



**VOTE 10**  
National Treasury

# ESTIMATES OF NATIONAL EXPENDITURE **2011**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# **Estimates of National Expenditure**

## **2011**

**National Treasury**

**Republic of South Africa**

23 February 2011



**ISBN: 978-0-621-39863-2**

**RP: 07/2011**

The *Estimates of National Expenditure 2011* e-publications are compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision. More comprehensive coverage of goods and services, donor funding, transfers and subsidies, public entities and lower level institutional information, is provided in this publication where applicable.

The *Estimates of National Expenditure 2011* e-publications are available on [www.treasury.gov.za](http://www.treasury.gov.za)

# Foreword

When this publication was introduced in 2001, we stated that “The Estimates of National Expenditure represents a significant step forward in national budget transparency.” Since then, the national budget process has undergone continued reform. The Budget preparation for 2011 saw a shift from budgeting by department to budgeting by function of government, thus enabling a more strategic focus on a smaller number of key outcomes. Using the functional approach, there is better transparency and coordination in budgeting due to participation by stakeholders responsible for delivery across all spheres of government, including the various agencies. Ongoing efforts to reform non-financial performance information have led to a systematic improvement in the veracity of this information. These reforms will lead to greater accountability and control.

Budgets are the link between the outcomes targeted by government and the services that are ultimately delivered. Government’s adoption of the outcomes approach in 2009 started the process of closer cooperation and improved coordination across government departments and agencies towards the attainment of 12 clearly stated outcomes that are of considerable importance to the country’s development. This approach started with the re-organisation of national government departments and was further re-enforced by signed agreements concluded between the president and ministers of national departments.

Budgets proposed for each of the votes in this publication give consideration to the initiatives focused on the 12 outcomes. One of the outcomes warranting a special mention is that of job creation. 2011 has been declared the year of job creation. A key aim of the new growth path is to achieve job creation on a significant scale through economic transformation and inclusive growth.

There is a focus on the reprioritisation of existing budgets, in addition to the allocation of new money made available by the main Budget framework. This publication indicates details per vote of savings amounting to R30.6 billion over the period ahead. This year, specific detail has been included on: the outcomes which institutions contribute towards and the output and other performance measures supporting them; personnel budgets, employee numbers and spending trends; and the purpose and key activities of each sub-programme within a vote. Compared to the abridged version of the Estimates of National Expenditure, the e-publications for each vote contain more comprehensive coverage of goods and services, transfers and subsidies, public entities, lower level expenditure information and information on donor funding.

The independent Open Budget Index assessment of budget transparency began in 2006. It is conducted every two years to measure the availability and comprehensiveness of key budget documents. In 2010, South Africa achieved first place among all the 94 countries surveyed across the world, scoring 92 per cent. South Africa’s score on the index rose from 86 per cent in 2006 (when 59 countries were surveyed), and 87 per cent in 2008 (when 85 countries surveyed).

The detailed expenditure estimates of departments set out in this publication are the result of an arduous executive and administrative process. Executive approval of additional spending allocations and savings takes place under the political guidance of the ministers’ committee on the Budget and follows a wide ranging intergovernmental consultative process led by a committee of senior officials in central government departments.

A special word of thanks is due to all our colleagues from other departments for their contributions. I also wish to express my appreciation to the National Treasury team, which worked tirelessly to produce a document of which we are rightly proud.



**Lesetja Kganyago**  
**Director-General: National Treasury**



# Introduction

South Africa has once again achieved international recognition for meeting budget transparency and accountability standards. The International Budget Partnership ranks South Africa first among 94 countries in the 2010 Open Budget Survey. The quality and usability of budget documents such as the Estimates of National Expenditure have made a significant contribution to this achievement. Moreover, the Money Bills Amendment Procedure and Related Matters Act (2009) has increased Parliament's oversight over the Budget proposal as it sets out the procedure in terms of which the proposal must be considered for possible amendment. The parliamentary procedure involves canvassing the opinion of civil society groups and lends itself to more participatory budgeting. The increased transparency of budgets and the increased scrutiny make it possible for South African public servants to be held more accountable for their management of resources and performance over the period ahead.

The 2011 Estimates of National Expenditure is a comprehensive publication that provides details of the spending plans of all national departments and agencies for the next three financial years (2011/12 to 2013/14), expenditure outcomes for the past three years (2007/08 to 2009/10), and revised estimates for the current year (2010/11). Information is also provided on legislation, policies, outcomes and performance targets over the seven-year period. Any changes in these areas are explained in relation to trends in planned expenditure. The Estimates of National Expenditure e-publications per vote give more extensive coverage of transfers and subsidies, public entities, goods and services, donor funding and lower level institutional information than does the abridged version of the Estimates of National Expenditure. This more detailed information for each vote is available at [www.treasury.gov.za](http://www.treasury.gov.za).

In keeping with the ongoing budget reform improvements to the way that public finances are managed and reported, changes have also been made in the 2011 Estimates of National Expenditure. Information on the outcomes that departments and government agencies contribute to and the related outputs included in delivery agreements is briefly discussed in the strategic overview section. Departments will also provide more information on the key functions of each subprogramme on a vote, particularly regarding its transfers and subsidies, personnel complement, volume of work carried out and the composition of spending. A new section on personnel information has been introduced under the expenditure trends section, including a table that provides information on posts funded on budget, vacancies and the number of posts in the department by salary level, as well as by programme and unit cost.

## Budgeting for outcomes

Over the past decade, strong growth in public spending has not always been matched with a concomitant improvement in service delivery. If government's development and economic objectives stipulated in the new growth path are to be met, it is stated in the new growth path framework that public service delivery must improve significantly. Better public services require a culture of efficiency, effectiveness and stewardship of public resources, obliging government to become more responsive to the needs of citizens.

This objective is supported by various reform initiatives which have been and continue to be undertaken. At the outset, in 2009 the national macro organisation of the state project effected the reorganisation of national government departments to enhance their efficiency and improve on service delivery. Following on from this, the outcomes approach was adopted and 12 outcome targets were agreed upon for government, and signed ministerial performance agreements and interdepartmental and interagency delivery agreements followed. The outcomes approach provides a platform for achieving greater efficiency in the public service as it is aimed at addressing the weaknesses identified in coordination and cooperation across government. The five major budget priorities over the medium term expenditure framework period are expressed in terms of the 12 government outcomes. Budget decisions are informed by an agreed set of outputs and activities to the extent that they are organised around the 12 government outcomes and elaborated upon in delivery agreements.

Government has taken a different approach in reviewing its spending baseline to realign expenditure with the government outcomes and to make existing resources work with greater efficiency. Government's consumption expenditure (including wages as well as goods and services) has to be managed more efficiently to obtain greater value for money. Over recent years, there have been significant increases in overall personnel costs,

although expenditure on frontline personnel has not increased markedly. Government is targeting the reduction of large administrative budgets in favour of increasing frontline personnel and infrastructure investment, to channel more resources towards the actual delivery of key services.

In developing the 2011 medium term expenditure framework there was a shift towards budgeting by function rather than by department. The functional approach focuses on the purpose (the function) for which funds are to be used, and groups together national, provincial and local government, and government agencies, in terms of the function of government they perform. In this way a consolidated functional expenditure amount can be calculated, and monies transferred from one sphere of government to another can be more easily offset against each other. In support of the reprioritisation of funds in line with outcomes, more effective comparison of allocations with service delivery trends, and assessment of spending proposals, including the trade-offs between different options, are carried out in a given function. This approach provides more transparency and better coordination in the budgeting process. The table below shows the functional classification and, for each function, the national department(s) involved and the outcomes each function supports.

