

# Vote 8

## National Treasury

	2003/04 To be appropriated	2004/05	2005/06
MTEF allocations	R11 772 307 000	R13 415 662 000	R13 836 776 000
Statutory amounts	R193 372 030 000	R208 392 096 000	R222 626 442 000
Responsible Minister	Minister of Finance		
Administering Department	National Treasury		
Accounting Officer	Director-General of the National Treasury		

### Aim

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

### Programme purpose and measurable objectives

#### Programme 1: Administration

**Purpose:** Provide for the leadership and overall management of the National Treasury.

#### Programme 2: Economic Planning and Budget Management

**Purpose:** Provide advice and analysis in the development of macroeconomic, financial, fiscal and tax policies, and co-ordinate the budget process and division of revenue between the three spheres of Government.

**Measurable objective:** To promote growth, social development and poverty reduction through sound economic, fiscal and financial policies, efficient revenue measures and effective, efficient and appropriate allocations of public funds.

#### Programme 3: Asset and Liability Management

**Purpose:** Oversee Government's financial assets and manage Government's debt and contingent liabilities.

**Measurable objective:** To ensure that Government's borrowing requirements are met within acceptable levels of risk, while maintaining accurate information on Government's assets and liabilities, managing cash efficiently and ensuring that the proceeds of restructuring meet the planned targets.

#### Programme 4: Financial Management and Systems

**Purpose:** Regulate and oversee public sector supply chain management through policy formulation, facilitating some supply contracts, and standardising the financial systems of national and provincial government. Co-ordinate the implementation of the Public Finance Management Act (1 of 1999) (PFMA) and ensure that departments have the skills to comply with the Act.

**Measurable objective:** To regulate and oversee public sector supply chain management through policy formulation and standardising the financial systems of national and provincial government, while co-ordinating and implementing the PFMA.

#### **Programme 5: Financial Accounting and Reporting**

**Purpose:** Set government accounting policy and standards, prepare consolidated financial statements, and seek to improve and integrate financial management.

**Measurable objective:** To improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented.

#### **Programme 6: Provincial and Local Government Transfers**

**Purpose:** Provide for the conditional grants for the provincial and local spheres of Government that are directly administered by the National Treasury.

**Measurable objective:** To reinforce the pace and quality of provincial infrastructure investment and maintenance of assets, and to promote financial management reform and restructuring of service delivery by municipalities.

#### **Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits**

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

**Measurable objective:** To ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

#### **Programme 8: Fiscal Transfers**

**Purpose:** Provide for financial transfers to various authorities and institutions in terms of statutes and international agreements. These include the South African Revenue Service (SARS), the Development Bank of Southern Africa (DBSA), the Financial and Fiscal Commission (FFC) and some signatories of the Multilateral Monetary Agreement.

**Measurable objective:** To meet certain international and other statutory financial obligations, to meet the costs of effectively and efficiently raising revenue for the purposes of the state and to finance intelligence gathering and other secret services in the national interest.

### **Strategic overview and key policy developments: 1999/00 – 2005/06**

A programme of fiscal restructuring since the mid-1990s has improved the stability of South Africa's economic position, with fiscal and monetary policies contributing significantly to the economy's success at weathering recent global economic uncertainties. It has also meant that, since 2001/02, Government has been able to significantly increase significantly the resources allocated to priority programmes, including the delivery of public services.

*Priorities over the medium term*

Over the medium term the National Treasury will give effect to its broad priorities through the activities of the Department's eight programmes. Ongoing fiscal reform will focus on promoting sustainable growth and development, poverty reduction, enhancing budgetary transparency and improving financial management. Systems to improve the monitoring and reporting of public expenditure, including a review of the impact of the special poverty relief programme will be instituted.

The development of public sector accounting rules will help to enhance the quality, accuracy and usefulness of Government's financial statements. National Treasury is helping to design and implement financial statements which will be in line with the Generally Recognised Accounting Practice (GRAP) currently being set by the Accounting Standards Board.

*Macroeconomic policies*

Developing macroeconomic policies relevant to the challenges of globalisation includes deepening South Africa's financial markets, gradually liberalising exchange controls, and improved financial sector oversight and regulation. Also important, specifically in relation to the development of the Southern African region, is co-operation with neighbouring Southern African Development Community (SADC) countries on issues such as taxation, promoting investment, and economic integration within the region.

*Stronger relationship with provincial and local government*

A key area where progress has been made is in the development of the National Treasury's relationship with other spheres of Government. Here, the National Treasury has sought to articulate consistent policies which promote development and increase social and economic equality. One way in which it pursues this objective is through the enactment of the annual Division of Revenue Act, which governs the management of grants to both the provincial and local spheres. New frameworks for the allocation of these grants provide sharper definitions of the purpose and intended outputs for each grant. This enhances transparency and is expected to lead to improved delivery.

The ongoing evolution of the system of intergovernmental fiscal relations will be achieved at the provincial level by rationalising grants to ensure that there are fewer, but better-administered grants. With the turnaround in provincial infrastructure investment, it is envisaged that the Provincial Infrastructure Grant will be phased into the equitable share. Future initiatives will focus on institutionalising good practices in relation to infrastructure planning, supply chain management (procurement) and delivery. At the local government level the priority will be to reinforce budget reform and financial management. The aim is to assist municipalities to enhance their financial management capacity and to strengthen the link between policy, planning and budgets.

*Implementing the PFMA*

Transforming public sector financial management is a key objective of the National Treasury. To this end, the Department is implementing the Public Finance Management Act (and the Municipal Finance Management Act when the latter is enacted), and providing and managing appropriate systems for monitoring and managing expenditure. It is rolling out financial management systems which will ensure not only the transparency of expenditure but also the effective and efficient use of scarce resources to achieve social transformation. These systems for enhancing the integrity and effectiveness of supply chain and expenditure management have been among the most important of Treasury's reforms. In addition, multi-year budgeting has improved planning processes in all spheres of Government. Over the next few years, the National Treasury will establish a new

framework for the appointment of consultants, implement systems to help departments comply with the PFMA, and commission high quality courses to build the necessary capacity.

### *Appropriate tax policies*

Reviewing the taxation of retirement savings, introducing a mining royalty tax, considering tax measures to support investment and enhancing revenue estimation capacity will form a part of the development of appropriate tax policies for the country.

The South African Revenue Service, a public entity reporting to the Minister, has been one of the most effective organisations in Government over a sustained period of time, consistently exceeding revenue targets. It has introduced e-filing and payments, implemented a Capital Gains Tax, changed the nature of taxation from source-based to residence-based, and also developed a risk management approach to compliance, with emphasis on the measurement of the tax gap and the identification of high-yield strategies.

### *Managing public sector debt*

Another priority of the National Treasury is the efficient management of public sector debt. Mechanisms for financing the government deficit are being put in place. These include borrowing in the domestic and foreign markets and using the proceeds of the restructuring of state-owned enterprises. The main objective is to finance at a lower cost while taking cognisance of the risk limits. This approach will be implemented within a prudent cash management framework that ensures that the movement of cash is properly monitored.

## **Expenditure estimates**

Table 8.1: National Treasury

Programme	Expenditure outcome			Adjusted appropriation	Revised Estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03				
1 Administration	46 171	103 663	62 185	118 405	112 405	102 382	98 598	105 490
2 Economic Planning and Budget Management	43 817	44 531	53 802	124 354	101 354	122 593	134 598	137 343
3 Asset and Liability Management	10 371	16 297	16 159	31 613	25 613	42 831	42 163	45 559
4 Financial Management and Systems	179 308	218 466	222 551	313 584	293 584	357 716	387 473	415 191
5 Financial Accounting and Reporting	95 439	95 868	25 211	56 195	6 195	63 208	69 764	74 984
6 Provincial and Local Government Transfers	1 488 600	1 170 000	2 114 250	2 480 000	2 355 000	3 061 403	3 418 511	3 627 451
7 Civil and Military Pensions, Contributions to Funds and Other Benefits	1 419 016	1 400 117	1 664 458	1 915 635	1 915 635	2 029 569	2 163 966	2 293 804
8 Fiscal Transfers	3 329 334	3 648 764	4 005 940	5 316 868	5 291 868	5 992 605	7 100 589	7 136 954
<b>Subtotal</b>	<b>6 612 056</b>	<b>6 697 706</b>	<b>8 164 556</b>	<b>10 356 654</b>	<b>10 101 654</b>	<b>11 772 307</b>	<b>13 415 662</b>	<b>13 836 776</b>
Change to 2002 Budget Estimate (Department)				363 439	108 439	683 760	1 305 944	
Direct charge on the National Revenue Fund	133 384 252	144 718 722	155 041 085	170 692 781	170 706 849	193 372 030	208 392 096	222 626 442
Provinces Equitable Share	89 094 552	98 397 841	107 460 337	123 456 849	123 456 849	142 386 030	155 313 096	167 556 442
State Debt Costs	44 289 700	46 320 881	47 580 748	47 235 932	47 250 000	50 986 000	53 079 000	55 070 000
<b>Total</b>	<b>139 996 308</b>	<b>151 416 428</b>	<b>163 205 641</b>	<b>181 049 435</b>	<b>180 808 503</b>	<b>205 144 337</b>	<b>221 807 758</b>	<b>236 463 218</b>
Change to 2002 Budget Estimate (Direct charges)				3 737 763	3 751 831	15 061 232	18 869 436	

