of tax and dividends by all major public enterprises. This includes the removal of tax exempt status from relevant legislation and the adoption by the relevant Boards of a dividend policy in terms of a shareholder compact with Government as the main shareholder.

Expenditure trends

Overall, spending on the programme is expected to increase by an average of 7,7 per cent a year over the next three years, in comparison to average growth of 41,0 per cent a year over the earlier period. Higher growth between 1997/98 and 2000/01 was due to the implementation of a framework of risk management philosophies, establishment of a formal cash management function and a revised set of guidelines for the granting of borrowing powers to general government bodies and for the issuing of Government guarantees. In addition, the entire debt management policy was revised during 1996/97.

Outputs and service delivery trends

Table 7.7: Asset and liability management: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Liability management	A successful borrowing strategy for Government	Government's planned borrowing requirements are met for each financial year
	A research report on sound debt and risk management	Quality and timeliness of document
	Register of all purchase and sale transactions of foreign and domestic debt	Percentage deviation from a 100 per cent level of accuracy of register
	Quality of controls as measured by audit	Quality of enhancements made to improve efficiency
Asset management	Servicing of all domestic and foreign debt	Number of debt payments made according to planned schedule and against planned target
	Percentage deviation from service debt budget	Quality and timeliness of programme
	A comprehensive investor relations programme	Results of feedback from market participants to gauge quality of the relations
	Successful negotiation of receipt of proceeds from the restructuring of state assets	Level of restructuring proceeds meets the planned target and takes place within the planned time-frame
Asset management	Quarterly consolidated borrowing programme and debt management profile of general government sector	Quality and timeliness of programme and profile
	Report on compliance of public entities with the Public Finance Management Act	Report is delivered on planned dates
	Efficient cash management	Number of times the Government's daily liquidity requirements are not met
	Quality of improvements to cash management techniques and processes	Quality and timeliness of reviewed policy document
Asset management	Policy regarding the issuance of financial guarantees reviewed	Quality and timeliness of reviewed policy document

Programme 4: Procurement management and financial systems

The programme aims to manage and regulate Government's procurement and supply chain management practices, implement and maintain standardised financial systems and promote compliance with the Public Finance Management Act across Government. The programme comprises five subprogrammes:

- The Office of the State Tender Board regulates the procurement process for goods and services.
- Procurement management develops and regulates policy on moveable assets in the public sector. The subprogramme also monitors, trains and advises departments on procurement and supply chain management.
- Public Finance Management Act implementation includes promotion and coordination of the implementation of the Act.
- The Financial systems subprogramme provides for implementation and maintenance of existing financial management systems, whereas the Integrated financial systems subprogramme provides for the replacement of outdated systems with solutions that complies with the Public Finance Management Act and generally recognised accounting practice.

Table 7.8: Programme 4 Procurement management and financial systems

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimates		
	Audited 1997/98	Audited 1998/99	Preliminary Outcome 1999/00		2001/02	2002/03	2003/04
R thousand							
Office of the State Tender Board	11 249	12 481	11 916	11 998	12 598	12 951	14 470
Procurement management	2 382	3 171	3 113	8 637	8 954	11 356	11 921
Public finance management act implementation	-	-	-	1 116	9 139	9 162	9 415
Implementation and maintenance of existing financial systems	140 413	134 976	164 279	171 238	223 738	244 671	257 315
Integrated financial systems	-	-	-	50 747	57 054	80 618	83 568
World Bank ¹	439	-	-	-	-	-	-
Total	154 483	150 628	179 308	243 736	311 483	358 758	376 689
Change to 2000 Budget Estimate				225 267	293 314	337 750	

¹ During 1997/98 donor funding was received from the World Bank to assist with the research and drafting of the Green Paper on Public Sector Procurement Reform in South Africa. The latter was released in April 1997.

Economic classification

Current	154 229	146 585	173 756	236 242	308 332	356 651	374 625
Personnel	15 285	16 684	17 771	23 940	24 825	26 839	28 475
Transfer payments	-	-	-	-	-	-	-
Other	138 944	129 901	155 985	212 302	283 507	329 812	346 150
Capital	254	4 043	5 552	7 494	3 151	2 107	2 064
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	254	4 043	5 552	7 494	3 151	2 107	2 064
Total	154 483	150 628	179 308	243 736	311 483	358 758	376 689

Standard Items of Expenditure

Personnel	15 285	16 684	17 771	23 940	24 825	26 839	28 475
Administration	2 037	2 771	3 269	4 799	4 905	4 851	5 275
Inventories	1 234	1 696	1 548	1 468	1 570	1 654	1 661
Equipment	2 361	4 396	5 960	7 494	3 633	3 242	3 176
Land and Building							
Professional and special services	133 344	124 831	150 463	205 622	276 550	322 172	338 102
Transfer payments							
Miscellaneous							
Civil Pensions Stabilisation Fund	222	250	297	413			
Total	154 483	150 628	179 308	243 736	311 483	358 758	376 689

Policy developments

Treasury is finalising proposed procurement regulations in terms of the Preferential Procurement Policy Framework Act of 2000. Draft regulations were published for comments in the Government Gazette and provincial gazettes during June 2000. The comments received have been incorporated and the regulations will be published shortly.

The proposed regulations focus on awarding government tender contracts at national, provincial and local authority level in terms of specific criteria that favour historically disadvantaged individuals. The prescribed system converts tendered prices received into points. Further points are allocated to tenderers according to the involvement of historically disadvantaged individuals and for achieving the prescribed goals of the Reconstruction and Development Programme.

For contracts below a prescribed amount, an 80/20 system will be applicable, where the lowest acceptable tender will be allocated 80 points for price, while higher priced tenders will receive lower points for price. Points allocated for historically disadvantaged individuals' involvement will be added to the points allocated for price. Contracts will be awarded to the tenderers scoring the

highest number of points. For contracts above the prescribed amount, a similar 90/10 points system will be applicable. In all evaluations, price will remain the dominant factor.

As part of the public sector procurement reform, Cabinet also approved general procurement guidelines that will be applicable for the whole public sector. These guidelines prescribe five pillars on which all procurement should be based – value for money; open and effective competition; ethics and fair dealings; accountability and reporting; and equity. Cabinet also approved the introduction of the just-in-time delivery principle, which will include optimising and rationalising all government stores or warehouses.

The alignment of the procurement systems at national and provincial levels (to devolve accountability to accounting officers as prescribed in the Public Finance Management Act), will in due course lead to the abolition of all tender boards. Over the medium term, a Common Service Provider will replace the (national) Office of the State Tender Board and will inter alia be responsible for the management of transversal contracts. Over the next two years, all decisions regarding ad hoc procurement contracts at national level will be devolved to accounting officers.

The Public Finance Management Act came into effect on 1 April 2000, except for certain sections exempted or delayed by the Minister of Finance. Cabinet approved a detailed implementation plan on 20 September 2000. The first phase focuses on critical improvements in departmental financial management and insuring compliance with the new legislation and its regulations. The second phase is aimed at longer-term qualitative improvements including the full implementation of generally recognised accounting practices.

The National Treasury recognises the demands that the implementation of the Act will place on accounting officers. The implementation is coordinated and promoted by Treasury and a range of support mechanisms for accounting officers has been developed. These include a *Guide for Accounting Officers*, which was published in October 2000 and several other Treasury publications, including departmental Public Finance Management Act implementation plans.

The National Treasury, in collaboration with the South African Management Development Institute (Samdi) and the Institute for Public Finance and Auditing, is developing a new approach to financial management training to meet the training requirements of the Public Finance Management Act.

The existing (“legacy”) financial systems in Government are based on outdated technology and architecture, and will be replaced in due course. The Public Finance Management Act also requires the introduction of generally recognised accounting practice, which will require the introduction of new solutions to meet the financial needs of the public service. New integrated financial systems will be developed to meet the requirements of the Act.