#### Functional classification of national departments and related outcomes

Functional Classification	Department(s)	Outcome(s)
Economic affairs	Government Communication and Information System [9], Public Enterprises [11], Agriculture, Forestry and Fisheries [26], Economic Development [28], Energy [29], Environmental Affairs [30], Mineral Resources [32], Rural Development and Land Reform [33], Science and Technology [34], Tourism [35], Trade and Industry [36], Transport [37]	<p><b>Outcome 4:</b> Decent employment through inclusive economic growth</p> <p><b>Outcome 5:</b> A skilled and capable workforce to support an inclusive growth path</p> <p><b>Outcome 6:</b> An efficient, competitive and responsive economic infrastructure network</p> <p><b>Outcome 7:</b> Vibrant, equitable and sustainable rural communities with food security for all</p> <p><b>Outcome 10:</b> Environmental assets and natural resources that are well protected and continually enhanced</p>
Housing and community amenities	Human Settlements [31], Water Affairs [38]	<p><b>Outcome 4:</b> Decent employment through inclusive economic growth</p> <p><b>Outcome 7:</b> Vibrant, equitable and sustainable rural communities with food security for all</p> <p><b>Outcome 8:</b> Sustainable human settlements and improved quality of household life</p> <p><b>Outcome 9:</b> A responsive, accountable, effective and efficient local government system</p>
Education	Basic Education [15], Higher Education and Training [17]	<p><b>Outcome 1:</b> Improved quality of basic education</p> <p><b>Outcome 5:</b> A skilled and capable workforce to support an inclusive growth path</p>
Health	Health [16]	<b>Outcome 2:</b> A long and healthy life for all South Africans
Social protection	Women, Children and People with Disabilities [8], Labour [18], Social Development [19]	
Recreation, culture and sport	Arts and Culture [14], Sport and Recreation South Africa [20]	<b>Outcome 12:</b> An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship
Public order and safety	Correctional Services [21], Independent Complaints Directorate [23], Justice and Constitutional Development [24], Police [25]	<p><b>Outcome 3:</b> All people in South Africa are and feel safe</p> <p><b>Outcome 11:</b> Create a better South Africa and contribute to a better and safer Africa and World</p> <p><b>Outcome 12:</b> An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship</p>
Defence	Defence and Military Veterans [22]	<p><b>Outcome 3:</b> All people in South Africa are and feel safe</p> <p><b>Outcome 11:</b> Create a better South Africa and contribute to a better and safer Africa and World</p>
General public service	Presidency [1], Parliament [2], Cooperative Governance and Traditional Affairs [3], Home Affairs [4], International Relations and Cooperation [5], Performance Monitoring and Evaluation [6], Public Works [7], National Treasury [10], Public Service and Administration [12], Statistics South Africa [13], Communications [27]	<p><b>Outcome 9:</b> A responsive, accountable, effective and efficient local government system</p> <p><b>Outcome 11:</b> Create a better South Africa and contribute to a better and safer Africa and World</p> <p><b>Outcome 12:</b> An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship</p>

The functional groups that have been used are derived from the Classification of the Functions of Government published by the United Nations, but are modified for the South African budgeting context. All decisions on savings and spending in relation to each function were reached as part of a broad consultative process between different stakeholders in the sector, including the medium term expenditure committee of senior officials in central government departments which leads this process, the provincial technical and executive forums, the ministers' committee on the budget, Cabinet and Parliament. These decisions comprise the Budget proposal tabled on Budget day for Parliament's consideration.

## Savings and reprioritisation of budgets

While the global economy has been showing signs of recovery, international opinion on the economy is still cautious, on the grounds of perceived uncertainties. In addition to the macroeconomic situation, in line with achieving government's outcomes targets the composition of government expenditure needs to change to ensure that there is value for money. To sustain public expenditure in South African in the long run, a moderation in spending growth over the period ahead is necessary. This necessitates a rigorous review of budget baseline expenditure and an assessment of the:

- capacity of departments and public entities to spend and manage resources appropriately
- strength of the link between expenditure and the outcomes approach as well as with government departmental mandates
- expenditure trade-offs between the different budget options proposed
- non-performing/ underperforming projects/ programmes and entities
- sourcing of funds through savings and reprioritisation initiatives
- alternative revenue raising capacity, cost recovery efforts and donor funding availability.

This year's budget preparation focused extensively on finding savings within the departmental and agency budget baselines linked to a given functional grouping. Departments were able to decrease spending on non-core goods and services, restrict expenditure on low priority programmes, reschedule expenditure, effect savings on foreign exchange rate projections, reduce transfers to certain public entities, improve financial management and reduce expenditure on administration. Savings identified per function over the medium term in this exercise are presented in the table below.

### Savings realised per function over the medium term

R thousand	2011/12	2012/13	2013/14	Total
Economic affairs	1 387 674	1 645 222	1 232 355	4 265 251
Housing and community amenities	1 970 233	2 618 510	2 314 474	6 903 217
Education	24 157	24 418	25 590	74 165
Health	44 000	44 000	544 000	632 000
Social protection	1 273 468	1 021 306	519 124	2 813 898
Recreation, culture and sport	28 222	25 571	56 858	110 652
Public order and safety	293 940	1 768 802	1 860 911	3 923 653
Defence	404 824	458 919	434 034	1 297 777
General public service	933 163	1 187 437	875 382	2 995 982
<b>Total</b>	<b>6 359 682</b>	<b>8 794 185</b>	<b>7 862 728</b>	<b>23 016 595</b>

Savings realised over the three years on national votes amounted to R23 billion, of which R6.4 billion is in 2011/12, R8.8 billion in 2012/13 and R7.9 billion in 2013/14. Of these savings, R21.6 billion is reprioritised within functional budget baselines towards meeting existing outcomes commitments. The remainder of R1.4 billion is added to the policy reserve for reallocation. The major savings and reprioritisation areas identified over the medium term are presented in the table below.

## Major areas of savings and reprioritisation

Function	Savings identified	Savings redirected
Economic affairs	Non-core goods and services (R2 billion) Underperforming programmes (R1.3 billion)	Road maintenance (R950 million) Expansion of public transport infrastructure and system grant (R580 million) Rural development and land reform (R1.3 billion)
Housing and community amenities	Underperforming programmes (R600 million) Non-core goods and services (R478 million) Rescheduling of expenditure (R759 million) Expanded public works programme: Infrastructure (R688 million)	Completion of De Hoop Dam and a portion of bulk distribution system (R1 billion) Regional bulk infrastructure (R600 million) Expanded public works programme Social sector (R825 million)
Social protection	Non-essential items such as catering and consultation fees (R927 million)	Old age grants - means threshold increased (R280 million) Efficient and effective grant payment model (R535 million)
Public order and safety	Non-essential items (R555 million)	Anti-retroviral drugs for prisoners and additional police personnel (R465 million)
Defence	Non-core goods and services (R1.3 billion)	New remuneration dispensation (R1.3 billion)

In addition to the initial exercise, a further reduction of 0.3 per cent on the budgets of provincial and national departments was also effected; this yielded an additional R6 billion in savings.

## Policy reserve

In line with the change to functional budgeting, the additional allocation made available through the national Budget framework was divided per function and a policy reserve was also retained. In the 2011 Budget process the policy reserve was created to fund key government priorities over the next three years. Including the initial identified savings of R1.4 billion that was not reprioritised and the R6 billion identified later, a policy reserve amounting to R33 billion was created. The table below shows how the policy reserve was allocated.

### Allocation of the policy reserve

R thousand	2011/12	2012/13	2013/14	Total
<b>For various functions</b>				
Job creation and youth employment	2 000 000	3 000 000	4 000 000	9 000 000
<b>Economic affairs</b>				
Economic regulatory capacity	50 000	50 000	50 000	150 000
Green economy: allocated	200 000	-	-	200 000
: unallocated	-	300 000	500 000	800 000
Broadband information and communication technology: universal access	100 000	150 000	200 000	450 000
Rural development and farmer support	150 000	350 000	600 000	1 100 000
Public transport	200 000	400 000	600 000	1 200 000
Agro-Processing Competitiveness Fund	34 000	108 000	108 000	250 000
Khula Direct	55 000	-	-	55 000
<b>Housing and community amenities</b>				
Human settlement upgrading	200 000	400 000	600 000	1 200 000
Water infrastructure and quality	50 000	150 000	200 000	400 000
<b>Education</b>				
School infrastructure	700 000	1 500 000	2 300 000	4 500 000
Further education and training colleges expansion and National Students Financial Aid Scheme	1 949 990	2 714 188	3 075 595	7 739 773
<b>Health</b>				
Public health services	600 000	1 400 000	2 000 000	4 000 000
<b>Public order and safety</b>				
Police capacity and border control	100 000	400 000	900 000	1 400 000
<b>Defence</b>				
Border control	100 000	200 000	300 000	600 000
<b>Total</b>	<b>6 488 990</b>	<b>11 122 188</b>	<b>15 433 595</b>	<b>33 044 773</b>

The largest allocation from the policy reserve amounts to R9 billion and targets job creation and youth employment, which is allocated on the National Treasury vote. It will be allocated to line departments that provide proposals for projects that meet the objectives of the fund. Of the R1 billion allocation for the green economy, R800 million is currently unallocated to any specific vote but will be announced in the 2011 Budget

as available for appropriation over the medium term. Other major allocations in the policy reserve include R7.7 billion for further education and training colleges and the National Student Financial Aid Scheme, R4.5 billion for school infrastructure and R4 billion for public health services.