	Expenditure outcome			Adjusted appropriation	Revised Estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	1999/00	2000/01	2001/02	2002/03		2003/04	2004/05	2005/06
Economic classification								
Current	6 439 543	5 440 717	6 260 218	7 682 376	7 453 376	8 335 713	9 501 185	9 882 962
Personnel	80 424	82 817	93 559	153 358	117 358	206 187	218 418	230 205
Social contributions	1 266 683	1 257 317	1 524 619	1 777 038	1 777 038	1 890 359	2 023 904	2 145 339
Transfer payments	4 864 731	3 826 521	4 354 574	5 283 578	5 156 578	5 763 374	6 748 837	6 963 623
Other current	227 705	274 062	287 466	468 402	402 402	475 793	510 026	543 795
Capital	172 513	1 256 989	1 904 338	2 674 278	2 648 278	3 436 594	3 914 477	3 953 814
Transfer payments	151 668	1 196 525	1 895 254	2 640 916	2 617 916	3 418 279	3 898 418	3 936 677
Acquisition of capital assets	20 845	60 464	9 084	33 362	30 362	18 315	16 059	17 137
<b>Total</b>	<b>6 612 056</b>	<b>6 697 706</b>	<b>8 164 556</b>	<b>10 356 654</b>	<b>10 101 654</b>	<b>11 772 307</b>	<b>13 415 662</b>	<b>13 836 776</b>
Standard items of expenditure								
Personnel	80 424	82 817	93 559	153 358	117 358	206 187	218 418	230 205
Administrative	15 579	16 886	19 046	47 369	46 369	54 881	59 388	63 505
Inventories	4 793	5 294	8 391	10 497	10 497	10 840	11 353	11 775
Equipment	22 166	27 066	10 262	36 039	33 039	15 974	13 637	15 164
Land and buildings	–	34 451	–	–	–	4 800	5 100	4 800
Professional and special services	199 363	246 883	254 388	402 326	337 326	401 831	430 478	459 191
Transfer payments	5 016 399	5 023 046	6 249 828	7 924 494	7 774 494	9 181 653	10 647 255	10 900 300
Miscellaneous	1 273 332	1 261 263	1 529 082	1 782 571	1 782 571	1 896 141	2 030 033	2 151 836
<b>Total</b>	<b>6 612 056</b>	<b>6 697 706</b>	<b>8 164 556</b>	<b>10 356 654</b>	<b>10 101 654</b>	<b>11 772 307</b>	<b>13 415 662</b>	<b>13 836 776</b>

## Expenditure trends

From 1999/00 to 2002/03, the expenditure of the National Treasury, excluding direct charges on the National Revenue Fund, grew at approximately 16 per cent per annum. This is expected to drop to approximately 10 per cent a year over the medium term. Over both periods, growth is higher in the *Provincial and Local Government Transfers* and *Fiscal Transfers* programmes. This is also reflected in the substantial growth in capital transfers, which is by far the fastest growing component of the Department's expenditure. Transfer payments account for nearly 80 per cent of the Department's total expenditure.

The largest structural change to the Department's budget since the 2002 Budget is the shift of responsibility for accounting systems from *Financial Accounting and Reporting* to *Financial Management and Systems*. This move was designed to ensure greater integration of the management and development of Government's cross-cutting financial systems into the planning for the full implementation of the Public Finance Management Act.

The number of employees in the Department rose by almost 41 per cent between 2000/01 and 2001/02 when the amalgamation of the previous departments of Finance and State Expenditure and the creation of new departmental functions necessitated the expansion of posts. However, the Department does not expect to employ more people over the medium term, with personnel numbers remaining at around 750 people.

### *Direct charges from the National Revenue Fund*

The budget of the National Treasury is used as the vehicle through which funds are channelled to provincial government. This is in terms of the constitutional requirement that they obtain an equitable share of revenues raised through national taxes. In addition, it is through the budget of

the National Treasury that funds are allocated for the servicing of Government's debt obligations. Between 1999/00 and 2002/03, the direct charges on the National Revenue Fund rose by about 8,6 per cent a year. This is expected to rise to a little over 9 per cent a year over the medium term.

Between 1999/00 and 2002/03, growth in payments on state debt grew very slowly, averaging only a little more than 2 per cent a year, reflecting the success Government has achieved in managing the sustainability of its fiscal position. While growth in National Treasury expenditure over the medium term will accelerate as a result of the depreciation of the rand, it is far slower than growth in public spending overall.

Allocations to the provinces have grown at about 11,5 per cent a year in the three years to 2002/03 and will continue to grow at over 10 per cent a year over the medium term. This growth facilitates the overall increase in spending on services to the public, especially through the social services sector, which is funded through provincial government budgets.

## Departmental receipts

The main items of departmental revenue are interest on government deposits, and interest and dividends received from the South African Reserve Bank. Receipts in 2000/01 also included a transfer from the Department of Safety and Security for the sale of equipment. Financial transactions include the repayment of a loan by the Auditor-General and recovery of departmental debt from previous years. All revenue is transferred to the National Revenue Fund.

Table 8.2: Departmental receipts

	Revenue outcome			Adjusted appropriation	Medium-term revenue estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03			
Tax revenue	-	-	-	-	-	-	-
Non-tax revenue	1 031 467	1 141 638	1 132 893	960 300	987 020	1 012 740	1 030 109
Interest	1 028 403	1 134 590	1 130 363	957 560	984 070	1 009 580	1 027 021
Dividends	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Sales of goods and services	-	-	-	-	-	-	-
Fines, penalties and forfeits	2 929	7 021	2 500	2 700	2 900	3 100	3 028
Miscellaneous	135	27	30	40	50	60	60
Sales of capital assets (capital revenue)	-	4 346	-	-	-	-	-
Financial transactions (recovery of loans and advances)	87 128	26 038	25 070	26 100	24 130	25 160	25 130
<b>Total departmental receipts</b>	<b>1 118 595</b>	<b>1 172 022</b>	<b>1 157 963</b>	<b>986 400</b>	<b>1 011 150</b>	<b>1 037 900</b>	<b>1 055 239</b>

## Programme 1: Administration

*Administration* provides strategic management and administrative support to the National Treasury, giving political and managerial leadership to the work of the Department. In addition, the administration and smooth running of the Department is supported by the Corporate Services division, which seeks to create a productive and creative working environment that enhances efficiency. Funds allocated to the Fasset Sector and Education Training Authority (Seta) are also voted through this programme. (Fasset is the Setra for finance, accounting, management consulting and other financial services.)

## Expenditure estimates

Table 8.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Minister <sup>1</sup>	518	598	614	691	746	791	835
Deputy Minister <sup>2</sup>	425	442	454	511	552	585	617
Management	5 011	9 653	9 877	8 585	8 088	8 484	9 055
Corporate Services	40 217	58 519	51 029	108 492	92 863	88 598	94 843
Sector Education and Training Authority	-	-	211	126	133	140	140
Capital Works	-	34 451	-	-	-	-	-
<b>Total</b>	<b>46 171</b>	<b>103 663</b>	<b>62 185</b>	<b>118 405</b>	<b>102 382</b>	<b>98 598</b>	<b>105 490</b>
Change to 2002 Budget Estimate				40 889	19 704	10 834	

<sup>1</sup> Payable as from 1 April 2002. Salary: R552 984. Car allowance: R138 246.

<sup>2</sup> Payable as from 1 April 2002. Salary: R408 600. Car allowance: R102 150.

### Economic classification

Current	43 068	52 839	59 738	93 414	91 888	91 000	95 881
Personnel	23 065	23 079	27 111	36 397	43 362	40 655	42 650
Transfer payments	-	-	211	126	133	140	140
Other current	20 003	29 760	32 416	56 891	48 393	50 205	53 091
Capital	3 103	50 824	2 447	24 991	10 494	7 598	9 609
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	3 103	50 824	2 447	24 991	10 494	7 598	9 609
<b>Total</b>	<b>46 171</b>	<b>103 663</b>	<b>62 185</b>	<b>118 405</b>	<b>102 382</b>	<b>98 598</b>	<b>105 490</b>

### Standard items of expenditure

Personnel	23 065	23 079	27 111	36 397	43 362	40 655	42 650
Administrative	5 930	7 536	8 545	12 957	15 937	16 710	17 775
Inventories	1 026	1 902	1 958	2 452	2 522	2 478	2 585
Equipment	3 517	16 658	2 783	25 653	6 444	3 375	5 720
Land and buildings	-	34 451	-	-	4 800	5 100	4 800
Professional and special services	12 030	19 893	20 929	40 820	29 184	30 140	31 820
Transfer payments	-	-	211	126	133	140	140
Miscellaneous	603	144	648	-	-	-	-
<b>Total</b>	<b>46 171</b>	<b>103 663</b>	<b>62 185</b>	<b>118 405</b>	<b>102 382</b>	<b>98 598</b>	<b>105 490</b>

### Transfer payments per subprogramme

Sector Education and Training Authority							
Finance, Accounting, Management, Consulting and Other Financial Services	-	-	211	126	133	140	140
Sector Education and Training Authority							
<b>Total</b>	<b>-</b>	<b>-</b>	<b>211</b>	<b>126</b>	<b>133</b>	<b>140</b>	<b>140</b>

## Expenditure trends

In 2001/02 the personnel establishment of this programme was expanded to facilitate the fulfilling of a range of new functions required after the amalgamation of the departments of Finance and State Expenditure. In addition, the occupation and renovation of the 40 Church Square building over the past few years has resulted in rapid, though once-off, increases in the programme budget. The effect of this is that the expenditure for the programme grew by over 36 per cent a year between 1999/00 and 2002/03, but will fall by nearly 4 per cent a year over the medium term.

It is envisaged that, in support of the National Treasury's policy agenda for financial and fiscal reform, funds will be required to assist in passing and implementing significant pieces of legislation. These include the Municipal Finance Management Bill, the Financial and Fiscal Commission Amendment Bill, and the Money Bills Amendment Procedure Bill. Proposed constitutional amendments to ensure appropriate interventions in municipalities faced with financial emergencies will be a major legislative item over the medium term. These needs have resulted in the creation of a legal budget of about R4 million.

## Programme 2: Economic Planning and Budget Management

*Economic Planning and Budget Management* provides for professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations, public finance development and management of the annual Budget process.

These functions are organised into four separate subprogrammes:

- Public Finance is responsible for economic and financial advice on social, economic, administrative and protection services, and for managing Treasury's relations with other national departments. This work is supplemented by the Technical Assistance Team, co-funded by the European Union, which provides project management and capacity-building support for reconstruction and development projects.
- Budget Co-ordination provides fiscal policy advice, oversees the national Budget process, co-ordinates international technical assistance and donor finance, supports public-private partnerships and compiles the public finance statistics.
- Intergovernmental Relations co-ordinates fiscal relations between national, provincial and local government and promotes sound provincial and municipal financial management.
- Economic Policy is responsible for macroeconomic analysis and policy advice, managing international financial relations, tax policy analysis and advice and co-ordination with the South African Reserve Bank and the Financial Services Board on banking and financial services regulation.