Expenditure trends

Procurement management and financial systems is the largest element of the core Treasury budget, accounting for 52,2 per cent over the entire period. Spending on this programme is driven by the Implementation and maintenance of existing financial systems subprogramme, owing to the development and implementation of an integrated financial system, as well as the continued implementation of the Logistical Information System, Vulindlela and the Basic Accounting System. Provision is also made to align these systems with the Public Finance Management Act’s requirements.

Outputs and service delivery trends

Table 7.9: Procurement management and financial systems: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Office of the State Tender Board Procurement Management	Phase out State Tender Board and establish common service provider	The State Tender Board Act to be repealed no later than 30 September 2002
	Delegate responsibilities for all ad hoc tenders to accounting officers.	Completion date not later than 30 September 2002
	Promulgate regulations of the Preferential Procurement Framework Act	Promulgation of Regulations before 31 March 2001
Public Finance Management Act implementation	Rationalise stores or warehouses	Introduction of just-in-time delivery principle
	Attend to queries on the Public Finance Management Act and Treasury Regulations	Optimising of all government stores and warehouses by not later than April 2004
	Coordinate training initiatives	Aim to respond within 72 hours
Financial systems	Report on progress with implementation of Public Finance Management Act	Human resource development plan and courses accredited – April 2001
	Amendments to Treasury Regulations	Quarterly reports
	Amendments to Public Finance Management Act	Publish in Government Gazette before 1 April 2001
Integrated Financial Systems	Enhanced financial systems to meet all Public Finance Management Act requirements	Amendment Bill tabled in Parliament – August 2001
	Continued financial management information support service	Compliance before 1 April 2001
Integrated Financial Systems	Identification of integrated financial systems to support generally recognised accounting practice as required by the Public Finance Management Act	Availability of financial information required for management decision-making purposes on a monthly basis as from 1 April 2001
		Systems identified to meet generally recognised accounting practice by no later than December 2001.
		Systems procured – 28 February 2002
		Implementation plan for roll-out – 1 April 2002

Programme 5: Financial accounting and reporting

Financial accounting and reporting aims to promote sound financial management by developing accounting policies, ensuring a sound internal control framework, and accounting and reporting on the National Revenue Fund and the Reconstruction and Development Programme fund. There are two subprogrammes:

- Financial reporting on national accounts is responsible for accounting of the National Revenue Fund and the Reconstruction and Development Programme Fund, banking services for national Government, including departmental bank accounts; and development and implementation of accounting policies and preparation of annual consolidated financial statements.
- Financial management improvement includes the financial management improvement programme and financial management training. Assistance is also provided to the Institute for Public Finance and Auditing, and provision is made for internal audit services.

Table 7.10: Programme 5 Financial accounting and reporting

Subprogramme	Expenditure outcome				Medium-term expenditure estimates		
	Audited	Audited	Preliminary Outcome	Adjusted appropriation			
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Financial reporting for national accounts	6 248	5 853	6 243	3 728	9 633	7 052	7 755
Financial management improvement	280	61 360	56 757	111 785	9 178	9 935	10 254
Total	6 528	67 213	63 000	115 513	18 811	16 987	18 009
Change to 2000 Budget Estimate				(215 342)	(244 983)	(277 514)	

Economic classification							
Current	6 387	67 010	61 338	114 993	18 211	16 687	17 709
Personnel	2 977	3 548	3 418	3 834	5 025	6 930	7 362
Transfer payments	280	-	56 757	106 812	2 037	-	-
Other	3 130	63 462	1 163	4 347	11 149	9 757	10 347
Capital	141	203	1 662	520	600	300	300
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	141	203	1 662	520	600	300	300
Total	6 528	67 213	63 000	115 513	18 811	16 987	18 009

Standard items of expenditure							
Personnel	2 977	3 548	3 418	3 834	5 025	6 930	7 362
Administration	210	416	460	1 141	1 380	1 685	1 856
Inventories	143	129	182	217	543	604	844
Equipment	392	243	1 824	727	623	623	929
Land and Building	-	-	-	-	-	-	-
Professional and special services	2 483	62 826	309	2 716	9 203	7 145	7 018
Transfer payments	280	-	56 757	106 812	2 037	-	-
Miscellaneous	-	-	-	-	-	-	-
Civil Pensions Stabilisation Fund	43	51	50	66	-	-	-
Total	6 528	67 213	63 000	115 513	18 811	16 987	18 009

Policy developments

The Accountant-General's Office has made significant improvements to the regular reporting on national government accounts. These include:

- Steps taken to ensure timely closure of general ledgers and monthly reporting as required by the Public Finance Management Act
- Implementation of electronic funds transfer for payments in excess of R10 000.
- Preparation of draft formats for the annual financial statements required of accounting officers in terms of the Public Finance Management Act
- Initial efforts to prepare for accounting for assets and liabilities on departmental balance sheets, together with development of principles for consolidated annual financial statements
- The Institute for Public Finance and Auditing, established in 1999 for the professional development of staff in Government, is fully operational and has an active programme of training and seminars. It has implemented a financial management improvement programme that is supported by the European Union

Over the next three years, the work of the Accountant-General's Office will:

- Build the internal audit capacity of departments and support the effective functioning of Audit Committees
- Research best practice, develop and implement accounting standards and policies
- Develop a financial and internal control policy framework, and account for the National Revenue Fund and the Reconstruction and Development Programme Fund
- Prepare consolidated financial statements based on generally recognised accounting practice
- Advise and guide departments on accounting issues
- Manage the *Financial management improvement* programme
- Set guidelines for the monitoring of Internal Audit

The Public Finance Management Act requires the establishment of an Accounting Standards Board and a secretariat that will be responsible for the administrative arrangements. In developing appropriate accounting standards for Government, international developments in public sector accounting will be considered. In addition, the Treasury and the Auditor General are part of a task team that will review corporate governance from a public sector perspective.

Accounting standards will enable those who use government financial information to:

- Assess Government's financial position and condition.
- Evaluate performance and ability to deliver acceptable level of services
- Predict the timing and volume of current and future cash flows and borrowings
- Assess Government's ability to meet its obligations

Finally, the draft Accountancy Profession Bill will increase access to and mobility of the accounting and auditing profession in South Africa. It will redeem the Public Accountants' and Auditors Act that currently regulates the audit profession.

Expenditure trends

Spending on the Financial management improvement subprogramme rises sharply from R56,8 million in 1999/00 to R111,8 million in 2000/01, before declining to R9,1 million in 2001/02. This results from a provision for conditional grants to provinces and departments for the implementation of the Public Finance Management Act and specific financial management improvement initiatives. Increases in the 2001/02 Financial reporting for national accounts spending are due to the outsourcing of the financial management training services, and the increased banking levels of the National Revenue Fund, and the Reconstruction and Development Programme service charges.

Outputs and service delivery trends

Table 7.11 Financial accounting, integrated systems and reporting: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Financial reporting on national accounts	Monthly and annual consolidated financial statements prepared, and implementation of formats	85 per cent non-qualified audit report and accurate and timely financial information by stakeholders
	Establishment of an Accounting Standards Board and ensuring compliance with generally recognised accounting practice compliance	Accounting Standard Board established and generally recognised accounting practice standards issued. Monitoring of and compliance by departments to standards
	Establishment of structured internal audit practices at departments	Internal audit structures at departments established resulting in continuous improvement in financial control.
	Implementation of a financial management performance	Annual survey of Departments undertaken
	Benchmarking and measurement methodology	Availability of financial management performance criteria, and the measurement of performance according to the criteria
	Administration of the National Revenue Fund, Reconstruction and Development Programme Fund and banking services	All revenue due to the National Revenue Fund and Reconstruction and Development Programme Fund collected and reported to all relevant stakeholders. Satisfactory banking services to departments
Financial management improvement	Develop an on-the-job training programme or financial staff	The level of skill of financial staff in administration improving Annual survey undertaken
	Facilitate and coordinate all financial training initiatives and structured training to government staff.	Quality of training and number of people trained
	Assistance to Institute for Public Finance and Auditing for the professionalisation of financial staff	Membership growth
	Research into best practice in respect of accounting policies	Guidelines and best practice manuals issued to financial staff and managers

Programme 6: Fiscal transfers

The programme provides for transfer payments to the following:

- The Development Fund of the Development Bank of Southern Africa.
- The South African Revenue Service, which is responsible for collection of revenue in terms of the South African Revenue Act of 1997.
- The National Development Agency, which promotes an appropriate partnership between Government and civil society aimed at overcoming poverty and supporting development.
- The independent Financial and Fiscal Commission, which is charged by section 214 of the Constitution, and subsequent financial legislation to make recommendations regarding the equitable division of revenue raised nationally.
- Foreign transfer payments are made to Lesotho and Namibia in respect of the rand monetary area agreement, and to the World Bank Group and the African Development Bank in terms of various economic and financial agreements.
- South Africa makes a contribution to the Highly Indebted Poor Country Initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries and the International Monetary Fund. South Africa's contribution is based on its quota share in the Fund.