## **Additional allocations**

Including policy reserve funding, a total addition of R94.1 billion is allocated to government institutions in terms of the revised national Budget framework to fund government's key priorities over the next three years. Of the R94.1 billion, national departments receive R48.8 billion (51.9 per cent): R9.9 billion in 2011/12, R14.7 billion in 2012/13 and R24.2 billion in 2012/13. Provinces and municipalities receive the remainder: R40.2 billion (42.7 per cent) to provinces and R5.1 billion (5.4 per cent) to municipalities over the medium term. Conditional grants to provinces and municipalities are reflected on both national budgets and the budgets of provinces or municipalities, and are included in the discussion below.

A summary of additional allocations in line with government's policy priorities is provided below by national vote. It is important to note that the discussion on increases in the budget excludes all direct charges against the National Revenue Fund and the amounts of the local and provincial equitable share. Details are only provided for national votes receiving relatively large additional allocations for implementing new programmes or extending existing programmes. The amounts per vote in the discussion below correspond with those in table 2. They represent the gross additional allocations, before the baseline savings and reprioritisation have been effected. The total amounts may therefore be bigger than the overall net change in the budget of a specific vote. In the discussion below, these gross amounts will be referred to as the allocations received for the coming three year medium term expenditure framework period. In certain instances, the savings on a particular vote exceed the gross total allocation to that vote and the overall net change in the budget of that vote is actually negative.

## **Economic affairs**

Taking into account the policy and practical budgeting considerations within this government function in the South African context, this function has been disaggregated broadly into four areas that are each discussed in turn.

### **Transport**

For the **Department of Transport** for the medium term expenditure framework period, R2.7 billion is provided for the public transport infrastructure and systems conditional grant to municipalities to develop integrated public transport networks. The South African National Roads Agency is allocated R2.7 billion for the maintenance of roads and R1.4 billion is allocated to the Passenger Rail Agency South Africa to upgrade and replace Metrorail's signalling infrastructure.

### **Energy and environmental protection**

Over the medium term, the **Department of Environmental Affairs** receives an additional R191 million to implement measures that will address wildlife trafficking, air quality, waste and coastline management, and oil spill disasters. For climate change mitigation and the establishment of a green fund for South Africa, R1 billion is provided. This will be announced in the 2011 Budget as an amount largely not appropriated to any specific vote, except for the R200 million in funding that is allocated to host the 2011 United Nations Conference on Climate Change in 2011/12.

### **Industrial development**

An allocation to the **Economic Development Department** of R250 million is for the Competition Commission to group its work on anti-competitive practices in four priority sectors and to form a specialised cartel investigation unit.

### **Agriculture, forestry, fisheries and land affairs**

An amount of R1.1 billion is the gross allocation to the **Department of Rural Development and Land Reform** for the comprehensive rural development programme.

The **Department of Agriculture, Forestry and Fisheries** receives R500 million for the comprehensive agriculture support programme grant and the land care programme grant.

Also, a gross allocation of R450 million is made available to the **Department of Communications** for broadband services information and communication technologies infrastructure, and universal access in underdeveloped or rural areas in the country.

#### Housing and community amenities

This function's budget is dominated by transfer payments. Over the MTEF period, an additional R2.1 billion is allocated to the **Department of Human Settlements** for informal settlements upgrading through the new urban settlements development grant. The Social Housing Regulatory Authority receives R972 million to increase the delivery of affordable rental housing.

The **Department of Water Affairs** is allocated a gross addition of R3.7 billion, of which R1 billion is for the completion of the De Hoop Dam and the provision of some bulk infrastructure pipelines, R952 million is for regional bulk infrastructure, R520 million for the completion of the Nandoni pipeline and R450 million for emergency drought relief in the Nelson Mandela Bay municipality.

#### Education

This function receives the biggest gross total allocation of R33.9 billion. The **Department of Basic Education** receives R8.2 billion, most of which is for transfers to provinces. The funds are mostly for school buildings for the eradication of inappropriate infrastructure structures and to ensure that more schools have water, sanitation and electricity. For bursaries for mathematics and science teachers, R596 million is allocated.

The **Department of Higher Education and Training** receives R3.6 billion for the National Student Financial Aid Scheme for funding higher education students, R300 million for establishing universities in Mpumalanga and Northern Cape, R3.9 billion for a state bursary scheme that will increase poor learners' access to further education and training colleges, and R1.4 billion to further education and training colleges to increase the number of students they enrol.

#### Health

The gross total allocation to the health function over the medium term is R18.5 billion. Most of this funding is allocated by means of the provincial equitable share. An amount of R1.4 billion is allocated to the national **Department of Health** towards increasing HIV counselling and circumcisions. To improve health facilities and medical equipment in preparation for national health insurance, the department receives a further R1.6 billion.

#### Social protection

The **Department of Social Development** is allocated R870 million for the South African Social Security Agency to implement a new grants application process that will reduce beneficiary waiting times and fraud.

#### Recreation, culture and sport

The **Department of Sport and Recreation South Africa** receives a gross allocation of R136 million to provide increased support to national sporting federations to enhance sports development and transformation, particularly in the participation of previously disadvantaged communities.

For the development of the local film industry R135 million is allocated to the National Film and Video Foundation under the **Department of Arts and Culture's** vote and R37 million is also allocated to capacitate the National Library of South Africa.

#### Public order and safety

Additional funding of R2.1 billion is made available to this function for the **Department of Police's** vote for the recruitment of additional policing personnel in the areas of visible policing, detective services and crime intelligence services. The number of police personnel will increase to 202 260 in 2013/14.

The **Department of Justice and Constitutional Development** receives additional funding of R490 million for the construction of two new high courts in Nelspruit and Polokwane, which will bring the total number of high courts to 16.

The **Department of Correctional Services** is allocated R460 million over the medium term for the upgrading of information technology that will enhance the functioning of the criminal justice system.

## Defence

In this function, an amount of R600 million is allocated to the **Department of Defence** to deploy soldiers to the country's borders and upgrade and improve border facilities and equipment.

## General public service

An amount of R500 million is added to the budget of **Statistics South Africa** for the 2011 Census, towards the costs of 120 000 field workers and to ensure greater coverage of the population than in the 2001 Census.

The **Department of Public Works** receives an additional R2.2 billion for municipal and accommodation charges payable.

To deal with the post recovery and reconstruction effects of the flooding disaster, R600 million has been allocated under the **National Treasury** vote. The National Treasury also receives R1.5 billion to fund increases in amounts payable to the Political Office Bearers' Pension Fund, as well as increases in costs related to post-retirement benefits and injury-on-duty benefits.

For the new conditional grants to deal with immediate disaster effects, R1.8 billion is allocated over the medium term under the **Cooperative Governance and Traditional Affairs**' vote. Of this, R675 million is for the provinces and R1.2 billion is allocated to municipalities.

## Overview of expenditure

The main Budget, including state debt costs, provides for total expenditure of R888.9 billion in 2011/12, R968.1 billion in 2012/13 and R1.1 trillion in 2013/14, reflecting a nominal growth rate of approximately 9.1 per cent on average over the medium term expenditure framework period. Non-interest expenditure comprises on average 89.3 per cent of total main Budget expenditure, growing at an average annual rate of 7.6 per cent over the period. These budgeted estimates provide for a contingency reserve set aside to deal with unanticipated events, amounting to R4.1 billion in 2011/12, R11.4 billion in 2012/13 and R23.4 billion in 2013/14.

The allocations in the main Budget are detailed in the pages of this publication, with a high level overview provided in the summary tables below.