### Expenditure estimates

Table 8.4: Economic Planning and Budget Management

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03				
Public Finance	7 143	9 320	12 010	26 711	32 489	35 107	35 507	
Budget Co-ordination	16 292	10 964	9 332	25 687	33 713	38 047	38 935	
Intergovernmental Relations	7 273	7 739	10 286	17 510	21 094	22 864	23 548	
Economic Policy	13 109	16 508	22 174	54 446	35 297	38 580	39 353	
Total	43 817	44 531	53 802	124 354	122 593	134 598	137 343	
Change to 2002 Budget Estimate				19 080	1 888	52		

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 1999/00	Audited 2000/01	Preliminary outcome 2001/02		2003/04	2004/05	2005/06
R thousand							
Economic classification							
Current	42 055	42 593	50 978	121 662	119 698	131 570	134 315
Personnel	29 365	29 491	35 293	63 802	82 599	91 088	93 833
Transfer payments	-	-	-	-	-	-	-
Other current	12 690	13 102	15 685	57 860	37 099	40 482	40 482
Capital	1 762	1 938	2 824	2 692	2 895	3 028	3 028
Transfer payments	-	-	-	-	-	-	-
Acquisition of capital assets	1 762	1 938	2 824	2 692	2 895	3 028	3 028
Total	43 817	44 531	53 802	124 354	122 593	134 598	137 343
Standard items of expenditure							
Personnel	29 365	29 491	35 293	63 802	82 599	91 088	93 833
Administrative	4 782	4 796	5 976	13 369	14 518	15 624	15 624
Inventories	1 844	999	3 303	3 768	4 033	4 301	4 301
Equipment	2 081	2 186	3 098	2 929	3 140	3 278	3 278
Land and buildings	-	-	-	-	-	-	-
Professional and special services	5 101	6 826	6 124	40 486	18 303	20 307	20 307
Transfer payments	-	-	-	-	-	-	-
Miscellaneous	644	233	8	-	-	-	-
Total	43 817	44 531	53 802	124 354	122 593	134 598	137 343

## Expenditure trends

Expenditure on *Economic Planning and Budget Management* has increased by 21 per cent a year since 1999/00. Much of this growth is accounted for by exceptional spending on the work of the Commission of Inquiry into the Depreciation of the Rand in 2002/03. Over the medium term, growth of only a little over 3 per cent a year is envisaged.

The medium-term expenditure estimates provide for a strong expansion of capacity in the Treasury's economic and fiscal policy work. Priority areas for further professional development include international financial relations, particularly in support of the New Partnership for Africa's Development (NEPAD) initiatives, tax policy, financial regulation and oversight, support for municipal budgeting and financial restructuring, public-private partnerships, fiscal and public expenditure analysis, and technical support for infrastructure planning and project management.

## Service delivery objectives and indicators

### Recent outputs

The main output of this programme is the annual Budget.

### *Increased political oversight*

The 2003 Budget was prepared with increased political oversight over the process, with particular emphasis on the political priorities that inform the Budget. The increased focus by the Ministers' Committee on the Budget facilitated a more detailed discussion of Budget priorities by Cabinet at its mid-year Lekgotla. A new committee was created in Parliament tasked exclusively to deal with the Budget. The committee held hearings on the *2002 Medium Term Budget Policy Statement* and

provided a forum for non-governmental organisations (NGOs), government departments, trade unions, academics and subject experts to make an enhanced impact on eventual Budget allocations.

#### *Introducing measurable objectives*

As preparation for introducing measurable objectives in the 2003 Estimates of National Expenditure, the Treasury altered the Budget process to allow for departments' strategic plans to feed into the preparation of Budget submissions. While much work still needs to be done, the publication of measurable objectives for each programme in every department reflects a commitment to improved service delivery, greater transparency and increased accountability. The National Treasury has worked closely with provinces to implement similar reforms in order to improve management and oversight of provincial finances. The Municipal Finance Management Bill, which is close to being adopted in the National Assembly, is a key pillar in the overall public finance architecture of Government, providing a similar framework for local government that the PFMA provides for national and provincial government.

#### *Committed to development*

The Treasury is playing a leading role in developing policy positions for the upcoming Growth and Development Summit. Economic policy, with particular emphasis on microeconomic reform, is a key element of Government's strategy to increase employment and development. The enhanced role of South Africa in driving development on the continent has provided an opportunity for the Treasury to play key roles in the numerous international finance and economic institutions. The Minister of Finance chairs the Development Committee of the International Monetary Fund and World Bank, while senior officials play leading roles in the G20 (grouping of developed and key emerging economies), SADC, the African Union (AU) and the NEPAD secretariat. South Africa's involvement in these forums is guided by its commitment to a more equitable world, where economic growth benefits the poor and living standards are increased sustainably.

### **Medium-term output targets**

#### Economic Planning and Budget Management

Measurable objective: To promote growth, social development and poverty reduction through sound economic, fiscal and financial policies, efficient revenue measures and an effective and appropriate allocation of public expenditure.

Subprogramme	Output	Measure/Indicator	Target
Public Finance	Recommendations on sectoral and departmental financing and budgets	Timely and well-motivated recommendations on allocations and financing mechanisms	Early feedback to departments on MTEC recommendations and increased agreement on recommendations
	Monitoring of and reports on financial management, expenditure and service delivery	Regularity and comprehensiveness of reporting	Implementation of measurable objectives and enhancing service delivery information
	Policy analysis and support	Extent of support of departmental policy processes and quality of advice	Earlier engagement with key policy processes Publication of guidelines on policy analysis and costing
	Project management support	Extent of support to departments and provinces	Successful completion of projects

Subprogramme	Output	Measure//Indicator	Target
Budget Office	Annual budget framework and division of revenue Budget Review, appropriation legislation and public finance statistics Public-private partnership agreements International co-operation agreements	Integrity of budget framework Quality of budget documentation Value for money and risk transfer in partnership agreements Contribution to Reconstruction and Development Programme objectives	Broadening scope of budget and public finance statistics  Growth in public-private partnerships and international co-operation
Intergovernmental Relations	Analysis of intergovernmental financial relations Provincial and local government grants and fiscal framework Support for provincial and municipal financial development	Integrity of intergovernmental financial relations Improved provincial and municipal financial management	Streamlined financial relations with provinces and municipalities  Sound and sustainable local and provincial finances
Economic Policy and International Relations	Macroeconomic policy analysis and advice Financial policy advice, legislation and regulations Tax policy analysis and advice International financial relations advice and development	Coherence of economic policy Deepening of financial markets Tax reform and policy proposals International participation and agreements	Sustainable growth and development  Robust tax performance Effective international representation of SA

### Programme 3: Asset and Liability Management

*Asset and Liability Management* is responsible for the prudent management of Government's financial assets and liabilities, including the domestic and foreign debt portfolios. There are five subprogrammes:

- Management manages the Office of the Head of the Division.
- Asset Management plays a role in the restructuring and financial management of state assets, especially government business enterprises; co-ordinates the borrowing activities of public entities; advises public entities on the financial aspects of restructuring; and monitors the corporate governance of general government bodies and public entities.
- Liability Management manages the domestic and foreign debt portfolios by obtaining the most favourable terms on new loan issues, contributing to the orderly functioning of the domestic capital markets and timeous servicing of debt.
- Financial Operations manages the cash of the national Government efficiently, recording and reporting on government debt portfolio transactions and providing the necessary IT support to the Division.
- Strategy and Risk Management maintains a risk management framework seeking to minimise the cost of raising funds and manages debt issuance within acceptable levels of risk.

## Expenditure estimates

Table 8.5: Asset and Liability Management

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03			
Management	2 178	3 422	(1 311)	6 468	15 230	11 578	13 334
Asset Management	1 556	2 445	4 182	4 721	4 874	5 221	5 719
Liability Management	2 282	3 585	4 765	7 060	9 245	9 883	10 771
Financial Operations	1 970	3 096	3 675	5 954	7 959	9 574	9 270
Strategy and Risk Management	2 385	3 749	4 848	7 410	5 523	5 907	6 465
Total	10 371	16 297	16 159	31 613	42 831	42 163	45 559
Change to 2002 Budget Estimate				148	9 700	7 466	

### Economic classification

Current	10 005	11 429	15 359	30 749	42 152	40 365	44 750
Personnel	6 805	7 366	7 910	16 390	23 808	25 399	27 671
Transfer payments	–	–	–	–	–	–	–
Other current	3 200	4 063	7 449	14 359	18 344	14 966	17 079
Capital	366	4 868	800	864	679	1 798	809
Transfer payments	–	–	–	–	–	–	–
Acquisition of capital assets	366	4 868	800	864	679	1 798	809
Total	10 371	16 297	16 159	31 613	42 831	42 163	45 559

### Standard items of expenditure

Personnel	6 805	7 366	7 910	16 390	23 808	25 399	27 671
Administrative	1 138	1 813	1 461	4 813	4 316	5 209	6 436
Inventories	193	182	874	2 063	1 247	1 301	1 374
Equipment	384	4 904	842	1 037	1 495	2 651	1 712
Land and buildings	–	–	–	–	–	–	–
Professional and special services	1 762	1 994	5 072	7 310	11 965	7 603	8 366
Transfer payments	–	–	–	–	–	–	–
Miscellaneous	89	38	–	–	–	–	–
Total	10 371	16 297	16 159	31 613	42 831	42 163	45 559

## Expenditure trends

The budget for *Asset and Liability Management* increased by approximately 95,6 per cent in 2002/03, with growth being reasonably and evenly spread among all subprogrammes. Expenditure growth over the medium term will facilitate the expansion of the subprogrammes' functions and posts, the implementation of new risk management approaches, and the establishment of a formal cash management function. This expenditure will, however, help to reduce Government's debt costs significantly.

## Service delivery objectives and indicators

### Recent outputs

In line with Government's strategy of issuing only liquid benchmark bonds, the restructuring of the debt portfolio has been completed through bond switches and buy-backs. Furthermore, a full

Consumer Price Index yield curve was introduced in the 2008, 2013 and 2023 maturities and a total of R8 billion of bonds were stripped.