Table 7.12: Programme 6 Fiscal transfers

Subprogramme	Expenditure outcome				Medium-term expenditure estimates		
	Audited	Audited	Preliminary Outcome	Adjusted appropriation			
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Development Bank of SA	-	-	-	1	1	1	1
SA Revenue Service	1 224 654	1 933 893	2 316 799	2 387 223	2 673 181	2 944 296	3 252 354
National Development Agency	-	50 000	100 000	90 000	92 690	96 745	101 258
HIPC initiative	-	-	-	44 243	-	12 400	-
Financial and Fiscal Commission	4 376	3 800	5 850	7 994	7 641	7 947	8 304
Lesotho and Namibia	102 190	130 054	137 659	134 500	138 180	151 805	151 766
World Bank Group	-	-	-	1	1	1	1
African Development Bank	11 622	40 175	33 496	97 264	97 000	104 232	104 232
Independent Broadcasting Commission	35 000	-	-	-	-	-	-
Channel Africa	24 131	-	-	-	-	-	-
Post & Telecom: SABC ¹	297 091	-	-	-	-	-	-
SA Post Office	186 147	-	-	-	-	-	-
Total	1 885 211	2 157 922	2 593 804	2 761 226	3 008 694	3 317 427	3 617 916
Change to 2000 Budget Estimate				227 088	365 884	491 728	
Economic classification							
Current	1 873 589	1 832 423	2 442 136	2 387 793	2 651 796	2 801 847	3 090 696
Personnel	-	-	-	-	-	-	-
Transfer payments	1 873 589	1 832 423	2 442 136	2 387 793	2 651 796	2 801 847	3 090 696
Other	-	-	-	-	-	-	-
Capital	11 622	325 499	151 668	373 433	356 898	515 580	527 220
Transfer payments	11 622	325 499	151 668	373 433	356 898	515 580	527 220
Acquisition of capital assets	-	-	-	-	-	-	-
Total	1 885 211	2 157 922	2 593 804	2 761 226	3 008 694	3 317 427	3 617 916

¹ Financial assistance was formerly provided to the *Independent Broadcasting Commission, Channel Africa, South African Broadcasting Corporation (SABC)* and the *South African Post Office* in terms of various funding agreements

Standard items of expenditure

Personnel	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Land and Building	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-
Transfer payments	1 885 211	2 157 922	2 593 804	2 761 226	3 008 694	3 317 427	3 617 916
Miscellaneous	-	-	-	-	-	-	-
Civil Pensions Stabilisation Fund	-	-	-	-	-	-	-
Total	1 885 211	2 157 922	2 593 804	2 761 226	3 008 694	3 317 427	3 617 916

Policy developments

The South African Revenue Service has made significant progress in enhancing its administrative capacity and overcoming important challenges to tax collection. Tax collections in 2000/01 are estimated to exceed the original budget estimate by 1,4 per cent, which is partly attributable to improvements in revenue collection.

In 2000, the South African Revenue Service was tasked with implementing the most extensive set of tax reforms in South African history. Other achievements included:

- The implementation of new trade agreements
- A successful campaign against tax fraud in the retail industry
- A major internal restructuring programme known as Siyakha (“we are building”)

The Siyakha project will be piloted in KwaZulu-Natal during 2001. It is expected to improve service for compliant taxpayers and ensure a sustained crackdown on tax evaders, building on recent successes. This is made possible by more efficient use of resources, achieved through the reorganisation of work processes and the introduction of new technologies. This underpins the Revenue Service’s efforts to meet and exceed collection targets consistently, to improve border controls and to facilitate international trade.

During 2000, the Financial and Fiscal Commission undertook an extensive review of the vertical and horizontal formulas used to divide nationally collected revenue between national, provincial and local government. The Commission’s recommendations for the 2001 Budget propose the adoption of a costed norms approach to the division of revenue. The approach entails estimating the cost of providing basic services in education, health and welfare, based on nationally determined norms and standards in each sector. Following a thorough examination of the recommendations of the Commission, their practicability and their likely impact on the stability of the intergovernmental system, the Budget Council recommended the retention of the current formula.

South Africa has contributed R7,5 million to the Highly Indebted Poor Country Initiative Trust Fund for the Poverty Reduction and Growth Facility of the International Monetary Fund, and is contributing about R200 million in five equal instalments towards financing the enhanced Highly Indebted Poor Country Initiative. As part of the country’s commitment under the Initiative to grant debt relief to bilateral debtors, the South African government has approved the total cancellation of bilateral official debt owed by Mozambique amounting to R48,5 million.

In addition to its contribution to the Highly Indebted Poor Country Initiative, South Africa has made regular contributions to the International Development Association of the World Bank and the Development Fund of the African Development Bank. These resources are used in support of poverty-reducing development initiatives in the poorest countries of the world.

The Southern African Customs Union is currently South Africa’s most significant regional partnership. It provides for substantial fiscal transfers to Botswana, Lesotho, Swaziland and

Namibia out of a common revenue pool. Government is currently negotiating with its partners in the Customs Union for a revised arrangement for the allocation of customs and excise duties within the union. These negotiations focus on the allocation of excise duties and customs revenue, the consideration of a development component, the implementation date for a new revenue-sharing arrangement, the administration of the pool, and transitional arrangements..

South Africa is a contributor to the African Development Fund of the African Development Bank's. The Fund provides financial assistance to the poorest countries in Africa on highly favourable terms. The lending strategy focuses on three sectors – provincial and municipal infrastructure, medium-scale enterprises in the private sector, and multinational projects for the promotion of regional integration. During the course of 2000, the strategy was reviewed, taking into account South Africa's development priorities.

Expenditure trends

Transfers to the South African Revenue Service form the bulk of spending on the programme, averaging 85,4 per cent over the seven years. Growth on the subprogramme averages 17,7 per cent a year, reflecting the priority of building additional capacity in tax administration.

Outputs and service delivery trends

Table 7.13 Fiscal transfers: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
South African Revenue Service	Revenue	Pilot processing centre established by October 2001; remaining five centres completed by December 2002
	Improve process efficiency by establishing six processing centres	
	Improve compliance	
	Improve taxpayer service	
	Optimise revenue to exceed the target	
	Improve efficiency within revenue collection, expand the tax base and narrow the tax gap	
	Customs	
	Improved productivity and process efficiency.	
	Better control of warehouse inventory	
	Establish and implement passenger control system	
Financial and Fiscal Commission	New transit regulations	New transit regulations established by August 2001
	Enhance compliance to customs regulations	Increase in smuggling cases solved, increase in prosecutions arising from smuggling
	Better border control	Decrease time to process passengers and goods at border posts, while decreasing leakage
	Provide advice and recommendations in terms of the Financial and Fiscal Commission Act and the Intergovernmental Fiscal Relations Act	Quality and timeliness of recommendations to the legislatures

Programme 7: Civil pensions and contributions to funds

The programme provides for payment of benefits out of pensions, other funds and schemes and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments. These are non-discretionary commitments in terms of the applicable legislation. In certain instances the expenditure constitutes vested rights of the beneficiaries in terms of the service conditions of former civil servants.