## Summary tables

Table 1: Main budget framework 2007/08 to 2013/14

Table 2: Additional allocation to national votes 2011/12 to 2013/14

Table 3: Expenditure by national vote 2007/08 to 2013/14

Table 4: Expenditure by economic classification 2007/08 to 2013/14

Table 5: Amounts to be appropriated from the National Revenue Fund for 2011/12

Table 6a: Conditional grants to provinces 2007/08 to 2013/14

Table 6b: Conditional grants to municipalities 2007/08 to 2013/14

Table 7: Training expenditure per vote 2007/08 to 2013/14

Table 8: Infrastructure expenditure per vote 2007/08 to 2013/14

Table 9: Personnel expenditure per vote 2007/08 to 2013/14

Table 10: Departmental receipts per vote 2007/08 to 2013/14

**Table 1 Main budget framework 2007/08 to 2013/14**

R million	Audited outcome			Revised estimate	Medium-term estimates		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Revenue (National Revenue Fund)</b>							
Tax revenue (gross)	572 814.6	625 100.2	598 705.4	672 200.0	741 620.0	827 310.0	927 960.0
Departmental and other receipts, and repayments	12 693.0	12 616.0	8 889.0	12 254.0	10 000.9	11 540.0	12 351.1
Less: Southern Africa Customs Union payments	-24 712.6	-28 920.6	-27 915.4	-14 991.3	-21 763.2	-32 431.8	-35 997.4
Other adjustment <sup>1</sup>	-	-	-	-2 900.0	-	-	-
<b>Total revenue</b>	<b>560 795.1</b>	<b>608 795.5</b>	<b>579 679.0</b>	<b>666 562.7</b>	<b>729 857.6</b>	<b>806 418.2</b>	<b>904 313.7</b>
<i>Percentage of GDP</i>	<i>27.0%</i>	<i>26.3%</i>	<i>23.7%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.2%</i>	<i>25.6%</i>
<b>Expenditure</b>							
State debt cost	52 877.1	54 393.7	57 129.2	66 570.4	76 578.7	90 807.7	104 036.2
<i>Percentage of GDP</i>	<i>2.5%</i>	<i>2.4%</i>	<i>2.3%</i>	<i>2.5%</i>	<i>2.6%</i>	<i>2.8%</i>	<i>2.9%</i>
Current payments <sup>2</sup>	88 512.0	103 376.4	117 130.0	135 313.3	147 760.3	156 210.6	166 884.0
Transfers and subsidies	391 929.9	458 702.2	532 182.3	578 332.9	648 496.9	695 554.1	740 738.6
Payments for capital assets <sup>2</sup>	7 018.5	8 508.4	9 202.2	8 817.0	11 206.9	13 823.7	17 464.5
Payments for financial assets	1 105.9	10 972.6	31 553.0	20 889.7	750.1	0.1	0.1
Unallocated	-	-	-	-	40.0	330.0	530.0
Contingency reserve	-	-	-	-	4 090.4	11 405.4	23 375.2
<b>Total expenditure</b>	<b>541 443.4</b>	<b>635 953.3</b>	<b>747 196.8</b>	<b>809 923.3</b>	<b>888 923.3</b>	<b>968 131.7</b>	<b>1 053 028.6</b>
<i>Percentage of GDP</i>	<i>26.0%</i>	<i>27.5%</i>	<i>30.6%</i>	<i>30.4%</i>	<i>30.5%</i>	<i>30.2%</i>	<i>29.8%</i>
<b>Budget deficit<sup>3</sup></b>	<b>19 351.6</b>	<b>-27 157.8</b>	<b>-167 517.7</b>	<b>-143 360.6</b>	<b>-159 065.7</b>	<b>-161 713.5</b>	<b>-148 714.9</b>
<i>Percentage of GDP</i>	<i>0.9%</i>	<i>-1.2%</i>	<i>-6.9%</i>	<i>-5.4%</i>	<i>-5.5%</i>	<i>-5.1%</i>	<i>-4.2%</i>
<b>GDP</b>	<b>2 078 822.0</b>	<b>2 312 965.0</b>	<b>2 442 593.0</b>	<b>2 666 893.9</b>	<b>2 914 861.7</b>	<b>3 201 299.3</b>	<b>3 536 001.5</b>

1. Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.

2. Excludes conditional grants to provinces and local government, which are included in transfers and subsidies.

3. A positive number reflects a surplus and a negative number a deficit.

**Table 2 Additional allocation to national votes 2011/12 to 2013/14<sup>1</sup>**

R million	Medium-term expenditure estimates			Total
	2011/12	2012/13	2013/14	
<b>Central Government Administration</b>	<b>1 948.2</b>	<b>2 277.4</b>	<b>2 923.5</b>	<b>7 149.1</b>
1 The Presidency	90.5	131.3	126.4	348.3
2 Parliament	30.4	31.3	32.4	94.1
3 Cooperative Governance and Traditional Affairs	964.1	873.0	1 250.8	3 087.9
4 Home Affairs	176.9	444.8	600.2	1 221.9
5 International Relations and Cooperation	145.2	162.2	170.1	477.4
6 Performance Monitoring and Evaluation	37.4	97.5	114.5	249.3
7 Public Works	493.7	522.3	609.1	1 625.1
8 Women, Children and People with Disabilities	10.0	15.0	20.0	45.0
<b>Financial and Administrative Services</b>	<b>4 067.9</b>	<b>4 190.0</b>	<b>5 261.1</b>	<b>13 519.0</b>
9 Government Communication and Information System	10.1	10.6	9.9	30.6
10 National Treasury	3 442.3	4 048.0	5 097.8	12 588.1
11 Public Enterprises	44.8	4.6	4.6	53.9
12 Public Service and Administration	34.9	44.2	55.0	134.0
13 Statistics South Africa	535.8	82.7	93.8	712.3
<b>Social Services</b>	<b>4 043.4</b>	<b>7 691.7</b>	<b>14 993.2</b>	<b>26 728.2</b>
14 Arts and Culture	66.9	83.1	105.7	255.8
15 Basic Education	826.4	2 574.4	5 649.7	9 050.4
16 Health	442.0	692.0	2 236.0	3 370.0
17 Higher Education and Training	2 215.3	3 560.3	4 403.6	10 179.2
18 Labour	131.7	170.3	187.3	489.3
19 Social Development	312.1	543.3	2 322.5	3 177.9
20 Sport and Recreation South Africa	49.0	68.3	88.4	205.7
<b>Justice, Crime Prevention and Security</b>	<b>3 740.6</b>	<b>5 760.1</b>	<b>7 583.9</b>	<b>17 084.7</b>
21 Correctional Services	579.9	1 046.7	1 147.8	2 774.3
22 Defence and Military Veterans	1 180.2	1 552.8	1 863.6	4 596.6
23 Independent Complaints Directorate	7.9	9.1	10.1	27.1
24 Justice and Constitutional Development	477.0	1 098.6	1 196.9	2 772.4
25 Police	1 495.7	2 052.9	3 365.5	6 914.2
<b>Economic Services and Infrastructure</b>	<b>6 550.4</b>	<b>8 755.2</b>	<b>10 874.5</b>	<b>26 180.1</b>
26 Agriculture, Forestry and Fisheries	194.1	405.7	512.4	1 112.2
27 Communications	105.7	155.9	206.1	467.7
28 Economic Development	101.6	156.0	166.1	423.7
29 Energy	307.9	29.2	32.6	369.7
30 Environmental Affairs	297.9	146.0	186.4	630.3
31 Human Settlements	657.5	1 215.8	1 757.2	3 630.6
32 Mineral Resources	43.2	53.6	34.1	130.9
33 Rural Development and Land Reform	610.4	838.5	1 113.9	2 562.8
34 Science and Technology	14.6	139.9	404.1	558.6
35 Tourism	52.5	42.4	44.9	139.8
36 Trade and Industry	527.6	621.7	646.3	1 795.6
37 Transport	2 180.8	3 689.9	4 786.2	10 656.9
38 Water Affairs	1 456.6	1 260.4	984.2	3 701.2
<b>Total</b>	<b>20 350.6</b>	<b>28 674.3</b>	<b>41 636.1</b>	<b>90 661.1</b>

1. Excludes additional allocations on provincial equitable share and other direct charges against the National Revenue Fund.