During 2001/02, R3,7 billion was received as a special dividend from the South African Special Risk Insurance Association as well as proceeds from the transfer of Transnet's stake in M-Cell.

### Medium-term output targets

#### Asset and Liability Management

Measurable objective: To ensure that Government's borrowing requirements are met within acceptable levels of risk, while maintaining accurate information on Government's assets and liabilities, managing cash efficiently and ensuring that the proceeds of restructuring meet the planned targets.

Subprogramme	Output	Measure/Indicator	Target
Asset Management	Successful management of process to get maximum financial proceeds from state asset restructuring	Level of restructuring proceeds meets the planned target within the timeframes planned	March 2003
	Quarterly consolidated borrowing programme and debt management profile of Government	Quality programme and profile on time	Quarterly
Liability Management	Meeting all debt obligations	All payments made timeously	Ongoing
	Borrowing strategy for Government	Government's planned borrowing requirements are met	March 2004
	Reduction of Net Open Forward Position and South African Reserve Bank's forward losses	R7 billion nil coupon bonds issued to SARB and Foreign Market issuance in 2003/04	March 2004
Financial Operations	Reduction of debt cost within acceptable risk levels while maintaining relationship with the market	Issuing liquid benchmark bonds, CPI bonds and issuing new competitively priced bonds	March 2004
	Sound internal controls and timeous reporting	Quality of controls measured by annual audits and met deadlines	Ongoing/annually
Strategy and Risk Management	Efficient cash management	Publish a revised framework	April 2003
	Acquiring an appropriate risk management system to track performance of actual debt portfolio relative to the approved benchmark	Market risk management system in place	May 2003
	Appropriate policies and guidelines in place to deal with the use of government guarantees and private sector banks	Reviewed policy to deal with government guarantees and investing of surplus funds	2 <sup>nd</sup> quarter of 2003/4
	Credit risk policy and credit risk management system	Credit management system in place	2 <sup>nd</sup> quarter of 2003/4

### Programme 4: Financial Management and Systems

This programme manages and regulates Government's supply chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the PFMA and related capacity-building initiatives. There are three main subprogrammes:

- Supply Chain Management develops and regulates policy on the acquisition of goods and services in the public sector; monitors, trains and advises departments on supply-chain management; and assists in the management of general supply contracts on behalf of national Government.
- PFMA Implementation and Co-ordination provides for the National Treasury's role in the implementation of the PFMA and related training initiatives of the National Treasury.

- Financial Systems provides for the maintenance and enhancement of existing financial management systems, seeking to replace outdated systems with systems that are compliant with both PFMA and Generally Recognised Accounting Practice.

## Expenditure estimates

Table 8.6: Financial Management and Systems

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Management	405	511	837	947	1 123	1 150	1 221
Supply Chain Management	14 624	18 738	13 587	23 945	26 716	28 534	30 538
PFMA Implementation and Co-ordination	–	1 156	1 417	8 549	15 626	15 752	16 599
Financial Systems	164 279	198 061	206 710	280 143	314 251	342 037	366 833
<b>Total</b>	<b>179 308</b>	<b>218 466</b>	<b>222 551</b>	<b>313 584</b>	<b>357 716</b>	<b>387 473</b>	<b>415 191</b>
Change to 2002 Budget Estimate				69 414	107 085	136 557	
<b>Economic classification</b>							
Current	174 538	216 192	219 633	311 815	353 940	384 371	412 065
Personnel	17 560	19 490	18 671	27 907	41 827	43 679	46 364
Transfer payments	–	–	–	–	–	–	–
Other current	156 978	196 702	200 962	283 908	312 113	340 692	365 701
Capital	4 770	2 274	2 918	1 769	3 776	3 102	3 126
Transfer payments	–	–	–	–	–	–	–
Acquisition of capital assets	4 770	2 274	2 918	1 769	3 776	3 102	3 126
<b>Total</b>	<b>179 308</b>	<b>218 466</b>	<b>222 551</b>	<b>313 584</b>	<b>357 716</b>	<b>387 473</b>	<b>415 191</b>
<b>Standard items of expenditure</b>							
Personnel	17 560	19 490	18 671	27 907	41 827	43 679	46 364
Administrative	3 126	2 334	2 832	4 831	9 662	10 652	11 805
Inventories	1 510	1 907	2 054	1 521	2 494	2 702	2 910
Equipment	5 178	3 023	3 419	2 788	4 154	3 512	3 584
Land and buildings	–	–	–	–	–	–	–
Professional and special services	151 642	191 529	195 575	276 537	299 579	326 928	350 528
Transfer payments	–	–	–	–	–	–	–
Miscellaneous	292	183	–	–	–	–	–
<b>Total</b>	<b>179 308</b>	<b>218 466</b>	<b>222 551</b>	<b>313 584</b>	<b>357 716</b>	<b>387 473</b>	<b>415 191</b>

## Expenditure trends

The budget for this programme will grow at about the same rate as the budget of the Department as a whole over the medium term - about 10 per cent a year. Increases in the budget over the medium term for PFMA Implementation and Co-ordination and Supply Chain Management reflect the intention to roll out training and capacity-building initiatives related to implementing the PFMA and to create a Supply Chain Management Office in order to align government supply chain management with the requirements of the PFMA. Increasing expenditure on Financial Systems – which consumes over 88 per cent of the programme budget – reflects the expected rollout of the Basic Accounting System (BAS).

Professional and special services consume over 85 per cent of the budget as much of the management of Government's financial systems is handled by the State Information Technology Agency (Sita) and other contracted resources.

## Service delivery objectives and indicators

### Recent outputs

In terms of section 76(4)(c) of the PFMA, a Supply Chain Management Framework was published for comments at the end of October 2002. Its purpose is to replace the outdated procurement and provisioning systems in Government with an integrated supply chain management system, as well as an international best practice process for the appointment of consultants. The framework, which will be replicated by a similar framework issued in terms of the still-to-be-enacted Municipal Finance Management Act, is intended to support the drive towards improved financial management in all organs of state and in all spheres of Government, whilst at the same time pursuing government preferential procurement policy objectives.

The Validation Board, established in November 2001 to accredit training material used in the building of capacity for the implementation of the PFMA, has already accredited 15 courses, ensuring that training initiatives produce the requisite skills. Eight courses were presented between September 2002 and January 2003, including courses in strategic planning and budgeting; internal audit; internal control and risk management; and in-year financial management, monitoring and reporting.

A progress report on the implementation of the PFMA was submitted to Cabinet and Parliament in June 2002, with another due in March 2003. More recently, a project office was established on 1 February 2003 to develop a master plan for the integration of the financial management systems in Government. The master plan, which needs to be completed within a period of twelve months, will include options for the replacement and/or enhancement of Government's current legacy systems, together with proposed budgets and implementation timeframes relevant to the possible options.

### Medium-term output targets

#### Financial Management and Systems

Measurable objective: To regulate and oversee public sector supply chain management through policy formulation and standardising the financial systems of national and provincial government, while co-ordinating and implementing the PFMA.

Subprogramme	Output	Measure/Indicator	Target
Supply Chain Management	Regulating and monitoring supply chain management policy in Government, and managing general supply contracts on behalf of national Government	Adopt and implement consistent legislative and policy framework  Repeal the State Tender Board Act and dismantle The State Tender Board	Passage through Parliament of new legislation by 1 September 2003 During 2003
PFMA Implementation and Co-ordination	Co-ordination of the implementation and training initiatives of the National Treasury as well as monitoring implementation of the PFMA in other institutions	Report to Cabinet and Standing Committee on Public Accounts on progress made  Percentage of training material evaluated for relevance  Number of courses presented that meet the training needs of Government	30 September 2003 and 31 March 2004  100%  10 courses

Subprogramme	Output	Measure/Indicator	Target
Financial Systems	Implementation, maintenance and enhancement of financial management systems	Percentage availability and stability of financial systems within working hours Implementation of Basic Accounting System (BAS) in all provinces	98% system availability Monday to Friday from 7:30 to 16:30 All except North West by March 2004

## Programme 5: Financial Accounting and Reporting

*Financial Accounting and Reporting* aims to develop new, and enhance existing, accounting policies and practices to ensure compliance with GRAP standards, which would enable a transition from the cash basis of accounting; improve the timeliness, accuracy and efficiency of financial reporting; and provide mechanisms for improved financial accountability in the public sector. The programme consists of the following funded subprogrammes:

- Financial Reporting for National Accounts is responsible for the accounting of the National Revenue and Reconstruction and Development Programme (RDP) Fund, banking services for national Government, developing and implementing accounting policies, and preparing consolidated financial statements.
- Financial Management Improvement incorporates financial management improvement and training as well as internal audit services. It also assists the Institute for Public Finance and Auditing (IPFA).
- Service Charges provides for bank service charges for the deposit accounts of all departments.
- Audit provides for compensation for shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act (12 of 1995).