- Contribution to provident funds for associated institutions – Government's contribution to the Provident Fund for Associated Institutions and payment of additional retirement benefits to members of the Fund in terms of the Associated Institutions Provident Fund Act of 1971
- Parliamentary awards to specified persons resulting from successful petitions or memoranda to Parliament
- Addition to pensionable service provides for a partial reimbursement of the Government Employees' Pension Fund in respect of higher expenditure resulting from the additional pensionable service granted to National Defence Force members (Proclamation 21 of 1996)
- Shortfalls in transfer liabilities – augmentation of actuarially calculated shortfalls on the transfer of pension liabilities between pension funds, on withdrawing from pension funds
- Other beneficiaries – pensions payable to the members of the legislative assembly of the former Venda, Transkei and Gazankulu governments; payment of pension benefits and awards to judges or their widows in terms of Judges' Remuneration and Conditions of Employment Act of 1989; members of the Pension Scheme of the National Road Board in terms of the Transport (Coordination) Act of 1948; members of the Pension Scheme of the South African Mint in terms of the South African Reserve Bank Act of 1989; members of the Black Teachers Pension Funds of 1887 (Cape), Black chiefs (Proclamation 110 of 1957); members of various funds and schemes that have been discontinued but in respect of which benefits are still payable; government officials and employees injured during war service who are also entitled to civil pensions and members of statutory bodies or their widows in terms of the Members of Statutory Bodies Pension Act of 1969
- Pension benefits: President of South Africa – pension benefits to be paid to the President after retirement of the Remuneration of Public Office Bearers Act of 1998
- Political Office Bearers' Fund – fees payable to the Fund
- Awards in respect of temporary, total or partial disablement or death as a result of injury on duty provide for payment of compensation benefits to government employees in respect of occupational injuries sustained or diseases contracted in the course of employment and in cases of death, to their dependants in terms of the Compensation for Occupational Injuries and Diseases Act of 1993
- Government contribution to medical schemes, in respect of civil pensioners, including retirees prior to July 1992, former members of Development Boards, former members of the National Film Board, special dispensation members, and partially subsidised retired members
- United Kingdom tax in respect of locally recruited staff – payment of United Kingdom tax on pensions of former locally recruited staff in London who were employed after 1910 and prior to October 1953
- Special pensions, to persons who have served the public interest in the establishment of a democratic order, including members of any armed force not established by law and which is under the control of a political organisation, or dependants of such persons, in terms of the Special Pensions Act of 1996

- Contribution to Closed Pension Fund, to enable the Fund to meet its obligations in terms of the Closed Pension Fund Act of 1993
- Administrative auxiliary services, provide for payment of personnel, administrative and other related expenditure

Table 7.14: Programme 7 Civil pensions and contributions to funds

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary outcome 1999/00	Adjusted appropriation 2000/01	Current 2001/02 2002/03 2003/04		
R thousand							
Contribution to provident funds for associated institutions	277	481	608	560	666	696	727
Parliamentary awards	58	158	37	116	116	116	121
Additional to pensionable service	750	750	750	750	750	750	750
Shortfalls in transfer liabilities	60	1 361		1	1	1	1
Other beneficiaries	36 437	37 674	42 694	51 029	51 000	53 000	55 700
Pension benefits: President of the RSA	-	-	-	548	548	629	639
Political Office Bearers' Fund	-	-	110 599	13 428	14 772	16 029	16 750
Injury on Duty	67 642	67 994	87 158	78 936	96 500	100 843	105 380
Government contributions to medical schemes	660 884	685 973	914 214	1 000 500	1 100 009	1 252 862	1 306 434
United Kingdom tax	1 675	1 573	1 565	2 403	2 511	2 624	2 742
Special pensions	151 722	101 423	111 231	275 000	300 000	312 000	326 000
Contribution to Closed Pension Fund	67 028	37 784	11 217	29	-	-	-
Administrative auxiliary services	16 242	7 069	10 650	9 412	9 835	10 277	10 741
Augmentation of Civil Pensions	-	-	-	-	1	1	1
Pension recoverable	(1 737)	-	-	-	-	-	-
Total	1 001 038	942 240	1 290 723	1 432 712	1 576 709	1 749 828	1 825 986
Change to 2000 Budget Estimate				0	(8 362)	(29 961)	

Economic classification

Current	999 931	942 240	1 290 723	1 432 712	1 576 709	1 749 828	1 825 986
Personnel	2 881						
Transfer payments	68 980	39 838	13 390	2 992	3 177	3 320	3 469
Other	928 070	902 402	1 277 333	1 429 720	1 573 532	1 746 508	1 822 517
Capital	1 107						
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	1 107	-	-	-	-	-	-
Total	1 001 038	942 240	1 290 723	1 432 712	1 576 709	1 749 828	1 825 986

Standard items of expenditure

Personnel	2 881	-	-	-	-	-	-
Administration	404 545	-	-	-	-	-	-
Inventories	160	-	-	-	-	-	-
Equipment	1 097	-	-	-	-	-	-
Land and building	10	-	-	-	-	-	-
Professional and special services	17 405	7 069	10 650	9 412	9 835	10 277	10 741
Transfer payments	68 980	39 838	13 390	2 992	3 177	3 320	3 469
Miscellaneous							
Government contributions to medical schemes	505 960	895 333	1 266 683	1 420 308	1 563 697	1 736 231	1 811 776
Total	1 001 038	942 240	1 290 723	1 432 712	1 576 709	1 749 828	1 825 986

Policy developments

In addition to the *Civil pensions and contributions to funds* programme and the *Military pensions and other benefits* programme, the Pensions division is also responsible for the administration of

all occupational government pension funds. These include the Government Employees Pension Fund, Associated Institutions Pension Fund, Temporary Employees Pensions Fund and the Associated Institutions Provident Fund.

Key priorities and programmes will be implemented over the medium term:

- Improving the ability to manage and account for investments
- Implementing a service improvement plan
- Redesigning the information systems infrastructure and application capacity to meet business requirements
- Improving the management and reconciliation of contribution income to ensure a fully reconciled and accurate membership database in respect of the 1,2 million active members and beneficiaries
- Preparing of monthly expenditure and income accounts in compliance with generally accepted accounting practice.
- Develop and implement the communication plan to inform members and pensioners
- A new Special Pensions Board with five full-time members appointed from January 2001 to complete the adjudication of 18 000 outstanding applications for special pensions by the end of September 2000 and in addition to monthly progress reports, submit a final report in early 2002

Expenditure trends

Spending on Government's contribution to medical schemes averages 70,3 per cent of the programme over the period, rising from R660,9 million in 1997/98 to R1,3 billion in 2003/04. The other significant trend is the rise in spending on Special pensions between 1997/98 to 2000/01, due to the acceleration of the adjudication of the applicants.