**Table 3 Expenditure by national vote 2007/08 to 2013/14**

R million	Audited outcome			Adjusted appropriation
	2007/08	2008/09	2009/10	2010/11
<b>Central Government Administration</b>				
1 The Presidency	649.4	308.8	659.1	766.9
2 Parliament	849.8	1 071.5	1 009.0	1 201.6
3 Cooperative Governance and Traditional Affairs	28 359.9	33 386.0	33 661.6	41 748.5
4 Home Affairs	3 241.7	4 666.6	5 195.4	5 834.4
5 International Relations and Cooperation	4 069.7	5 472.3	5 417.4	4 715.8
6 Performance Monitoring and Evaluation	2.0	3.6	10.4	40.5
7 Public Works	3 402.3	4 197.0	5 533.6	7 364.8
8 Women, Children and People with Disabilities	52.5	61.9	77.5	106.2
<b>Financial and Administrative Services</b>				
9 Government Communication and Information System	380.9	427.5	495.4	550.2
10 National Treasury	12 569.3	23 762.8	53 240.6	38 704.9
11 Public Enterprises	4 604.0	3 265.1	3 983.3	555.5
12 Public Service and Administration	609.6	630.6	670.8	658.7
13 Statistics South Africa	1 054.3	1 323.1	1 555.8	2 101.4
<b>Social Services</b>				
14 Arts and Culture	1 585.8	2 114.5	2 224.9	2 441.2
15 Basic Education	4 799.5	6 384.0	7 854.3	10 924.3
16 Health	13 578.6	16 424.5	19 168.6	23 132.5
17 Higher Education and Training	15 999.1	18 767.8	20 684.4	23 776.2
18 Labour	1 431.5	1 507.2	1 698.7	1 835.8
19 Social Development	67 191.4	76 096.7	85 318.2	95 941.1
20 Sport and Recreation South Africa	5 048.0	4 871.4	2 866.4	1 255.5
<b>Justice, Crime Prevention and Security</b>				
21 Correctional Services	11 122.4	12 822.6	13 687.3	15 427.5
22 Defence and Military Veterans	25 180.1	27 801.3	31 324.2	30 442.6
23 Independent Complaints Directorate	80.9	99.3	106.2	131.4
24 Justice and Constitutional Development	7 194.0	8 244.4	9 653.5	10 787.3
25 Police	36 525.9	41 635.2	47 662.5	53 529.7
<b>Economic Services and Infrastructure</b>				
26 Agriculture, Forestry and Fisheries	3 957.2	3 564.9	3 961.8	4 003.9
27 Communications	1 911.8	2 328.6	2 301.9	2 138.0
28 Economic Development	245.1	220.4	314.6	449.8
29 Energy	2 229.8	2 961.7	3 690.9	5 648.7
30 Environmental Affairs	1 564.5	1 789.9	2 124.3	2 438.5
31 Human Settlements	10 503.0	13 269.5	16 407.4	19 305.9
32 Mineral Resources	717.5	768.3	853.8	995.8
33 Rural Development and Land Reform	5 896.6	6 669.8	5 863.8	7 293.4
34 Science and Technology	3 127.3	3 703.5	4 183.9	4 128.0
35 Tourism	1 056.0	1 202.2	1 145.6	1 183.8
36 Trade and Industry	5 050.2	4 836.7	5 923.3	6 194.2
37 Transport	19 155.9	28 161.7	28 664.0	30 380.8
38 Water Affairs	4 802.9	5 797.8	7 188.6	8 203.2
<b>Total appropriation by vote</b>	<b>309 800.8</b>	<b>370 620.6</b>	<b>436 383.5</b>	<b>466 338.6</b>
Plus:				
<b>Direct charges against the National Revenue Fund</b>				
President and Deputy President salary (The Presidency)	2.3	4.0	3.8	4.6
Members remuneration (Parliament)	240.7	304.2	398.8	392.7
State debt costs (National Treasury)	52 877.1	54 393.7	57 129.2	67 606.9
Provincial equitable share (National Treasury)	171 053.7	201 795.6	236 890.8	265 139.4
General fuel levy sharing with metros (National Treasury)	-	-	6 800.1	7 542.4
Skills levy and Setas (Higher Education and Training)	6 284.3	7 234.1	7 815.6	8 424.2
Judges and magistrates salaries (Justice and Constitutional Development)	1 184.5	1 601.1	1 774.9	1 929.9
<b>Total direct charges against the National Revenue Fund</b>	<b>231 642.6</b>	<b>265 332.8</b>	<b>310 813.2</b>	<b>351 040.0</b>
Unallocated	-	-	-	-
Contingency reserve	-	-	-	-
Projected underspending	-	-	-	-1 700.0
<b>Total</b>	<b>541 443.4</b>	<b>635 953.3</b>	<b>747 196.8</b>	<b>815 678.6</b>

Table 3 Expenditure by national vote 2007/08 to 2013/14

Revised estimate	Medium-term expenditure estimates			R million
	2010/11	2011/12	2012/13	
				<b>Central Government Administration</b>
766.9	815.0	887.5	924.2	The Presidency
1 201.6	1 265.3	1 315.9	1 387.6	Parliament
41 748.5	47 933.6	53 842.8	57 120.8	Cooperative Governance and Traditional Affairs
5 834.4	5 464.1	5 249.7	5 864.3	Home Affairs
4 715.8	4 796.8	5 154.9	5 569.3	International Relations and Cooperation
40.5	75.8	141.0	160.4	Performance Monitoring and Evaluation
7 138.7	7 819.3	8 061.2	8 900.1	Public Works
106.2	117.9	129.5	140.8	Women, Children and People with Disabilities
				<b>Financial and Administrative Services</b>
550.2	496.4	524.4	552.0	Government Communication and Information System
38 375.4	22 598.2	23 469.1	25 578.9	National Treasury
555.5	230.2	199.7	210.4	Public Enterprises
656.7	690.1	726.2	774.5	Public Service and Administration
1 741.7	3 240.9	1 698.3	1 717.7	Statistics South Africa
				<b>Social Services</b>
2 339.7	2 468.6	2 625.1	2 784.7	Arts and Culture
9 093.0	13 868.1	16 557.9	20 409.6	Basic Education
22 218.7	25 731.6	27 610.8	30 136.7	Health
23 757.2	28 228.6	31 318.5	33 688.2	Higher Education and Training
1 793.2	1 981.5	2 098.5	2 221.7	Labour
94 841.0	104 732.7	113 524.0	122 075.5	Social Development
1 249.6	802.7	852.3	915.5	Sport and Recreation South Africa
				<b>Justice, Crime Prevention and Security</b>
15 232.5	16 559.2	17 805.0	18 827.8	Correctional Services
30 442.6	34 605.0	37 371.2	39 702.2	Defence and Military Veterans
131.4	151.6	161.0	170.4	Independent Complaints Directorate
10 742.3	11 413.5	12 674.3	13 409.3	Justice and Constitutional Development
53 529.7	58 061.5	62 077.6	66 696.7	Police
				<b>Economic Services and Infrastructure</b>
4 003.9	4 719.7	5 312.0	5 503.2	Agriculture, Forestry and Fisheries
2 138.0	1 889.1	1 721.7	1 851.7	Communications
384.5	594.5	674.7	713.3	Economic Development
5 648.7	6 089.9	5 575.3	4 304.8	Energy
2 359.8	2 846.1	2 399.3	2 643.0	Environmental Affairs
19 305.9	22 578.5	24 875.1	26 674.7	Human Settlements
995.8	1 036.2	1 107.5	1 178.7	Mineral Resources
7 293.4	8 124.2	8 674.1	9 381.1	Rural Development and Land Reform
4 128.0	4 404.6	4 887.4	5 510.1	Science and Technology
1 183.8	1 242.9	1 273.9	1 345.3	Tourism
6 075.5	6 786.9	7 366.9	7 572.4	Trade and Industry
29 989.4	35 084.0	38 204.4	41 198.9	Transport
7 609.7	9 936.2	10 231.5	10 883.5	Water Affairs
<b>459 919.7</b>	<b>499 480.9</b>	<b>538 380.2</b>	<b>578 700.1</b>	<b>Total appropriation by vote</b>
				Plus:
				<b>Direct charges against the National Revenue Fund</b>
4.6	4.8	5.1	5.3	President and Deputy President salary (The Presidency)
392.7	409.6	430.1	453.8	Members remuneration (Parliament)
66 570.4	76 578.7	90 807.7	104 036.2	State debt costs (National Treasury)
265 139.4	288 492.8	305 725.4	323 604.4	Provincial equitable share (National Treasury)
7 542.4	8 573.1	9 039.7	9 613.4	General fuel levy sharing with metros (National Treasury)
8 424.2	9 148.7	9 606.1	10 134.5	Skills levy and Setas (Higher Education and Training)
1 929.9	2 104.2	2 401.9	2 575.7	Judges and magistrates salaries (Justice and Constitutional Development)
<b>350 003.5</b>	<b>385 312.0</b>	<b>418 016.1</b>	<b>450 423.3</b>	<b>Total direct charges against the National Revenue Fund</b>
-	40.0	330.0	530.0	Unallocated
-	4 090.4	11 405.4	23 375.2	Contingency reserve
-	-	-	-	Projected underspending
<b>809 923.3</b>	<b>888 923.3</b>	<b>968 131.7</b>	<b>1 053 028.6</b>	<b>Total</b>