## Expenditure estimates

Table 8.7: Financial Accounting and Reporting

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
Financial Reporting for National Accounts	6 243	4 416	6 122	26 396	35 526	38 353	41 382	
Financial Management Improvement	63 157	78 292	9 114	12 568	13 647	16 658	17 964	
Investment of Public Monies	–	–	–	1	1	1	1	
Service Charges (Commercial Banks)	19 723	3 335	3 807	5 532	5 781	6 128	6 496	
Audit (Auditor-General)	6 316	9 825	6 168	11 697	8 252	8 623	9 140	
Contingent Liabilities: Reinsurance Liabilities	–	–	–	1	1	1	1	
<b>Total</b>	<b>95 439</b>	<b>95 868</b>	<b>25 211</b>	<b>56 195</b>	<b>63 208</b>	<b>69 764</b>	<b>74 984</b>	
Change to 2002 Budget Estimate				(89 897)	(91 475)	(94 069)		
Economic classification								
Current	84 595	95 308	25 116	53 149	62 737	69 231	74 419	
Personnel	3 629	3 391	4 574	8 862	14 591	17 597	19 687	
Transfer payments	69 473	86 755	8 800	11 698	11 953	12 524	13 275	
Other current	11 493	5 162	11 742	32 589	36 193	39 110	41 457	
Capital	10 844	560	95	3 046	471	533	565	
Transfer payments	–	–	–	–	–	–	–	
Acquisition of capital assets	10 844	560	95	3 046	471	533	565	
<b>Total</b>	<b>95 439</b>	<b>95 868</b>	<b>25 211</b>	<b>56 195</b>	<b>63 208</b>	<b>69 764</b>	<b>74 984</b>	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Standard items of expenditure							
Personnel	3 629	3 391	4 574	8 862	14 591	17 597	19 687
Administrative	603	301	232	11 399	10 448	11 193	11 865
Inventories	220	296	202	693	544	571	605
Equipment	11 006	295	120	3 632	741	821	870
Land and buildings	-	-	-	-	-	-	-
Professional and special services	5 487	1 482	7 476	14 378	19 149	20 929	22 185
Transfer payments	69 473	86 755	8 800	11 698	11 953	12 524	13 275
Miscellaneous	5 021	3 348	3 807	5 533	5 782	6 129	6 497
<b>Total</b>	<b>95 439</b>	<b>95 868</b>	<b>25 211</b>	<b>56 195</b>	<b>63 208</b>	<b>69 764</b>	<b>74 984</b>
Transfer payments per subprogramme							
Financial Reporting for National Accounts							
Accounting Standards Board	-	-	-	-	3 700	3 900	4 134
Financial Management Improvement							
Institute for Public Finance and Auditing	31 727	1 930	2 632	-	-	-	-
Financial and Personnel Systems	31 430	75 000	-	-	-	-	-
Audit							
Auditor-General	6 316	9 825	6 168	11 698	8 253	8 624	9 141
<b>Total</b>	<b>69 473</b>	<b>86 755</b>	<b>8 800</b>	<b>11 698</b>	<b>11 953</b>	<b>12 524</b>	<b>13 275</b>

## Expenditure trends

The phasing out of transfers for the Financial Management Improvement subprogramme in 2001/02 is the largest structural change to the budget of the programme between 1999/00 and 2003/04. Excluding all transfers, the budget for the *Financial Accounting and Reporting* programme grew at about 19 per cent a year between 1999/00 and 2002/03, a rate that will fall to about 11 per cent a year over the medium term.

The budgets for two subprogrammes allocated to this programme in the 2002 Budget – Integrated Financial Systems and Management Information Systems: Vulindlela – have been transferred to *Financial Management and Systems*.

## Service delivery objectives and indicators

### Recent outputs

Formats and standards of annual financial statements for the year ended 31 March 2002 were completed timeously, and successfully implemented. Furthermore, *Financial Accounting and Reporting* assisted with the establishment of the Accounting Standards Board. The Board has already defined a process for the introduction of new policies and practices for Government based on its standards. Guidelines for the Asset Register have been published and implemented for the year ending 31 March 2003.

**Medium-term output targets****Financial Accounting and Reporting**

Measurable objective: To improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented.

Subprogramme	Output	Measure/Indicator	Target
Financial Reporting for National Accounts	Monthly expenditure and consolidation reports	Timely publishing of accurate reports	30 days after month-end and 6 months after year-end
	Completion of consolidated financial statements to 31 March 2003	Completed consolidated financial statements	1 May 2003
	Development of standard and formats for consolidated financial statements for 31 March 2004	Formats and standard defined	1 May 2003
Financial Management Improvement	Implementation of GRAP as determined by the Accounting Standards Board	Percentage of GRAP standards implemented	80% by 31 May 2004
	Continuation of development and enhancement of accounting policies and practices, and implementation	Timely issuing of accounting policies and practices, as well as the alignment of the aforementioned, based on the approved standards of the ASB	31 May 2004
	Ensure compliance with internal framework	Development of standards for and benchmarks to measure internal audit units Updated guidelines for capturing of assets.	31 May 2004 1 June 2003

**Programme 6: Provincial and Local Government Transfers**

This programme is responsible for managing those conditional grants to the provincial and local spheres of Government for which the National Treasury is directly responsible. It is divided into two subprogrammes:

- Provincial Infrastructure Grant provides for the transfer and monitoring of the Provincial Infrastructure Grant. The grant supplements the provinces' infrastructure budgets, accelerating the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools and provincial roads.
- Local Government Financial Management and Restructuring Grant provides for the transfer and monitoring of funds for local government financial management reforms, and assists in restructuring initiatives for modernising the delivery of services in the larger municipalities.

**Expenditure estimates**

Table 8.8: Provincial and Local Government Transfers

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Provincial Infrastructure Grant	1 488 600	895 000	1 824 000	1 950 000	2 534 488	2 876 362	3 055 773
Local Government Financial Management and Restructuring Grant	–	275 000	290 250	530 000	526 915	542 149	571 678
<b>Total</b>	<b>1 488 600</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 480 000</b>	<b>3 061 403</b>	<b>3 418 511</b>	<b>3 627 451</b>
Change to 2002 Budget Estimate				75 000	69 403	72 271	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome				
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
<b>Economic classification</b>							
Current	1 488 600	275 000	714 250	530 000	526 915	542 149	571 678
Personnel	-	-	-	-	-	-	-
Social contributions	-	-	-	-	-	-	-
Transfer payments	1 488 600	275 000	714 250	529 230	525 830	540 898	570 412
Other current	-	-	-	770	1 085	1 251	1 266
Capital	-	895 000	1 400 000	1 950 000	2 534 488	2 876 362	3 055 773
Transfer payments	-	895 000	1 400 000	1 950 000	2 534 488	2 876 362	3 055 773
Acquisition of capital assets	-	-	-	-	-	-	-
<b>Total</b>	<b>1 488 600</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 480 000</b>	<b>3 061 403</b>	<b>3 418 511</b>	<b>3 627 451</b>
<b>Standard items of expenditure</b>							
Personnel	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-
Professional and special services	-	-	-	770	1 085	1 251	1 266
Transfer payments	1 488 600	1 170 000	2 114 250	2 479 230	3 060 318	3 417 260	3 626 185
Miscellaneous	-	-	-	-	-	-	-
<b>Total</b>	<b>1 488 600</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 480 000</b>	<b>3 061 403</b>	<b>3 418 511</b>	<b>3 627 451</b>
<b>Transfer payments per subprogramme</b>							
<b>Provincial Infrastructures Grant</b>							
Provincial Infrastructure	-	300 000	800 000	1 550 000	2 334 488	2 876 362	3 055 773
Flood Rehabilitation	-	595 000	600 000	400 000	200 000	-	-
Supplementary allocation	-	-	124 000	-	-	-	-
Mpumalanga (sec 100(1)(a) of the Constitution)	-	-	300 000	-	-	-	-
Northern Cape Legislature	69 000	-	-	-	-	-	-
Adjustments Estimate (accumulated debt)	1 419 600	-	-	-	-	-	-
<b>Local Government Financial Management and Restructuring Grant</b>							
Local Government Restructuring	-	225 000	230 250	375 000	315 000	342 900	363 474
Financial Management: Municipalities	-	50 000	60 000	111 000	151 000	129 000	133 740
Financial Management: Development Bank of Southern Africa	-	-	-	43 230	59 830	68 998	73 198
<b>Total</b>	<b>1 488 600</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 479 230</b>	<b>3 060 318</b>	<b>3 417 260</b>	<b>3 626 185</b>

## Expenditure trends

The Provincial Infrastructure Grant was introduced in 2000/01 with an allocation of R300 million to address the backlogs in provincial infrastructure and boost infrastructure spending in general. The grant was increased to R800 million in 2001/02, and was R1,5 billion in 2002/03. It is expected to rise to R3,0 billion in 2005/06. The allocations for 2002/03 and 2003/04 include amounts of R400 million and R200 million respectively, earmarked for the rehabilitation of provincial infrastructure damaged by floods in 1999 and 2000. This grant is provided to provinces in accordance with the annual Division of Revenue Act. Provinces' accounting officers are accountable for the spending of the grant.

The grant has contributed to the near doubling in provincial infrastructure spending, which rose from about R7 billion (or approximately 6 per cent of total provincial spending) in 2000/01 to just

over R11 billion in 2001/02. According to provincial baseline budgets, provinces are projecting to spend around R14 billion on capital in 2003/04, rising to about R18 billion by 2005/06.

## Service delivery objectives and indicators

### Recent outputs

The Local Government Financial Management reform programme has been expanded from the initial 7 pilot municipalities in 2000 to over 35 municipalities in 2003. Over 18 municipalities have had first attempts at tabling multi-year budgets and implementing plans to improve financial management practices. The Local Government Financial Management Restructuring Grant is a demand driven grant with municipalities providing benchmarks and conditions against which they will be measured. Disbursements are based on achieving those outputs. Two municipalities are currently on the programme, with seed funding.

### Provincial and Local Government Transfers

Measurable Objective: To reinforce the pace and quality of provincial infrastructure investment and maintenance of assets, and to promote financial management reform and restructuring of service delivery by municipalities.

Subprogrammes	Output	Output measure/ indicator	Target
Provincial Infrastructure Grant	Framework for the grant  Reports on provincial capital expenditure	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments  Accurate reports on actual expenditure for the relevant period	A complete framework in full compliance with the requirements of the Division of Revenue Act, to be submitted on the prescribed date and all payments made on schedule  Quarterly reports to be published as part of section 32 reports in terms of the timeframes prescribed in the PFMA and the Division of Revenue Act
Local Government Financial Management and Restructuring Grant	Assistance to restructure and modernise delivery of services and successful implementation of budget and financial management reforms in municipalities	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments	Grant framework to be submitted on prescribed date and all payments made in terms of legal requirements of the Division of Revenue Act

## Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits

The key objectives of this programme are to provide for payment of pension and other benefits in the public sector.