Outputs and service delivery trends

Table 7.15: Civil pensions and contributions to funds: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Contribution to provident funds for associated institutions	Pension benefit to the members who leave service before pensionable age	Correct and timely payment to 12 eligible members of these funds in terms of legislative requirements
Parliamentary awards	Payment of pension to persons after successfully petitioning Parliament	Correct and timely payment to seven eligible beneficiaries in terms of legislative requirements
Other beneficiaries	Pensions to members of legislative assemblies, judges, National Road Board, South African Mint, Black Teachers pension fund, Black Chiefs and members of funds and schemes that have been discontinued but in respect of which benefits are still payable	Correct and timely payment to 2 451 eligible beneficiaries in terms of various Acts governing these payments
Pension benefits: President of the RSA	Payment of pension benefit to the retired President of the Republic of South Africa	Correct and timely payment of benefits to eligible beneficiaries in terms of legislative requirements
Political Office Bearers' Fund	Fees in respect of contribution for death and disability benefits, and fund expenses payable to the Political Office Bearers' Fund	Correct and timely payment of fees in terms of legislative requirements
Injury on duty	Compensation to persons suffering from permanent disablement resulting from injuries sustained while on duty	Correct and timely payment of compensation to 6 342 eligible beneficiaries in terms of legislative requirements
Government contributions to medical schemes	Contributions by Government to medical aid schemes in respect of eligible beneficiaries	Correct and timely payment of contributions in respect of 71 839 beneficiaries in terms of legislative requirements
United Kingdom tax	Payment of United Kingdom tax on pensions of former locally recruited staff in London	Correct and timely payment of tax in respect of 38 eligible beneficiaries

Subprogramme	Outputs	Service delivery indicators
Special pensions	Payment of special pensions to persons who served the public interest in establishing a democratic constitutional order, or the dependants	Correct and timely payment of some 4 800 pensioners in terms of legislative requirements and the adjudication of a further 18 000 applications.

Programme 8: Military pensions and other benefits

The programme provides for the payment of pensions benefits and medical claims arising from treatment for disability, medical appliances and other related expenses, in keeping with relevant legislation and agreements.

- Military pensions includes
 - Payment of pensions to ex-servicemen involved in pre-1914 South African wars, the First and Second World Wars and the Korean War; and payment of pensions to ex-soldiers or their dependants who were involved in post-1960 wars, and to national servicemen
 - Payment to South African Citizen Force members who participated in the Border War as well as members of the former non-statutory forces
 - Pensions to Civil Protection volunteers who sustained permanent disability in terms of the Defence Amendment Act of 1977 and payment of medical expenses to beneficiaries
- Other benefits include:
 - Payments to ex-servicemen for medical claims for disability, medical appliances, and subsistence and travelling allowances in terms of the Military Pensions Act of 1976
 - Payment of an administration grant to the South African Legion to attend to the socio-economic needs of war veterans.
- Administrative auxiliary services cover personnel, administrative and related expenditure

Table 7.18: Programme 8 Military pensions and other benefits

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	
Military pensions: Ex-servicemen	56 906	55 909	54 162	56 289	62 652	65 158	68 090	
SA Citizen Force	46 867	58 929	61 388	65 000	67 000	70 015	73 165	
Civil protection	11	18	20	32	32	32	32	
Other benefits: Ex-servicemen	10 662	11 493	11 367	14 000	14 000	14 560	15 236	
SA Legion	40	40	50	50	50	50	52	
Administrative auxiliary services	457	1 105	1 306	1 647	1 652	1 718	1 795	
Total	114 943	127 494	128 293	137 018	145 386	151 533	158 370	
Change to 2000 Budget Estimate				(6 363)	5 005	5 540		

Economic classification

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Current	114 817	127 494	128 293	137 018	145 386	151 533	158 370
Personnel	42	–	–	–	–	–	–
Transfer payments	103 815	114 880	115 602	121 341	129 704	135 225	141 309
Other	10 960	12 614	12 691	15 677	15 682	16 308	17 061
Capital	126	–	–	–	–	–	–
Transfer payments	–	–	–	–	–	–	–
Acquisition of capital assets	126	–	–	–	–	–	–
Total	114 943	127 494	128 293	137 018	145 386	151 533	158 370

Standard items of expenditure

Personnel	42	-	-	-	-	-	-
Administration	149	-	-	-	-	-	-
Inventories	4	-	-	-	-	-	-
Equipment	126	-	-	-	-	-	-
Land and Building	-	-	-	-	-	-	-
Professional and special services	10 805	12 614	12 691	15 677	15 682	16 308	17 061
Transfer payments	103 815	114 880	115 602	121 341	129 704	135 225	141 309
Miscellaneous	-	-	-	-	-	-	-
Civil Pensions	2	-	-	-	-	-	-
Stabilisation Fund	-	-	-	-	-	-	-
Total	114 943	127 494	128 293	137 018	145 386	151 533	158 370

Expenditure trends

Spending on the programme is largely driven by the Military pensions: ex-servicemen and the South African Citizen Force programme. Programme growth is moderate, averaging 5,5 per cent a year over the seven years.

Outputs and service delivery trends**Table 7.19 Military pensions and other benefits: Key outputs and indicators**

subprogramme	Outputs	Service delivery indicators
	Payment of pensions and medical benefits in terms of relevant legislation and agreements	Correct and timely payment of eligible beneficiaries.
Estimated numbers of beneficiaries		
Military Pension: Ex-servicemen		4 449
South African Citizen Force		3 773
Civil protection		
Other benefits: Ex-servicemen		4 994

Programme 9: Provincial and local government transfers

The programme provides transfers to provincial and local governments. The subprogrammes comprise:

- Transfers to provinces are grants that supplement provincial revenue, over and above their statutory equitable shares. The provincial grants include the *supplementary* finance grant to support sound provincial budgeting and financial management reforms, and *infrastructure* grants in support of accelerated infrastructure investment and maintenance, and to finance reconstruction of flood-damaged infrastructure.
- Grants to local government are also additional to their equitable share grants, which are administered by the Department of Provincial and Local Government. There are two conditional grants to local government on the Treasury Vote – one to support local government financial management, and the other to support the restructuring of the larger municipalities.

Table 7.20: Programme 9 Provincial and local government transfers

Presentation according to Sub-Programme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2000/01	2001/02	2002/03
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Transfers to provinces	-	4 001 168	3 995 000	3 107 000	2 547 877	2 452 000	2 472 000
Grants to local government	-	-	-	350 000	410 000	570 000	590 000
Total	0	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000
Change to 2000 Budget Estimate				595 000	247 877	252 000	

Economic classification

Current	-	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000
Personnel	-	-	-	-	-	-	-
Transfer payments	-	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000
Other	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	-	-	-	-
Total	0	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000

Standard items of expenditure

Personnel	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Land and Building	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-
Transfer payments	-	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000
Miscellaneous	-	-	-	-	-	-	-
Total	0	4 001 168	3 995 000	3 457 000	2 957 877	3 022 000	3 062 000

Policy developments

The supplementary finance grant to provinces remains an important instrument in supporting budgetary and financial management reforms in provinces. The outstanding debt in several provinces has been substantially reduced or cleared over the past two years, putting the provincial finances on a much healthier footing. Over the next three years, the emphasis will shift to supporting provincial and local infrastructure investment and maintenance, mainly in respect of roads, school buildings, hospitals and clinics, and bulk infrastructure for residential development in urban areas. Several previous smaller conditional grants for financial management and planning have been incorporated into the supplementary Supplementary finance grant this year.

Expenditure trends

The Supplementary allocation to provinces declines from R3,1 billion in 2000/01 to R2,5 billion in 2003/04. The medium-term allocations do not as yet reflect the additional infrastructure allocations to the provinces that are to be announced in the 2001 Budget. A detailed allocation process will commence after Budget Day. The additional infrastructure allocations will also benefit local government.

Outputs and service delivery trends

Table 7.21: Provincial and local government transfers: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Provincial and local government transfers	Design of grants and monitoring of compliance	Completion of grant design and compliance criteria by Budget Day
	Compliance with Division of Revenue Act	Transfer of funds in terms of a payment schedule if conditions are complied with
	Credible budgets	Monthly reports

Programme 10: Auxiliary and associated services

The programme provides auxiliary services and services associated with the Department's aims, and comprises the following subprogrammes:

- Augmentation of the Secret Services Account to finance intelligence gathering and other secret services of the National Intelligence Agency, the South African Secret Service, and the National Investigation Service of the South African Police Service.
- Service charges by banks in respect of deposit accounts maintained on behalf of all departments.
- Audit provides for compensation for shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act of 1995.
- Investment of public monies accommodates augmentation of the Public Investment Commissioners' bank account.
- Payment of contingent liabilities in respect of reinsurance granted to insurers arising from loss or damage to property funds payments or consequential loss as a result of riots in terms of the Reinsurance of Damages and Losses Act of 1989, and granting loans and advances to such insurers in terms of the Act.
- Government motor transport provides for purchase of vehicles for departmental use.