**Table 4 Expenditure by economic classification 2007/08 to 2013/14**

R million	Audited outcome			Adjusted appropriation
	2007/08	2008/09	2009/10	2010/11
<b>Current payments</b>				
<b>Compensation of employees</b>	56 221.9	64 819.2	75 276.3	88 740.8
Salaries and wages	46 758.3	53 869.3	62 806.6	74 671.9
Social contributions	9 463.6	10 949.9	12 469.7	14 068.9
<b>Goods and services</b>	32 272.1	38 522.2	41 695.1	47 989.9
<b>Interest and rent on land</b>	52 895.1	54 428.7	57 287.8	67 615.5
Interest (Incl. interest on finance leases)	52 893.9	54 428.5	57 280.1	67 614.7
Rent on land	1.2	0.2	7.7	0.8
<b>Total current payments</b>	<b>141 389.1</b>	<b>157 770.1</b>	<b>174 259.2</b>	<b>204 346.3</b>
<b>Transfers and subsidies to:</b>				
<b>Provinces and municipalities</b>	243 233.6	289 395.9	344 774.7	387 557.9
<b>Provinces</b>	204 668.3	243 851.9	293 163.8	326 000.2
Provincial revenue funds	204 668.3	243 851.9	293 163.8	326 000.2
<b>Municipalities</b>	38 565.4	45 544.0	51 610.8	61 557.8
Municipal bank accounts	38 565.4	45 544.0	51 610.8	61 557.8
<b>Departmental agencies and accounts</b>	44 609.0	53 708.8	57 458.8	56 035.9
Social security funds	8.5	2 508.7	9.7	11.6
Departmental agencies (non-business entities)	44 600.5	51 200.1	57 449.1	56 024.3
<b>Universities and technikons</b>	12 004.1	13 897.7	15 443.5	17 576.1
<b>Foreign governments and international organisations</b>	935.6	1 010.6	1 366.4	1 357.1
<b>Public corporations and private enterprises</b>	19 485.7	20 188.1	21 704.6	20 492.5
<b>Public corporations</b>	14 887.2	14 723.0	19 325.2	18 180.6
Subsidies on products or production	6 293.0	8 060.3	8 477.2	9 836.7
Other transfers to public corporations	8 594.1	6 662.6	10 848.0	8 343.9
<b>Private enterprises</b>	4 598.5	5 465.1	2 379.4	2 311.9
Subsidies on products or production	4 111.4	5 193.5	2 009.5	1 848.5
Other transfers to private enterprises	487.1	271.7	369.9	463.4
<b>Non-profit institutions</b>	1 006.7	1 222.2	1 220.3	1 470.9
<b>Households</b>	70 655.2	79 279.0	90 214.0	98 316.7
Social benefits	65 169.0	73 588.0	84 842.8	92 538.4
Other transfers to households	5 486.3	5 690.9	5 371.2	5 778.3
<b>Total transfers and subsidies</b>	<b>391 929.9</b>	<b>458 702.2</b>	<b>532 182.3</b>	<b>582 807.0</b>
<b>Payments for capital assets</b>				
<b>Buildings and other fixed structures</b>	3 631.3	5 331.6	5 712.2	5 975.7
Buildings	3 356.9	4 860.4	4 598.8	4 757.1
Other fixed structures	274.4	471.2	1 113.4	1 218.5
<b>Machinery and equipment</b>	3 161.5	2 926.7	3 127.6	3 298.6
Transport equipment	1 538.2	1 510.2	1 524.2	1 769.1
Other machinery and equipment	1 623.4	1 416.5	1 603.4	1 529.5
<b>Heritage assets</b>	-	0.1	0.2	-
<b>Specialised military assets</b>	-	-	83.1	19.0
<b>Biological assets</b>	10.6	2.7	2.1	2.0
<b>Land and subsoil assets</b>	27.4	49.0	83.9	0.1
<b>Software and other intangible assets</b>	187.7	198.3	193.2	40.8
<b>Total payments for capital assets</b>	<b>7 018.5</b>	<b>8 508.4</b>	<b>9 202.2</b>	<b>9 336.2</b>
<b>Payments for financial assets</b>	1 105.9	10 972.6	31 553.0	20 889.2
<b>Total</b>	<b>541 443.4</b>	<b>635 953.3</b>	<b>747 196.8</b>	<b>817 378.6</b>
Unallocated	-	-	-	-
Contingency reserve	-	-	-	-
Projected underspending	-	-	-	-1 700.0
<b>Total</b>	<b>541 443.4</b>	<b>635 953.3</b>	<b>747 196.8</b>	<b>815 678.6</b>

Table 4 Expenditure by economic classification 2007/08 to 2013/14

Revised estimate	Medium-term expenditure estimates			R million
	2010/11	2011/12	2012/13	
<b>88 324.0</b>	<b>94 788.4</b>	<b>100 350.8</b>	<b>107 316.5</b>	<b>Current payments</b>
74 278.1	79 661.6	84 435.8	90 409.3	<b>Compensation of employees</b>
14 046.0	15 126.9	15 914.9	16 907.2	Salaries and wages
<b>46 980.3</b>	<b>52 944.2</b>	<b>55 829.0</b>	<b>59 536.1</b>	Social contributions
<b>66 579.3</b>	<b>76 606.4</b>	<b>90 838.6</b>	<b>104 067.6</b>	<b>Goods and services</b>
66 578.5	76 605.4	90 837.4	104 066.4	<b>Interest and rent on land</b>
0.8	1.1	1.2	1.2	Interest (Incl. interest on finance leases)
				Rent on land
<b>201 883.7</b>	<b>224 339.0</b>	<b>247 018.3</b>	<b>270 920.2</b>	<b>Total current payments</b>
<b>384 334.3</b>	<b>428 131.5</b>	<b>457 512.2</b>	<b>486 602.9</b>	<b>Transfers and subsidies to:</b>
<b>323 080.3</b>	<b>357 928.6</b>	<b>380 449.6</b>	<b>404 251.4</b>	Provinces and municipalities
323 080.3	357 928.6	380 449.6	404 251.4	<b>Provinces</b>
61 254.0	70 202.9	77 062.5	82 351.5	Provincial revenue funds
61 254.0	70 202.9	77 062.5	82 351.5	<b>Municipalities</b>
<b>55 866.1</b>	<b>68 241.9</b>	<b>73 170.5</b>	<b>78 537.2</b>	Municipal bank accounts
11.6	12.4	13.0	13.7	<b>Departmental agencies and accounts</b>
55 854.6	68 229.5	73 157.5	78 523.5	Social security funds
<b>17 571.1</b>	<b>19 365.4</b>	<b>20 766.7</b>	<b>21 953.2</b>	Departmental agencies (non-business entities)
1 358.2	1 463.4	1 723.6	1 830.5	<b>Universities and technikons</b>
20 459.5	23 642.9	25 011.7	25 561.1	Foreign governments and international organisations
<b>18 180.6</b>	<b>20 434.1</b>	<b>21 742.4</b>	<b>22 063.1</b>	<b>Public corporations and private enterprises</b>
9 836.7	9 879.4	9 997.1	8 896.9	<b>Public corporations</b>
8 343.9	10 554.7	11 745.4	13 166.3	Subsidies on products or production
<b>2 278.9</b>	<b>3 208.8</b>	<b>3 269.3</b>	<b>3 498.0</b>	Other transfers to public corporations
1 813.5	2 718.2	2 663.9	2 856.4	<b>Private enterprises</b>
465.4	490.6	605.4	641.6	Subsidies on products or production
<b>1 461.7</b>	<b>1 500.4</b>	<b>1 874.8</b>	<b>2 099.0</b>	Other transfers to private enterprises
<b>97 282.0</b>	<b>106 151.3</b>	<b>115 494.5</b>	<b>124 154.6</b>	<b>Non-profit institutions</b>
91 514.5	101 279.1	110 239.7	118 596.5	<b>Households</b>
5 767.5	4 872.3	5 254.9	5 558.1	Social benefits
				Other transfers to households
<b>578 332.9</b>	<b>648 496.9</b>	<b>695 554.1</b>	<b>740 738.6</b>	<b>Total transfers and subsidies</b>
<b>5 615.9</b>	<b>7 845.0</b>	<b>10 560.6</b>	<b>14 057.6</b>	<b>Payments for capital assets</b>
4 479.1	5 486.6	7 813.1	11 078.5	<b>Buildings and other fixed structures</b>
1 136.8	2 358.3	2 747.6	2 979.1	Buildings
<b>3 144.0</b>	<b>3 302.7</b>	<b>3 202.5</b>	<b>3 344.4</b>	Other fixed structures
1 699.1	1 922.9	1 645.0	1 697.5	<b>Machinery and equipment</b>
1 444.9	1 379.8	1 557.5	1 646.9	Transport equipment
0.0	-	-	-	Other machinery and equipment
19.0	20.7	21.3	22.4	<b>Heritage assets</b>
2.0	0.2	0.3	0.3	<b>Specialised military assets</b>
0.1	-	-	-	<b>Biological assets</b>
35.9	38.3	39.1	39.9	<b>Land and subsoil assets</b>
				<b>Software and other intangible assets</b>
<b>8 817.0</b>	<b>11 206.9</b>	<b>13 823.7</b>	<b>17 464.5</b>	<b>Total payments for capital assets</b>
<b>20 889.7</b>	<b>750.1</b>	<b>0.1</b>	<b>0.1</b>	<b>Payments for financial assets</b>
<b>809 923.3</b>	<b>884 792.9</b>	<b>956 396.3</b>	<b>1 029 123.4</b>	<b>Total</b>
-	40.0	330.0	530.0	Unallocated
-	4 090.4	11 405.4	23 375.2	Contingency reserve
-	-	-	-	Projected underspending
<b>809 923.3</b>	<b>888 923.3</b>	<b>968 131.7</b>	<b>1 053 028.6</b>	<b>Total</b>