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

## Expenditure estimates

Table 8.9: Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
Civil Pensions and Contributions to Funds	1 280 073	1 266 514	1 533 621	1 780 358	1 904 569	2 038 966	2 161 304	
Military Pensions and Other Benefits	138 943	133 603	130 837	135 277	125 000	125 000	132 500	
<b>Total</b>	<b>1 419 016</b>	<b>1 400 117</b>	<b>1 664 458</b>	<b>1 915 635</b>	<b>2 029 569</b>	<b>2 163 966</b>	<b>2 293 804</b>	
Change to 2002 Budget Estimate				-	-	-		

### Economic classification

Current	1 419 016	1 400 117	1 664 458	1 915 635	2 029 567	2 163 964	2 293 802
Personnel	-	-	-	-	-	-	-
Social contributions	1 266 683	1 257 317	1 524 619	1 777 038	1 890 359	2 023 904	2 145 339
Transfer payments	128 992	117 527	120 627	116 572	116 642	116 740	123 744
Other current	23 341	25 273	19 212	22 025	22 566	23 320	24 719
Capital	-	-	-	-	2	2	2
Transfer payments	-	-	-	-	2	2	2
Acquisition of capital assets	-	-	-	-	-	-	-
<b>Total</b>	<b>1 419 016</b>	<b>1 400 117</b>	<b>1 664 458</b>	<b>1 915 635</b>	<b>2 029 569</b>	<b>2 163 966</b>	<b>2 293 804</b>

### Standard items of expenditure

Personnel	-	-	-	-	-	-	-
Administrative	-	106	-	-	-	-	-
Inventories	-	8	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-
Professional and special services	23 341	25 159	19 212	22 025	22 566	23 320	24 719
Transfer payments	128 992	117 527	120 627	116 572	116 644	116 742	123 746
Miscellaneous	1 266 683	1 257 317	1 524 619	1 777 038	1 890 359	2 023 904	2 145 339
<b>Total</b>	<b>1 419 016</b>	<b>1 400 117</b>	<b>1 664 458</b>	<b>1 915 635</b>	<b>2 029 569</b>	<b>2 163 966</b>	<b>2 293 804</b>

### Transfer payments per subprogramme

Civil Pensions and Contributions to Funds							
Provident Funds for Associated Institutions	608	503	474	696	727	771	817
United Kingdom Tax	1 565	808	2 465	2 624	2 742	2 906	3 080
Contribution to Closed Pension Fund	11 217	-	-	-	-	-	-
Military Pensions and Other Benefits							
Military Pensions: Ex Servicemen	54 162	52 062	50 352	45 158	44 090	42 175	44 706
SA Citizen Force	61 388	64 103	67 276	68 042	69 031	70 833	75 083
SA Legion	50	50	60	50	52	55	58
Civil protection	2	1	-	2	2	2	2
<b>Total</b>	<b>128 992</b>	<b>117 527</b>	<b>120 627</b>	<b>116 572</b>	<b>116 644</b>	<b>116 742</b>	<b>123 746</b>

## Expenditure trends

The government contribution to medical schemes for retired civil servants carries the largest expenditure burden in this programme, growing from R1,3 billion in 2002/03 to R1,5 billion in 2005/06. Because of the accelerated adjudication of applications as a result of the appointment of a full time Special Pensions Board and a Special Pensions Review Board by the Minister of Finance, Special Pension payments increased after 2001/02.

Over the entire period between 1999/00 and 2005/06, the budget for this programme will have grown at a rate significantly below the rate of growth of the Department's budget as a whole.

## Service delivery outputs and indicators

### Recent outputs

All payments of civil and military pensions and contributions to medical schemes were made in 2002/03 by Pensions Administration on behalf of National Treasury.

### Medium-term output targets

#### Civil and Military Pensions, Contributions to Funds and Other Benefits

Measurable objective: To ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

Subprogramme	Output	Measure/Indicator	Target
Civil Pensions and Contribution to Funds	Payment of pension benefits and contributions to funds (including Special Pensions)	17 614 beneficiaries paid monthly	On the first working day of each month
	Payment of contributions to medical aid schemes	82 256 members paid monthly	By the end of the month following the month in which the expenses were incurred
	Payment of risk and administration fees to the Political Office Bearers' Pension fund	959 members paid monthly	By the 7th working day of each month
Military Pensions and Other Benefits	Payment of military pension benefits.	7 667 beneficiaries paid monthly	On the first working day of each month
	Payment to service providers for medical expenses	4 944 beneficiaries paid monthly	Payment of claims on receipt of claims by the service providers

## Programme 8: Fiscal Transfers

*Fiscal Transfers* makes funds available to public authorities and other institutions in terms of various legal provisions governing the financial relations between Government and the particular authority or institution, including international development institutions of which Government is a member.

Domestic transfers are made to:

- 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 Service Act (34 of 1997)
- The Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue
- The Secret Services Account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service
- The Financial Intelligence Centre, charged with assisting in combating money laundering and strengthening financial regulation capacity.

Foreign transfer payments, made in terms of the relevant international obligations of Government, are made to:

- Lesotho and Namibia in terms of the Common Monetary Area Agreement
- World Bank Group

- The Highly Indebted Poor Countries Initiative (HIPC) of the International Monetary Fund
- The African Development Bank
- The African Development Fund.

## Expenditure estimates

Table 8.10: Fiscal Transfers

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Lesotho and Namibia	137 659	145 277	448	277 837	157 632	167 044	177 767
Development Bank of Southern Africa	-	-	-	1	40 001	40 001	40 001
World Bank Group	-	-	-	1	1	1	1
Highly Indebted Poor Countries Initiative	-	44 242	49 388	45 000	55 000	55 000	-
African Development Bank	33 496	32 094	100 358	116 373	129 567	154 316	163 575
South African Revenue Service	2 316 779	2 529 114	2 863 181	3 501 950	3 792 007	4 602 509	4 748 312
Financial and Fiscal Commission	5 850	7 994	9 258	12 038	12 679	13 759	13 875
Secret Services	835 550	890 043	983 307	1 328 668	1 768 718	2 055 239	1 979 940
Financial Intelligence Centre	-	-	-	35 000	37 000	12 720	13 483
<b>Total</b>	<b>3 329 334</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 316 868</b>	<b>5 992 605</b>	<b>7 100 589</b>	<b>7 136 954</b>
Change to 2002 Budget Estimate				248 805	567 455	1 172 833	
<b>Economic classification</b>							
Current	3 177 666	3 347 239	3 510 686	4 625 952	5 108 816	6 078 535	6 256 052
Personnel	-	-	-	-	-	-	-
Transfer payments	3 177 666	3 347 239	3 510 686	4 625 952	5 108 816	6 078 535	6 256 052
Other current	-	-	-	-	-	-	-
Capital	151 668	301 525	495 254	690 916	883 789	1 022 054	880 902
Transfer payments	151 668	301 525	495 254	690 916	883 789	1 022 054	880 902
Acquisition of capital assets	-	-	-	-	-	-	-
<b>Total</b>	<b>3 329 334</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 316 868</b>	<b>5 992 605</b>	<b>7 100 589</b>	<b>7 136 954</b>
<b>Standard items of expenditure</b>							
Personnel	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-
Transfer payments	3 329 334	3 648 764	4 005 940	5 316 868	5 992 605	7 100 589	7 136 954
Miscellaneous	-	-	-	-	-	-	-
<b>Total</b>	<b>3 329 334</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 316 868</b>	<b>5 992 605</b>	<b>7 100 589</b>	<b>7 136 954</b>

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03			
Transfer payments per subprogramme							
Lesotho and Namibia	137 659	145 277	448	277 837	157 632	167 044	177 767
Development Bank of Southern Africa	-	-	-	1	40 001	40 001	40 001
World Bank Group	-	-	-	1	1	1	1
Highly Indebted Poor Countries Initiative							
International Monetary Fund	-	44 242	49 388	45 000	55 000	55 000	-
African Development Bank	33 496	32 094	100 358	116 373	129 567	154 316	163 575
South African Revenue Service	2 316 779	2 529 114	2 863 181	3 501 950	3 792 007	4 602 509	4 748 312
Financial and Fiscal Commission	5 850	7 994	9 258	12 038	12 679	13 759	13 875
Secret Services	835 550	890 043	983 307	1 305 690	1 768 718	2 055 239	1 979 940
Financial Intelligence Centre	-	-	-	57 978	37 000	12 720	13 483
Total	3 329 334	3 648 764	4 005 940	5 316 868	5 992 605	7 100 589	7 136 954

## Expenditure trends

*Fiscal Transfers* makes up about 50 per cent of the Department's budget, with the bulk of the allocation made to the South African Revenue Service (SARS) and the Secret Services. The programme budget grew by about 16,9 per cent a year between 1999/00 and 2002/03, and is expected to grow at about 10,3 per cent a year over the medium term. The budgets for both SARS and the Secret Services have grown faster than the budgets for the programme as a whole, while a once-off adjustment to the transfer made to Lesotho and Namibia in 2002/03 reflects the delay in agreeing on the rounding rules and calculation methods applied in 2001/02.

## Service delivery and output indicators

### Recent outputs

South Africa participated in the successful conclusion of the Ninth Replenishment of the African Development Fund. South Africa is the only African country which participates in the replenishment of African Development Fund resources.

### Medium-term output targets

#### Fiscal Transfers

Measurable objective: To meet certain international and other statutory financial obligations, to meet the costs of effectively and efficiently raising revenue for the purposes of the state and to finance intelligence gathering and other secret services in the national interest.

Subprogramme	Outputs	Measure/Indicator	Targets
All subprogrammes	Transfer of funds	Timely and accurate transfers to the relevant public entity/institution	Monthly/annually

## Public entities reporting to the Minister

### South African Revenue Service

The South African Revenue Service (SARS) has continued to make significant progress in enhancing its administrative capacity in order to become a world class tax and customs administrator, capable of effectively responding to the challenges of globalisation. Tax collections

have consistently surpassed budget targets, and are expected to exceed the original 2002/03 targets by 3,2 per cent. In 2001, SARS launched Siyakha, its most expansive transformation programme to date. The programme aims to overhaul the operational infrastructure through business process re-engineering.

The projected deficit over the medium term will be funded through public-private partnership arrangements. The deficit in 2003/04 will also be funded through surplus funds to be carried over from 2002/03.

Over the medium term, SARS will continue to seek ways of increasing revenue collections while holding down collection costs and becoming more accessible and transparent. To this end, it will focus on:

- Developing and implementing new taxation legislation effectively
- Continuing to build on the strengths of its organisational structure, culture and technology, while transforming those elements which remain sub-optimal
- Improving taxpayer service, communication and education.