Table 7.22: Programme 10 Auxiliary and associated services

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjustments estimate			
R thousand	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Secret services ¹	764 122	796 012	835 550	890 042	983 307	1 041 964	1 104 549
Service charges	1 860	3 465	19 723	5 139	5 319	5 532	5 781
Audit	10 863	5 016	6 316	13 787	7 593	7 897	8 252
Investment of public moneys	-	-	-	1	1	1	1
Contingent liabilities	-	-	-	1	1	1	1
Government motor transport	43	-	-	2	1	1	1
Computer Service	85 342	100 092	-	-	-	-	-
Total	862 230	904 585	861 589	908 972	996 222	1 055 396	1 118 585
Change to 2000 Budget Estimate				5 765	(86 214)	(63 810)	

¹ Includes an amount specifically and exclusively appropriated as contribution to Secret services

Economic classification							
Current	862 187	904 585	853 189	908 970	996 221	1 055 395	1 118 584
Personnel	3 308	2 311	-	-	-	-	-
Transfer payments	855 747	897 344	841 866	903 831	990 901	1 049 862	1 112 802
Other	3 132	4 930	11 323	5 139	5 320	5 533	5 782
Capital	43	-	8 400	2	1	1	1
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	43	-	8 400	2	1	1	1
Total	862 230	904 585	861 589	908 972	996 222	1 055 396	1 118 585
Standard items of expenditure							
Personnel	3 308	2 311	-	-	-	-	-
Administration	66	67	-	-	-	-	-
Inventories	53	26	-	-	-	-	-
Equipment	1 157	1 334	8 400	2	1	1	1
Land and building	-	-	-	-	-	-	-
Professional and special services	17	23	6 357	-	-	-	-
Transfer payments	855 747	897 344	841 866	903 831	990 901	1 049 862	1 112 802
Miscellaneous	-	-	-	-	-	-	-
Civil Pensions Stabilisation Fund	22	15	-	-	-	-	-
Bank charges	1 860	3 465	4 966	5 139	5 320	5 533	5 782
Total	862 230	904 585	861 589	908 972	996 222	1 055 396	1 118 585

Policy developments

The Secret services subprogramme now includes provision for the office of an Inspector-General, who was appointed in May 2000. His functions are to monitor compliance by the Services with their policies and to review the activities of the Services.

The Public Investment Commissioners invest surplus moneys on behalf of various public sector bodies. The deposits, which were previously invested solely in gilts and semi-gilts, have since 1995 been diversified to include investment in equities and properties. The Isibaya Fund was established in 1998 to further diversify the Public Investment Commissioners' assets and include investments that fund infrastructure development. Statutory approval was obtained to invest 3,5 per cent of the Public Investment Commissioners' assets in this manner. The Commissioners are restructuring the Isibaya Fund to make it a successful alternative investment fund in terms of investment performance, relative to benchmarks and its impact on the socio-economic environment. The Commissioners are also in the process of re-examining their investment policy, and draft proposals have been forwarded to the Board of Commissioners for consideration. During 2000/01, Cabinet reviewed the role of the Public Investment Commissioners and the National Treasury's Pension Administration in line with the overall reorganisation of the National Treasury. Various models are being investigated.

Expenditure trends

Transfers to the Secret services subprogramme comprise an average of 95,4 per cent of the programme total, rising from R764,1 million in 1997/98 to R1,1 billion in 2003/04.

Outputs and service delivery trends

Table 7.23: Auxiliary and associated services: Key outputs and indicators

Subprogramme	Outputs	Service delivery indicators
Secret services	Fulfilling national intelligence and counter-intelligence responsibilities	-
Service charges	Payment of bank charges	Timeliness of service charges
Audit	Settlement of audit fees in terms of the Auditor-General Act, 1995	Appropriate settlement of shortfalls

Annexure: Vote 7: National Treasury

Table 7.5: Summary of expenditure trends and estimates per programme

Table 7.6: Summary of expenditure trends and estimates per economic classification

Table 7.7: Summary of expenditure trends and estimates per standard item

Table 7.8: Summary of transfers and subsidies per programme

Table 7.9: Summary of personnel numbers and costs

Table 7.10: Summary of expenditure on training

Table 7.24: Summary of expenditure trends and estimates per programme

	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	Outcome 1999/00										
R thousand													
Administration	39 629	42 194	46 151	67 266	21 981	1 654	90 901	82 401	65 967	2 431	68 398	70 913	76 383
Economic planning and budget management	35 030	40 039	43 817	70 121	746	2 282	73 149	59 649	71 786	3 223	75 009	76 707	84 707
Asset and liability management	6 261	8 092	10 371	15 124	2 000	415	17 539	17 539	17 294	614	17 908	20 001	21 904
Procurement management and transversal systems	154 483	150 628	179 308	241 394	1 061	1 281	243 736	243 736	308 332	3 151	311 483	358 758	376 689
Financial accounting and reporting	6 528	67 213	63 000	109 948	5 262	303	115 513	115 513	18 211	600	18 811	16 987	18 009
Fiscal transfers	1 885 211	2 157 922	2 593 804	2 534 138	116 064	111 024	2 761 226	2 753 617	2 651 796	356 898	3 008 694	3 317 427	3 617 916
Civil pensions and other benefits	1 001 038	942 240	1 290 723	1 432 712	-	-	1 432 712	1 321 714	1 576 709	-	1 576 709	1 749 828	1 825 986
Military pensions and other benefits	114 943	127 494	128 293	143 381	-	(6 363)	137 018	137 018	145 386	-	145 386	151 533	158 370
Provincial and local government transfers	-	4 001 168	3 995 000	2 862 000	-	595 000	3 457 000	3 457 000	2 657 877	-	2 957 877	3 022 000	3 062 000
Auxiliary and associated services	862 230	904 585	861 589	895 873	-	13 099	908 972	908 972	996 221	1	996 222	1 055 396	1 118 585
Amount to be voted	4 105 353	8 441 575	9 212 056	8 371 957	147 114	718 695	9 237 766	9 097 159	8 509 579	666 918	9 176 497	9 839 550	10 360 549
Direct charge to the National Revenue Fund	124 747 342	124 205 833	130 884 252	140 898 041	-	1 635 231	142 533 272	142 371 641	152 274 460	-	152 274 460	162 210 956	171 237 724
Provinces	85 927 642	81 536 533	86 594 552	94 408 341	-	1 777 500	96 185 841	96 185 841	104 136 460	-	104 136 460	112 560 356	120 215 824
State Debt	38 819 700	42 669 300	44 289 700	46 489 700	-	(142 269)	46 347 431	46 185 800	48 138 000	-	48 138 000	49 650 600	51 021 900
Total	128 852 695	132 647 408	140 096 308	149 269 998	147 114	2 353 926	151 771 038	151 468 800	160 784 039	666 918	161 450 957	172 050 506	181 598 273
Change to 2000 Budget Estimate							2 501 040	2 198 802			3 156 108	6 777 939	

Table 7.25: Summary of expenditure trends and estimates per economic classification