**Table 5 Amounts to be appropriated from the National Revenue Fund for 2011/12**

R million	Appropriated (including direct charges) 2010/11	Current payments	Transfers and subsidies	Payments for capital assets 2011/12	Payments for financial assets	To be appropriated	Increase/ Decrease	
<b>Central Government Administration</b>								
1	The Presidency	706.8	417.5	387.8	14.5	-	819.8	113.0
2	Parliament	1 571.9	1 383.1	287.9	3.9	-	1 674.9	103.0
3	Cooperative Governance and Traditional Affairs	41 096.9	691.3	47 222.4	19.8	0.1	47 933.6	6 836.7
4	Home Affairs	5 719.6	4 437.4	1 000.1	26.7	-	5 464.1	-255.5
5	International Relations and Cooperation	4 824.4	3 703.1	809.9	283.7	-	4 796.8	-27.7
6	Performance Monitoring and Evaluation	20.4	72.8	-	3.0	-	75.8	55.4
7	Public Works	6 446.3	2 265.4	4 010.3	1 543.6	-	7 819.3	1 372.9
8	Women, Children and People with Disabilities	97.8	60.5	55.2	2.3	-	117.9	20.2
<b>Financial and Administrative Services</b>								
9	Government Communication and Information System	546.2	334.8	159.2	2.4	-	496.4	-49.8
10	National Treasury	378 589.1	78 015.4	317 463.8	13.7	750.0	396 242.8	17 653.7
11	Public Enterprises	350.6	188.1	40.8	1.4	-	230.2	-120.4
12	Public Service and Administration	651.5	396.5	290.9	2.7	-	690.1	38.6
13	Statistics South Africa	1 973.4	3 188.8	10.5	41.7	-	3 240.9	1 267.5
<b>Social Services</b>								
14	Arts and Culture	2 406.7	392.9	2 069.3	6.4	-	2 468.6	61.9
15	Basic Education	10 918.5	2 136.9	11 025.3	706.0	-	13 868.1	2 949.7
16	Health	22 967.9	1 209.3	24 489.3	32.9	-	25 731.6	2 763.6
17	Higher Education and Training	32 144.9	455.8	36 913.4	8.1	-	37 377.3	5 232.4
18	Labour	1 783.9	1 349.9	599.4	32.1	-	1 981.5	197.6
19	Social Development	95 929.1	543.7	104 177.1	11.9	-	104 732.7	8 803.6
20	Sport and Recreation South Africa	1 245.6	222.5	574.1	6.0	-	802.7	-442.9
<b>Justice, Crime Prevention and Security</b>								
21	Correctional Services	15 129.0	15 342.1	31.3	1 185.8	-	16 559.2	1 430.2
22	Defence and Military Veterans	30 715.3	27 278.4	6 978.0	348.6	-	34 605.0	3 889.6
23	Independent Complaints Directorate	129.3	147.6	0.1	4.0	-	151.6	22.3
24	Justice and Constitutional Development	12 180.4	10 933.7	1 791.1	792.9	-	13 517.7	1 337.3
25	Police	52 556.4	54 596.4	464.6	3 000.5	-	58 061.5	5 505.1
<b>Economic Services and Infrastructure</b>								
26	Agriculture, Forestry and Fisheries	3 708.0	2 039.4	2 567.8	112.5	-	4 719.7	1 011.8
27	Communications	2 114.0	585.2	1 299.6	4.3	-	1 889.1	-224.9
28	Economic Development	418.6	123.2	464.8	6.5	-	594.5	175.9
29	Energy	5 535.4	297.2	5 784.9	7.8	-	6 089.9	554.5
30	Environmental Affairs	2 557.8	1 119.1	1 219.0	508.0	-	2 846.1	288.3
31	Human Settlements	19 215.6	642.2	21 700.6	235.7	-	22 578.5	3 362.9
32	Mineral Resources	1 030.0	587.6	438.4	10.1	-	1 036.2	6.2
33	Rural Development and Land Reform	6 769.6	2 524.1	5 564.7	35.4	-	8 124.2	1 354.7
34	Science and Technology	4 615.5	369.7	4 031.6	3.3	-	4 404.6	-210.9
35	Tourism	1 151.8	268.2	968.0	6.7	-	1 242.9	91.0
36	Trade and Industry	6 150.1	1 172.4	5 600.4	14.1	-	6 786.9	636.8
37	Transport	30 178.0	841.8	34 238.0	4.1	-	35 084.0	4 906.0
38	Water Affairs	7 996.6	4 005.2	3 767.2	2 163.9	-	9 936.2	1 939.6
<b>Total</b>	<b>812 142.9</b>	<b>224 339.0</b>	<b>648 496.9</b>	<b>11 206.9</b>	<b>750.1</b>	<b>884 792.9</b>	<b>72 650.0</b>	

1. A positive number reflects an increase and a negative number a decrease.

**Table 6a Conditional grants to provinces 2007/08 to 2013/14<sup>1</sup>**

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
<b>Central Government Administration</b>								
3	–	29.7	–	214.4	214.4	305.0	180.0	190.0
7	836.6	889.3	1 466.0	2 252.9	2 181.3	2 270.9	2 504.8	2 778.5
<b>Financial and Administrative Services</b>								
10	–	–	4 200.0	–	–	–	–	–
<b>Social Services</b>								
14	163.2	344.6	440.6	512.7	512.7	543.4	570.8	602.2
15	4 012.9	5 215.6	6 460.1	8 683.6	7 107.4	10 546.4	11 330.6	11 953.7
16	12 368.6	14 988.7	17 523.8	21 363.7	20 483.0	23 947.7	25 746.5	28 175.2
17	2 435.3	3 005.8	3 155.3	3 804.0	3 804.0	4 326.0	4 705.1	5 262.4
20	194.0	293.7	402.3	426.4	426.4	452.0	474.6	500.7
<b>Economic Services and Infrastructure</b>								
26	761.7	898.0	973.7	1 166.9	1 166.9	1 487.1	1 683.9	1 866.9
31	6 988.5	8 727.6	10 819.3	13 032.1	13 032.1	14 941.5	15 599.4	16 457.4
37	5 853.7	7 663.3	10 832.1	9 404.1	9 012.8	10 615.9	11 928.5	12 860.0
<b>Total</b>	<b>33 614.6</b>	<b>42 056.3</b>	<b>56 273.0</b>	<b>60 860.7</b>	<b>57 940.8</b>	<b>69 435.8</b>	<b>74 724.2</b>	<b>80 647.0</b>

1. Detail provided in the Division of Revenue Act (2011).

**Table 6b Conditional grants to municipalities 2007/08 to 2013/14<sup>1</sup>**

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
<b>Central Government Administration</b>								
3	7 167.2	7 186.4	8 988.3	9 726.7	9 726.7	12 132.9	14 474.2	15 272.1
7	–	–	100.5	623.0	551.4	679.6	665.7	779.5
<b>Financial and Administrative Services</b>								
10	716.5	361.5	808.1	1 394.6	1 186.6	1 184.6	1 279.3	1 326.1
<b>Social Services</b>								
20	4 605.0	4 295.0	2 168.7	512.6	512.6	–	–	–
<b>Economic Services and Infrastructure</b>								
29	462.5	589.1	1 074.6	1 240.1	1 240.1	1 376.6	1 151.4	1 214.8
31	2 948.3	3 572.4	4 418.2	5 157.6	5 157.6	6 267.0	7 409.5	8 126.8
37	1 174.0	2 928.7	2 431.0	3 709.9	3 709.9	4 838.8	5 037.2	5 602.9
38	732.9	994.6	902.4	990.5	966.3	1 010.8	399.0	420.9
<b>Total</b>	<b>17 806.4</b>	<b>19 927.6</b>	<b>20 891.8</b>	<b>23 354.9</b>	<b>23 051.2</b>	<b>27 490.3</b>	<b>30 416.4</b>	<b>32 743.1</b>