Table 8.11: Summary of revenue and expenditure for the South African Revenue Service

R thousand	Revenue/Expenditure outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Preliminary outcome				
	1999/00	2000/01	2001/02		2002/03	2003/04	2004/05
<b>Revenue</b>							
Tax revenue	-	-	-	-	-	-	-
Non-tax revenue	6 299	83 316	117 313	151 540	95 958	102 674	109 860
Sale of capital assets	-	-	-	-	-	-	-
Transfers received	2 316 779	2 538 283	2 863 181	3 501 950	3 792 007	4 602 509	4 748 312
<b>Total Revenue</b>	<b>2 323 078</b>	<b>2 621 599</b>	<b>2 980 494</b>	<b>3 653 490</b>	<b>3 887 965</b>	<b>4 705 183</b>	<b>4 858 172</b>
<b>Expenditure</b>							
Current expenditure	2 265 181	2 101 403	2 687 945	3 586 237	4 055 218	4 399 977	4 511 822
Compensation of employees	1 177 726	1 129 966	1 455 283	1 867 097	2 347 557	2 537 090	2 817 684
Goods and services	1 087 455	971 437	1 232 662	1 719 140	1 707 661	1 862 887	1 694 138
Transfer payments and subsidies	-	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-
Capital expenditure	48 963	48 008	130 139	282 673	511 112	498 334	386 320
Transfer payments	-	-	-	-	-	-	-
Fixed assets	48 963	48 008	130 139	282 673	511 112	498 334	386 320
Land and subsoil assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>2 314 144</b>	<b>2 149 411</b>	<b>2 818 084</b>	<b>3 868 910</b>	<b>4 566 330</b>	<b>4 898 311</b>	<b>4 898 142</b>
<b>Surplus/(Deficit)</b>	<b>8 934</b>	<b>472 188</b>	<b>162 410</b>	<b>(215 420)</b>	<b>(678 365)</b>	<b>(193 128)</b>	<b>(39 970)</b>

Data provided by the South African Revenue Service

### The Development Bank of Southern Africa

The Development Bank of Southern Africa (DBSA), a Schedule 2 major public entity, is governed by the Development Bank of Southern Africa Act (13 of 1997). The DBSA is a development finance institution wholly owned by the South African Government. The callable capital of the Bank – provided by Government – is R4,8 billion and the paid-up capital R200 million. At 31 March 2001, it had total assets of R17,7 billion. The Bank is self-sustaining and raises capital on the local and international capital markets. It has investment grade international credit ratings

from Standard and Poor's (BBB-) and Moody's (Baa3), on par with the South African sovereign rating and a domestic credit rating for long-term debt of AAA.

### **Financial Services Board**

The Financial Services Board is a statutory body in terms of the Financial Services Board Act (97 of 1990). It supervises control over the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. The Board is financed by the financial services industry, with no contribution from Government. The Board supervises those institutions and services in terms of 16 parliamentary Acts which entrust regulatory functions to the Registrar of Long- and Short-term Insurance, Friendly Societies, Pension Funds, Unit Trust Companies, Stock Exchanges and Financial Markets. Functions include regulatory control over insider trading and the participation bonds industry, certain trust and depository institutions, and central security depositories responsible for the safe custody of securities. The Board is also responsible for the financial supervision of the Road Accident Fund.

### **Public Investment Commissioners**

The Public Investment Commissioners (PIC) is a statutory body governed in terms of the Public Investment Commissioners Act (45 of 1984). The Minister is responsible for appointing the board, which is responsible for overseeing the activities of the secretariat and its investment portfolio. The PIC is effectively self-funded and produces its own annual report, which is tabled in Parliament. It invests and manages surplus funds on behalf of various public sector bodies. Previously the PIC was restricted to the role of a government administrative agency, investing all deposits in gilts and semi-gilts. In 1995 this was extended to include equities and property.

### **Financial Intelligence Centre**

The Financial Intelligence Centre Act (38 of 2001) provides for the formation of the Financial Intelligence Centre (FIC), the aim of which is to track irregular financial practices, especially the laundering of the proceeds of crime.

Provision for the establishment of the FIC was made in February 2002, and it has operated as a project within the National Treasury. In this time it has been involved in planning for implementation based on international best practice. As the Centre is established and develops capacity, so it will become an independent state agency as envisaged in the legislation.

The Centre has developed a draft of the Regulations to the Act, consulting extensively with all stakeholders. The Act requires that the Regulations be referred to the Money Laundering Advisory Council (MLAC) for comment before being promulgated. The Regulations provide for accountable institutions to start reporting suspicious transactions to the Centre from February 2003. In addition, accountable institutions are required to start identifying clients and keeping records from June 2003.

The Money Laundering Advisory Council, consisting of members from government departments, supervisory bodies and accountable institutions, was launched in October 2002.

The design of information and communication technology systems has begun, as has the process of developing financial investigation capacity within the law enforcement authorities. A pilot training programme was held in December 2002 and the training programme will continue throughout 2003.

South Africa was accepted as a member of the Eastern and Southern Anti-Money Laundering Group during August 2002. This is a regional body of the Financial Action Task Force (FATF),

which is the *de facto* global co-ordinating body for the development of international standards and policy in this arena. South Africa is an observer on the FATF.

## **Annexure**

### **Vote 8: National Treasury**

Table 8.12: Summary of expenditure trends and estimates per programme

Table 8.13: Summary of expenditure trends and estimates per economic classification

Table 8.14: Summary of expenditure trends and estimates per standard item

Table 8.15: Summary of personnel numbers and costs

Table 8.16: Summary of expenditure on training

Table 8.17: Summary of information and communications technology expenditure

Table 8.18: Summary of conditional grants to provinces

Table 8.19: Summary of conditional grants to local government (municipalities)

Table 8.20: Summary of donor support

Table 8.21: Summary of expenditure on infrastructure

Table 8.12: Summary of expenditure trends and estimates per programme

	Expenditure outcome			Medium-term expenditure estimate						
	Audited	Audited	Preliminary outcome	2002/03		2003/04		2004/05		
	1999/00	2000/01	2001/02	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate	Current	Capital	Total
R thousand										
1 Administration	46 171	103 663	62 185	77 516	40 889	118 405	112 405	91 888	10 494	102 382
2 Economic Planning and Budget Management	43 817	44 531	53 802	105 274	19 080	124 354	101 354	119 698	2 895	122 593
3 Asset and Liability Management	10 371	16 297	16 159	31 465	148	31 613	25 613	42 152	679	42 831
4 Financial Management and Systems	179 308	218 466	222 551	334 182	(20 598)	313 584	293 584	353 940	3 776	357 716
5 Financial Accounting and Reporting	95 439	95 868	25 211	56 080	115	56 195	6 195	62 737	471	63 208
6 Provincial and Local Government Transfers	1 488 600	1 170 000	2 114 250	2 405 000	75 000	2 480 000	2 355 000	526 915	2 534 488	3 061 403
7 Civil and Military Pensions, Contributions to Funds and Other Benefits	1 419 016	1 400 117	1 664 458	1 915 635	-	1 915 635	1 915 635	2 029 567	2	2 029 569
8 Fiscal Transfers	3 329 334	3 648 764	4 005 940	5 068 063	248 805	5 316 868	5 291 868	5 108 816	883 789	5 992 605
Subtotal	6 612 056	6 697 706	8 164 556	9 993 215	363 439	10 356 654	10 101 654	8 335 713	3 436 594	11 772 307
Direct charge on the National Revenue										
Fund	133 384 252	144 718 722	155 041 085	166 955 018	3 737 763	170 692 781	170 706 849	193 372 030	-	193 372 030
Provinces Equitable Share	89 094 552	98 397 841	107 460 337	119 452 086	4 004 763	123 456 849	123 456 849	142 386 030	-	142 386 030
State Debt Costs	44 289 700	46 320 881	47 580 748	47 502 932	(267 000)	47 235 932	47 250 000	50 986 000	-	50 986 000
Total	139 996 308	151 416 428	163 205 641	176 948 233	4 101 202	181 049 435	180 808 503	201 707 743	3 436 594	205 144 337
Change to 2002 Budget Estimate						4 101 202	3 860 270			15 744 992
										221 807 758
										20 175 380

Table 8.13: Summary of expenditure trends and estimates per economic classification

	Expenditure outcome			Main appropriation	2002/03			Revised estimate	Medium-term expenditure estimate			
	Audited	Audited	Preliminary outcome		Additional appropriation	Adjusted appropriation			Current	Capital	Total	
	1999/00	2000/01	2001/02		2002/03	2002/03			2003/04	2004/05	2005/06	
R thousand	6 439 543	5 440 717	6 260 218	7 323 937	358 439	7 682 376	7 453 376	8 335 713	-	8 335 713	9 501 185	9 882 962
Current	1 347 107	1 340 134	1 618 178	1 938 630	(8 234)	1 930 396	1 894 396	2 096 546	-	2 096 546	2 242 322	2 375 544
Personnel	53 912	56 994	63 449	119 584	(8 809)	110 775	74 775	159 055	-	159 055	168 898	178 518
Salaries and wages	1 293 195	1 283 140	1 554 729	1 819 046	575	1 819 621	1 819 621	1 937 491	-	1 937 491	2 073 424	2 197 026
Other	4 864 731	3 826 521	4 354 574	4 938 973	344 605	5 283 578	5 156 578	5 763 374	-	5 763 374	6 748 837	6 963 623
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-
Subsidies to business enterprises	-	-	-	-	-	-	-	-	-	-	-	-
Other levels of government	-	-	-	-	-	-	-	-	-	-	-	-
social security funds	-	-	-	-	-	-	-	-	-	-	-	-
universities and technicians	-	-	-	-	-	-	-	-	-	-	-	-
extra-budgetary institutions	3 071 734	3 169 650	3 513 081	4 192 608	110 632	4 303 240	4 301 240	4 955 017	-	4 955 017	5 915 531	6 082 559
provincial government	1 520 030	75 000	424 000	-	-	-	-	-	-	-	-	-
local government	-	275 000	290 250	454 230	75 000	529 230	404 230	525 830	-	525 830	540 898	570 412
Households and non-profit institutions	135 308	127 352	126 795	124 470	3 800	128 270	128 270	124 895	-	124 895	125 364	132 885
Foreign countries and international credit institutions	137 659	179 519	448	167 665	155 173	322 838	322 838	157 632	-	157 632	167 044	177 767
Other	227 705	274 062	287 466	446 334	22 068	468 402	402 402	475 793	-	475 793	510 026	543 795
Capital	172 513	1 256 989	1 904 338	2 669 278	5 000	2 674 278	2 648 278	-	3 436 594	3 436 594	3 914 477	3 953 814
Transfer payments	151 668	1 196 525	1 895 254	2 657 916	(17 000)	2 640 916	2 617 916	-	3 418 279	3 418 279	3 898 418	3 936 677
Other levels of government	-	895 000	1 400 000	1 950 000	-	1 950 000	1 950 000	-	2 534 488	2 534 488	2 876 362	3 055 773
Other capital transfers	151 668	301 525	495 254	707 916	(17 000)	690 916	667 916	-	883 791	883 791	1 022 056	880 904
Movable capital	20 845	26 013	9 084	11 362	22 000	33 362	30 362	-	13 515	13 515	10 959	12 337
Motor vehicles (transport)	824	407	-	-	-	-	-	-	-	-	-	450
Equipment - Computers	17 530	4 366	2 771	3 283	10 500	13 783	13 783	-	2 696	2 696	2 537	1 316
Equipment - Other office equipment	2 207	9 005	793	953	11 500	12 453	9 453	-	435	435	253	252
Other	284	12 235	5 520	7 126	-	7 126	7 126	-	10 384	10 384	8 169	10 319
Fixed capital	-	34 451	-	-	-	-	-	-	4 800	4 800	5 100	4 800
Land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	34 451	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	4 800	4 800	5 100	4 800
Total	6 612 056	6 697 706	8 164 556	9 993 215	363 439	10 356 654	10 101 654	8 335 713	3 436 594	11 772 307	13 415 662	13 836 776