R thousand	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary	Rollovers From 1999/00	Other adjustments	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04	
	1997/98	1998/99	outcome 1999/00										2000/01
Current	4 088 363	8 105 114	9 039 543	7 681 070	128 210	123 695	7 932 975	7 799 977	8 509 579	-	8 509 579	9 015 698	9 510 263
Personnel	68 698	76 808	80 424	110 531	1 171	2 313	114 015	92 015	118 307	-	118 307	126 355	133 394
Salaries and wages	45 887	51 853	53 912	76 352	-	2 313	78 665	56 665	81 682	-	81 682	85 261	90 520
Other	22 811	24 955	26 512	34 179	1 171	-	35 350	35 350	36 625	-	36 625	41 094	42 874
Transfer payments	2 902 411	6 885 653	7 464 751	5 846 063	120 946	117 760	6 084 769	6 084 769	6 435 492	-	6 735 492	6 712 254	7 096 276
Other levels of Government	2 902 411	6 885 653	7 464 751	5 846 063	120 946	117 760	6 084 769	6 084 769	6 435 492	-	6 735 492	6 712 254	7 096 276
Households and non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign countries and international credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current expenditure	1 117 254	1 142 653	1 494 368	1 724 476	6 093	3 622	1 734 191	1 623 193	1 955 780	-	1 955 780	2 177 089	2 280 593
Capital	16 990	336 461	172 513	690 887	18 904	595 000	1 304 791	1 297 182	-	666 918	666 918	823 852	850 286
Capital transfers	11 622	325 499	151 668	673 433	-	595 000	1 268 433	1 260 824	-	656 898	656 898	815 580	841 220
Other levels of Government	11 622	325 499	151 668	673 433	-	595 000	1 268 433	1 260 824	-	656 898	656 898	815 580	841 220
Other capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable capital	5 346	10 962	20 845	17 454	18 904	-	36 358	36 358	-	10 020	10 020	8 272	9 066
Motor vehicles	43	-	824	407	-	-	407	407	-	800	800	-	-
Equipment	4	11	2 207	1 006	8 000	-	9 006	9 006	-	751	751	954	156
Computers	4 380	6 176	17 530	7 421	-	-	7 421	7 421	-	4 271	4 271	2 906	2 756
Other	919	4 775	284	8 620	10 904	-	19 524	19 524	-	4 198	4 198	4 412	6 154
Fixed capital	22	-	-	-	-	-	-	-	-	-	-	-	-
Land	21	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	1	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4 105 353	8 441 575	9 212 056	8 371 957	147 114	718 695	9 237 766	9 097 159	8 509 579	666 918	9 176 497	9 839 550	10 360 549

Direct charge to the National Revenue Fund	124 747 342	124 205 833	130 884 252	140 898 041	-	1 635 231	142 533 272	142 371 641	152 274 460	-	152 274 460	162 210 956	171 237 724
Provinces	85 927 642	81 536 533	86 594 552	94 408 341	-	1 777 500	96 185 841	96 185 841	104 136 460	-	104 136 460	112 560 356	120 215 824
State Debt	38 819 700	42 669 300	44 289 700	46 489 700	-	(142 269)	46 347 431	46 185 800	48 138 000	-	48 138 000	49 650 600	51 021 900
Total	128 852 695	132 647 408	140 096 308	149 269 998	147 114	2 353 926	151 771 038	151 468 800	160 784 039	666 918	161 450 957	172 050 506	181 598 273

Table 7.26: Summary of expenditure trends and estimates per standard item

Expenditure outcome	Main appropriation			Adjustments appropriation			Revised estimate	Medium-term expenditure estimate					
	Audited	Audited	Preliminary outcome	Rollovers from 1999/00	Other adjustments	Adjusted appropriation		Current	Capital	Total			
											1997/98	1998/99	1999/00
R thousand	1997/98	1998/99	1999/00	2000/01				2001/02			2002/03	2003/04	
Personnel	68 698	76 808	80 424	110 531	1 171	2 313	114 015	102 979	118 307	-	118 307	126 355	133 394
Administrative	414 358	13 884	15 559	25 076	53	3 622	28 751	23 505	31 723	-	31 723	31 956	36 802
Inventories	3 698	4 618	4 793	6 809	316	-	7 125	7 125	8 500	-	8 500	7 946	9 601
Equipment	9 625	13 535	22 166	18 150	19 027	-	37 177	37 177	2 781	10 020	12 801	11 353	13 240
Land and buildings	22	-	-	-	-	-	-	-	-	-	-	-	-
Professional and special services	178 462	221 616	199 363	263 917	5 601	-	269 518	263 635	342 559	-	342 559	390 842	410 658
Transfer payments	2 914 033	7 211 152	7 616 419	6 519 496	120 946	712 760	7 353 202	7 345 593	6 435 492	656 898	7 092 390	7 527 834	7 937 496
Miscellaneous	516 457	899 962	1 273 332	1 427 978	-	-	1 427 978	1 317 145	1 570 217	-	1 570 217	1 743 264	1 819 358
Total	4 105 353	8 441 575	9 212 056	8 371 957	147 114	718 695	9 237 766	9 097 159	8 509 579	666 918	9 176 497	9 839 550	10 360 549
Direct charge to the National Revenue Fund	124 747 342	124 205 833	130 884 252	140 898 041	-	1 635 231	142 533 272	142 371 641	152 274 460	-	152 274 460	162 210 956	171 237 724
Provinces	85 927 642	81 536 533	86 594 552	94 408 341	-	1 777 500	96 185 841	96 185 841	104 136 460	-	104 136 460	112 560 356	120 215 824
State Debt	38 819 700	42 669 300	44 289 700	46 489 700	-	(142 269)	46 347 431	46 185 800	48 138 000	-	48 138 000	49 650 600	51 021 900
Total	128 852 695	132 647 408	140 096 308	149 269 998	147 114	2 353 926	151 771 038	151 468 800	160 784 039	666 918	161 450 957	172 050 506	181 598 273

Table 7.27: Summary of transfers and subsidies per programme

	Expenditure outcome			Main appropriation	Adjustments appropriation			Revised estimate	Medium-term expenditure estimate				
	Audited	Audited	Preliminary		Rollovers from 1999/00	Other adjustments 2000/01	Adjusted appropriation		Current	Capital	Total	2002/03	2003/04
	1997/98	1998/99	outcome 1999/00										
R thousand													
Financial accounting and reporting	280	-	56 757	101 930	4 882	-	106 812	106 812	2 037	-	2 037	-	-
IPFA	280	-	3 000	1 930	-	-	1 930	1 930	2 037	-	2 037	-	-
Financial management improvement programme	-	-	53 757	100 000	4 882	-	104 882	104 882	-	-	-	-	-
Fiscal transfers	1 885 211	2 157 922	2 593 804	2 534 138	116 064	111 024	2 761 226	2 753 617	2 651 796	356 898	3 008 694	3 317 427	3 617 916
Lesotho & Namibia	102 190	130 054	137 659	134 500	-	-	134 500	134 500	138 180	-	138 180	151 805	151 766
Development Bank of SA	-	-	-	1	-	-	1	1	-	1	1	1	1
World Bank group	-	-	-	1	-	-	1	1	-	1	1	1	1
SA Contribution to heavily indebted poor countries	-	-	-	-	44 243	-	44 243	44 243	-	-	-	12 400	-
African Development Bank	11 622	40 175	33 496	104 000	-	(6 736)	97 264	89 655	-	97 000	97 000	104 232	104 232
SA Revenue Service	1 224 654	1 933 893	2 316 799	2 197 642	71 821	117 760	2 387 223	2 387 223	2 413 285	259 896	2 673 181	2 944 296	3 252 354
National Development Agency	-	50 000	100 000	90 000	-	-	90 000	90 000	92 690	-	92 690	96 745	101 258
Financial and Fiscal Commission	4 376	3 800	5 850	7 994	-	-	7 994	7 994	7 641	-	7 641	7 947	8 304
Independent Broadcasting Commission	35 000	-	-	-	-	-	-	-	-	-	-	-	-
Channel Africa	24 131	-	-	-	-	-	-	-	-	-	-	-	-
Post & Telekom: SABC	297 091	-	-	-	-	-	-	-	-	-	-	-	-
SA Post Office	186 147	-	-	-	-	-	-	-	-	-	-	-	-
Civil pensions and other benefits	68 980	39 838	13 390	2 992	-	-	2 992	2 992	3 177	-	3 177	3 320	3 469
Contribution to provident funds for associated institutions	277	481	608	560	-	-	560	560	666	-	666	696	727
United Kingdom tax	1 675	1 573	1 565	2 403	-	-	2 403	2 403	2 511	-	2 511	2 624	2 742
Contribution to Closed Pension Fund	67 028	37 784	11 217	29	-	-	29	29	-	-	-	-	-