Table 8.14: Summary of expenditure trends and estimates per standard item

	Expenditure outcome					Revised estimate	Medium-term expenditure estimate					
	Audited		Preliminary Outcome		Main appropriation		Additional appropriation	Adjusted appropriation	Current	Capital	Total	
	1999/00	2000/01	2001/02	2001/02								2002/03
R thousand												
Personnel	80 424	82 817	93 559	161 592	(8 234)	153 358	117 358	206 187	–	206 187	218 418	230 205
Administrative	15 579	16 886	19 046	47 435	(66)	47 369	46 369	54 881	–	54 881	59 388	63 505
Inventories	4 793	5 294	8 391	10 497	–	10 497	10 497	10 840	–	10 840	11 353	11 775
Equipment	22 166	27 066	10 262	14 039	22 000	36 039	33 039	2 459	13 515	15 974	13 637	15 164
Land and buildings	–	34 451	–	–	–	–	–	–	4 800	4 800	5 100	4 800
Professional and special services	199 363	246 883	254 388	380 192	22 134	402 326	337 326	401 831	–	401 831	430 478	459 191
Transfer payments	5 016 399	5 023 046	6 249 828	7 596 889	327 605	7 924 494	7 774 494	5 763 374	3 418 279	9 181 653	10 647 255	10 900 300
Miscellaneous	1 273 332	1 261 263	1 529 082	1 782 571	–	1 782 571	1 782 571	1 896 141	–	1 896 141	2 030 033	2 151 836
Total	6 612 056	6 697 706	8 164 556	9 993 215	363 439	10 356 654	10 101 654	8 335 713	3 436 594	11 772 307	13 415 662	13 836 776

Table 8.15: Summary of personnel numbers and costs<sup>1</sup>

Personnel numbers	1999/00	2000/01	2001/02	2002/03	2003/04
1 Administration	149	136	258	216	216
2 Economic Planning and Budget Management	151	161	209	243	243
3 Asset and Liability Management	41	42	57	71	71
4 Financial Management and Systems	119	119	182	168	168
5 Financial Accounting and Reporting	82	70	38	53	53
Total	542	528	744	751	751
Total personnel cost (R thousand)	80 424	82 817	93 559	153 358	206 187
Unit cost (R thousand)	148.4	156.9	125.8	204.2	274.5

<sup>1</sup> Full-time equivalent

Table 8.16: Summary of expenditure on training

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
1 Administration	984	959	1 144	744	784	846	888
2 Economic Planning and Budget Management	326	764	1 118	1 026	1 178	1 315	1 381
3 Asset and Liability Management	242	420	191	306	320	335	352
4 Financial Management and Systems	53	35	718	1 126	1 278	1 415	1 486
5 Financial Accounting and Reporting	223	369	1 287	2 649	2 663	2 617	2 748
Total	1 828	2 547	4 458	5 851	6 223	6 528	6 855

Table 8.17: Summary of information and communications technology expenditure

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2001/02 <th>2002/03 <th>2003/04 <th>2004/05 <th>2005/06 <th>2005/06 </th></th></th></th></th>	2002/03 <th>2003/04 <th>2004/05 <th>2005/06 <th>2005/06 </th></th></th></th>	2003/04 <th>2004/05 <th>2005/06 <th>2005/06 </th></th></th>		2004/05 <th>2005/06 <th>2005/06 </th></th>	2005/06 <th>2005/06 </th>	2005/06
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2005/06	2005/06
1 Administration	10 888	11 347	18 149	18 095	22 091	22 091	22 091
Technology	1 498	1 521	799	402	599	599	599
IT services	9 390	9 826	17 350	17 693	21 492	21 492	21 492
2 Economic Planning and Budget Management	9 904	6 009	8 547	9 682	10 263	10 263	10 263
Technology	2 943	1 047	492	515	546	546	546
IT services	6 961	4 962	8 055	9 167	9 717	9 717	9 717
3 Asset and Liability Management	5 518	5 679	8 679	12 603	13 866	13 866	13 866
Technology	564	646	81	912	1 004	1 004	1 004
IT services	4 954	5 033	8 598	11 691	12 862	12 862	12 862
4 Financial Management and Systems	258 927	273 647	309 902	324 157	351 244	351 244	351 244
Technology	2 440	1 913	1 413	1 238	1 244	1 244	1 244
IT services	256 487	271 734	308 489	322 919	350 000	350 000	350 000
5 Financial Accounting and Reporting	8 023	11 463	10 471	11 533	12 565	12 565	12 565
Technology	458	2 092	471	533	565	565	565
IT services	7 565	9 371	10 000	11 000	12 000	12 000	12 000
Total	293 260	308 145	355 748	376 070	410 029	410 029	410 029

Table 8.18: Summary of conditional grants to provinces<sup>1</sup>

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
	1999/00	2000/01	2001/02		2003/04	2004/05	2005/06
R thousand							
5 Financial Accounting and Reporting							
Financial and Personnel Systems	31 430	75 000	-	-	-	-	-
6 Provincial and Local Government Transfers							
Infrastructure Grant	-	300 000	800 000	1 550 000	2 334 488	2 876 362	3 055 773
Flood Rehabilitation	-	595 000	600 000	400 000	200 000	-	-
Supplementary allocation	-	-	124 000	-	-	-	-
Northern Cape Legislature	69 000	-	-	-	-	-	-
Mpumalanga (sec 100(1)(a) of the Constitution)	-	-	300 000	-	-	-	-
Adjustments Estimate (accumulated debt)	1 419 600	-	-	-	-	-	-
Total	1 520 030	970 000	1 824 000	1 950 000	2 534 488	2 876 362	3 055 773

<sup>1</sup> Detail provided in the Division of Revenue Act, 2003.

Table 8.19: Summary of conditional grants to local government (municipalities)<sup>1</sup>

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
	1999/00	2000/01	2001/02		2003/04	2004/05	2005/06
R thousand							
6 Provincial and Local Government Transfers							
Local Government Restructuring	-	225 000	230 250	375 000	315 000	342 900	363 474
Financial Management	-	50 000	60 000	155 000	211 915	199 249	208 204
Total	-	275 000	290 250	530 000	526 915	542 149	571 678

<sup>1</sup> Detail provided in the Division of Revenue Act, 2003.

Table 8.20: Summary of donor support

ODA programme/Project name	Donor	Cash or			Outcome			Medium-term expenditure estimate				
		Kind	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06			
FISCU (Investment protocol)	EU Commission	Cash	283	3 115	3 115	3 115	3 115	-	-	-		
International Development Co-operation	Netherlands	Cash	812	-	-	-	-	-	-	-		
Development co-operation report	Canada (IDRC)	Cash	342	-	-	-	-	-	-	-		
SERP I	United Kingdom	Kind	2 271	2 271	2 271	-	-	-	-	-		
SERP II	United Kingdom	Kind	-	2 978	2 978	2 978	2 978	-	-	-		
Revised Budget Reporting Formats: Budget Office	Sweden	Kind	-	763	763	763	763	-	-	-		
South African Tax Institute (SATI)	USA	Kind	-	-	-	51	-	-	-	-		
SEGA	USA	Kind	-	-	3 706	2 219	-	-	-	-		
Chemomics: PPP Unit	USA	Kind	-	-	196	168	-	-	-	-		
US Treasury Secondment - USAID contribution	USA	Kind	3 198	3 198	1 599	1 599	-	-	-	-		
Economic policy and advisory programme (EDAP)	GTZ	Kind	-	-	463	1 912	-	-	-	-		
Technical Assistance Team (TAT)	EU	Cash	-	830	1 117	1 117	1 118	-	-	-		
Financial Management Programme (FMIP)	EU	Cash	-	-	443	443	443	444	-	-		
IDC Support Programme	EU	Cash	-	-	-	1 702	1 702	1 702	1 702	1 702		
			6 906	13 155	16 651	16 067	9 356	2 146	1 702	1 702		

Table 8.21: Summary of expenditure on infrastructure

R thousand	Projects	Description	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate				Long-term planning			
			1999/00	2000/01	2001/02	2002/03		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09		
	Infrastructure programmes or large infrastructure projects														
	Small project groups														
	Infrastructure transfers														
	- Provincial infrastructure and flood rehabilitation														
	Sub-total														
	Fixed installations transferred to households														
	Maintenance on infrastructure														
	- 40 Church Square														
	- 38 Church Square														
	- 240 Vermeulen Street Building														
	Total														