Military pensions and other benefits	103 815	114 880	115 602	127 704	-	(6 363)	121 341	121 341	129 704	-	129 704	135 225	141 309
Military Pensions: Ex-servicemen	56 906	55 909	54 162	60 652	-	(4 363)	56 289	56 289	62 652	-	62 652	65 158	68 090
SA Citizen Force	46 867	58 929	61 388	67 000	-	(2 000)	65 000	65 000	67 000	-	67 000	70 015	73 165
SA Legion	40	40	50	50	-	-	50	50	50	-	50	50	52
Civil Protection	2	2	2	2	-	-	2	2	2	-	2	2	2
Provincial and local government transfers	-	4 001 168	3 995 000	2 862 000	-	595 000	3 457 000	3 457 000	2 657 877	300 000	2 957 877	3 022 000	3 062 000
Supplementary allocation to provinces	-	4 001 168	3 995 000	2 512 000	-	595 000	3 107 000	3 107 000	2 247 877	300 000	2 547 877	2 452 000	2 472 000
Grants to local government	-	-	-	350 000	-	-	350 000	350 000	410 000	-	410 000	570 000	590 000
Auxiliary and associated services	855 747	897 344	841 866	890 732	-	13 099	903 831	903 831	990 901	-	990 901	1 049 862	1 112 802
Investment of public monies	-	-	-	1	-	-	1	1	1	-	1	1	1
Audit	10 863	5 016	6 316	7 336	-	6 363	13 699	13 699	7 593	-	7 593	7 897	8 252
Secret Service ¹	764 122	796 012	835 550	883 307	-	6 736	890 043	890 043	983 307	-	983 307	1 041 964	1 104 549
SETA	-	-	-	88	-	-	88	88	-	-	-	-	-
CCS	80 762	96 316	-	-	-	-	-	-	-	-	-	-	-
Total	2 914 033	7 211 152	7 616 419	6 519 496	120 946	712 760	7 353 202	7 345 593	6 435 492	656 898	7 092 390	7 527 834	7 937 496

Table 7.28: Summary of personnel numbers and costs¹

Personnel numbers	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	199	237	258	241	241
Economic planning and budget management	184	209	219	210	210
Asset and liability management	42	50	50	54	54
Procurement management and transversal systems	136	124	124	107	107
Financial accounting and reporting	8	83	83	92	92
Auxiliary and associated services	14	-	-	-	-
Total	583	703	734	704	704
Total personnel cost (R thousand)	68 698	76 808	80 424	114 015	118 307

Unit cost (R thousand)	117,8	109,3	109,6	162,0	168,0
<i>1 Fulltime equivalent</i>					

Table 7.29: Summary of expenditure on training

R thousand	Preliminary outcome	Revised estimate	Medium-term expenditure estimate		
	1999/00	2000/01	2001/02	2002/03	2003/04
Administration	984	959	703	736	814
Economic planning and budget management	326	764	621	650	718
Asset and liability management	242	420	166	173	191
Procurement management and transversal systems	53	35	310	325	359
Financial accounting and reporting	223	268	269	282	311
Auxiliary and associated services	-	101	-	-	-
Total	1 828	2 547	2 069	2 166	2 393

Table 7.30: Summary of Conditional Grants to provinces

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited	Audited	Preliminary Outcome	Adjusted appropriation	Revised Estimate			
R thousand	1997/98	1998/99	1999/00	2000/01		2001/02	2002/03	2003/04
Provincial and Local Government transfers								
Supplementary allocation to provinces	-	2 800 000	2 500 000	2 212 000	2 212 000	2 247 877	2 152 000	2 158 000
Eastern Cape	-	502 919	444 951	389 622	389 622	386 431	353 615	355 110
Free State	-	188 691	167 818	148 303	148 303	177 561	147 919	146 956
Gauteng	-	407 741	357 969	322 358	322 358	337 611	344 293	341 108
KwaZulu-Natal	-	561 760	509 280	451 032	451 032	455 029	429 783	431 489
Mpumalanga	-	191 570	171 034	152 522	152 522	153 003	151 809	158 126
Northern Cape	-	63 710	58 120	51 809	51 809	55 788	58 711	59 582
Northern Province	-	377 545	346 221	305 049	305 049	292 471	282 764	287 360
North West	-	235 978	210 558	185 803	185 803	182 336	177 957	179 552
Western Cape	-	270 086	234 049	205 502	205 502	207 647	205 149	198 717
Provincial infrastructure grant	-	-	-	300 000	300 000	300 000	300 000	314 000
Eastern Cape	-	-	-	40 000	40 000	62 000	62 000	64 589
Free State	-	-	-	-	-	17 000	17 000	17 886
Gauteng	-	-	-	-	-	15 000	15 000	15 899
KwaZulu-Natal	-	-	-	76 000	76 000	69 000	69 000	71 544
Mpumalanga	-	-	-	91 000	91 000	25 000	25 000	26 829
Northern Cape	-	-	-	-	-	4 000	4 000	3 975
Northern Province	-	-	-	93 000	93 000	69 000	69 000	71 544
North West	-	-	-	-	-	28 000	28 000	29 810
Western Cape	-	-	-	-	-	11 000	11 000	11 924
Flood reconstruction	-	-	-	595 000	595 000	-	-	-
Adjustments Estimate	-	1 200 000	1 419 600	1 777 500	1 777 500	-	-	-
Eastern Cape	-	177 400	249 900	297 693	297 693	-	-	-
Free State	-	269 000	97 000	128 496	128 496	-	-	-
Gauteng	-	148 600	212 100	282 263	282 263	-	-	-
KwaZulu-Natal	-	195 600	281 500	347 125	347 125	-	-	-
Mpumalanga	-	65 800	94 900	116 577	116 577	-	-	-
Northern Cape	-	24 700	34 700	39 518	39 518	-	-	-
Northern Province	-	131 700	188 700	240 497	240 497	-	-	-
North West	-	86 100	121 400	149 341	149 341	-	-	-

Western Cape	-	101 100	139 400	175 990	175 990	-	-	-
Financial and personnel systems			31 430	75 000	75 000			
Eastern Cape	-	-	3 400	7 667	7 667	-	-	-
Free State	-	-	3 400	6 667	6 667	-	-	-
Gauteng	-	-	3 400	9 667	9 667	-	-	-
KwaZulu-Natal	-	-	3 400	7 667	7 667	-	-	-
Mpumalanga	-	-	3 400	13 667	13 667	-	-	-
Northern Cape	-	-	3 400	6 667	6 667	-	-	-
Northern Province	-	-	3 400	6 666	6 666	-	-	-
North West	-	-	3 400	7 666	7 666	-	-	-
Western Cape	-	-	4 230	8 666	8 666	-	-	-
Northern Cape legislature			69 000					
Northern Cape	-	-	69 000	-	-	-	-	-
Total	-	4 000 000	4 020 030	4 959 500	4 959 500	2 547 877	2 452 000	2 472 000

Table 7.31: Summary of Conditional Grants to local government

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited 1997/98	Audited 1998/99	Preliminary Outcome 1999/00	Adjusted appropriation 2000/01	Revised Estimate	2001/02	2002/03	2003/04
Provincial and Local Government transfers	-	-	-	-	-	-	-	-
Grants to local government	-	-	-	-	-	-	-	-
Local government restructuring grant	-	-	-	300 000	300 000	350 000	450 000	465 000
Financial management	-	-	-	50 000	50 000	60 000	120 000	125 000
Total	-	-	-	350 000	350 000	410 000	570 000	590 000