1. Detail provided in the Division of Revenue Act (2011).

**Table 7 Training expenditure per vote 2007/08 to 2013/14**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Central Government Administration</b>							
1 The Presidency	2.3	1.4	1.9	2.1	2.4	2.5	2.8
2 Parliament	10.6	11.9	10.1	10.4	14.2	15.0	16.8
3 Cooperative Governance and Traditional Affairs	2.3	1.7	1.8	2.4	5.0	5.2	5.5
4 Home Affairs	32.4	34.0	26.4	48.5	37.2	37.5	39.6
5 International Relations and Cooperation	13.1	8.1	12.4	19.6	16.6	17.8	20.0
7 Public Works	15.2	15.2	22.0	27.5	24.8	24.8	26.1
8 Women, Children and People with Disabilities	–	–	–	0.2	0.3	0.4	0.5
<b>Financial and Administrative Services</b>							
9 Government Communication and Information System	4.7	4.2	4.4	4.9	4.8	5.0	5.3
10 National Treasury	16.1	16.9	10.0	20.0	10.8	11.6	12.2
11 Public Enterprises	1.3	2.3	2.2	3.3	2.9	3.1	3.4
12 Public Service and Administration	2.2	3.7	2.6	3.4	3.2	3.4	3.7
13 Statistics South Africa	11.9	14.0	21.2	38.5	21.4	22.5	23.7
<b>Social Services</b>							
14 Arts and Culture	3.1	4.5	2.1	2.3	1.6	1.7	1.8
15 Basic Education	2.8	6.5	1.7	2.8	1.9	2.0	2.1
16 Health	9.5	1.8	4.5	5.5	4.0	4.5	4.9
17 Higher Education and Training	2.5	2.9	1.9	2.4	1.3	1.3	1.3
18 Labour	6.5	8.9	8.3	8.9	11.8	12.0	12.7
19 Social Development	1.7	1.8	2.3	2.5	2.7	2.9	3.0
20 Sport and Recreation South Africa	0.9	0.9	1.1	1.2	1.6	1.6	1.5
<b>Justice, Crime Prevention and Security</b>							
21 Correctional Services	125.6	76.0	89.5	64.0	100.5	105.6	111.0
22 Defence and Military Veterans	87.4	117.7	113.6	145.6	131.9	133.0	141.2
23 Independent Complaints Directorate	0.6	0.4	0.7	1.2	1.2	1.3	1.4
24 Justice and Constitutional Development	18.3	37.5	86.4	78.9	83.6	89.4	94.0
25 Police	966.0	1 124.0	1 253.4	1 386.6	1 449.0	1 514.2	1 590.0
<b>Economic Services and Infrastructure</b>							
26 Agriculture, Forestry and Fisheries	20.3	24.2	16.4	20.0	13.1	14.9	25.5
27 Communications	3.7	6.0	9.0	5.9	6.7	7.3	7.7
28 Economic Development	–	–	–	0.1	0.8	0.9	1.0
29 Energy	0.7	1.6	2.1	2.1	2.7	2.9	3.3
30 Environmental Affairs	2.1	2.2	2.3	2.5	4.1	4.2	4.3
31 Human Settlements	1.2	2.9	2.3	14.1	4.0	4.3	4.5
32 Mineral Resources	1.7	3.8	9.1	3.5	3.9	4.1	4.4
33 Rural Development and Land Reform	9.0	9.4	11.9	12.6	13.3	13.9	–
34 Science and Technology	1.7	2.0	3.2	5.1	5.4	5.6	5.9
35 Tourism	1.4	1.5	1.0	1.0	1.0	1.1	1.1
36 Trade and Industry	1.0	2.5	9.3	11.0	13.4	14.1	14.9
37 Transport	3.2	1.8	3.9	4.0	2.9	3.1	3.5
38 Water Affairs	38.9	40.8	50.6	56.7	62.4	68.6	75.5
<b>Total</b>	<b>1 421.9</b>	<b>1 595.3</b>	<b>1 801.5</b>	<b>2 021.3</b>	<b>2 069.6</b>	<b>2 164.4</b>	<b>2 277.3</b>

**Table 8 Infrastructure expenditure per vote 2007/08 to 2013/14<sup>1</sup>**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
<b>Central Government Administration</b>								
3	Cooperative Governance and Traditional Affairs	6 967.2	6 969.0	8 727.5	9 514.7	11 500.2	13 983.1	14 752.2
4	Home Affairs	122.9	136.0	102.0	131.1	209.8	215.8	248.0
5	International Relations and Cooperation	649.9	926.7	165.3	267.9	250.9	318.2	319.2
7	Public Works	488.0	988.4	1 253.6	1 376.0	1 443.9	1 474.7	1 724.7
<b>Financial and Administrative Services</b>								
10	National Treasury	41.2	373.5	578.1	1 155.0	853.6	880.0	855.0
<b>Social Services</b>								
14	Arts and Culture	281.2	448.6	449.7	447.8	455.6	483.0	509.5
15	Basic Education	2 636.0	3 101.5	3 884.7	4 832.3	6 398.3	8 408.2	11 617.3
16	Health	5 507.8	3 361.4	3 720.5	5 403.0	5 838.1	6 156.9	5 989.0
18	Labour	64.4	37.6	26.9	28.5	44.2	10.5	7.6
20	Sport and Recreation South Africa	4 605.0	4 295.0	2 168.7	512.6	-	-	-
<b>Justice, Crime Prevention and Security</b>								
21	Correctional Services	1 005.3	948.5	833.6	950.9	968.3	1 016.8	1 072.7
22	Defence and Military Veterans	8.1	621.3	665.0	732.7	1 058.4	1 085.7	1 118.0
24	Justice and Constitutional Development	361.1	479.5	590.1	631.4	759.4	1 105.0	1 161.7
25	Police	732.5	991.2	1 070.1	1 118.2	1 235.3	1 544.6	1 629.5
<b>Economic Services and Infrastructure</b>								
26	Agriculture, Forestry and Fisheries	105.3	110.3	131.7	181.7	260.1	239.3	141.0
27	Communications	646.0	750.0	920.0	540.9	404.0	317.0	376.1
29	Energy	1 435.6	1 739.9	2 400.3	4 239.9	4 334.4	4 533.5	3 200.3
30	Environmental Affairs	603.7	405.4	477.5	637.7	647.8	149.7	187.5
31	Human Settlements	9 936.8	12 300.0	15 087.4	18 155.9	21 440.0	23 488.4	25 101.5
33	Rural Development and Land Reform	5.6	6.3	2.8	6.9	21.2	11.3	4.2
34	Science and Technology	272.0	408.0	699.3	236.9	254.2	473.1	595.2
36	Trade and Industry	911.0	967.5	1 407.3	1 224.4	827.4	839.6	629.9
37	Transport	10 889.1	13 915.3	16 955.1	19 747.4	23 128.1	25 592.1	27 901.4
38	Water Affairs	930.4	1 904.1	2 212.8	2 764.0	4 123.8	4 455.1	5 064.6
<b>Total</b>		<b>49 206.1</b>	<b>56 185.0</b>	<b>64 530.2</b>	<b>74 837.7</b>	<b>86 457.1</b>	<b>96 781.5</b>	<b>104 206.1</b>

1. Amounts include mega infrastructure projects and programmes (over R300 million per year for a minimum of three years, or R900 million total project cost), large projects and programmes (between R300 million and R50 million per year within a given MTEF period), small projects and programmes (less than R50 million per year). Infrastructure transfers to other spheres, agencies and entities, fixed installations transferred to households and maintenance and repair projects are also included. Details are provided in the additional tables in each vote.

**Table 9 Personnel expenditure per vote 2007/08 to 2013/14**

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates			
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14	
<b>Central Government and Administration</b>									
1	The Presidency	117.1	141.7	181.9	209.5	209.5	237.4	251.4	275.6
2	Parliament	517.3	651.0	784.6	868.1	868.1	936.1	990.2	1 046.8
3	Cooperative Governance and Traditional Affairs	128.1	153.8	165.7	232.1	232.1	232.9	245.9	258.1
4	Home Affairs	1 087.0	1 296.0	1 637.1	1 971.1	1 971.1	2 206.6	2 317.5	2 443.5
5	International Relations and Cooperation	1 293.2	1 683.4	1 833.3	1 858.6	1 858.6	1 704.5	1 811.9	2 034.5
6	Performance Monitoring and Evaluation	1.6	2.6	3.4	22.5	22.5	50.9	84.0	102.7
7	Public Works	721.5	801.0	976.1	1 200.9	1 200.9	1 242.1	1 241.2	1 305.1
8	Women, Children and People with Disabilities	4.8	5.9	9.8	24.1	24.1	34.6	39.9	46.3
<b>Financial and Administrative Services</b>									
9	Government Communication and Information System	116.2	114.0	138.7	150.7	150.7	165.4	173.4	183.2
10	National Treasury	272.7	321.0	402.1	552.6	511.2	605.9	637.7	672.2
11	Public Enterprises	56.0	70.4	75.2	90.3	90.3	96.5	101.0	106.2
12	Public Service and Administration	115.8	129.1	156.8	183.6	183.6	208.8	229.5	250.5
13	Statistics South Africa	472.0	700.7	879.2	978.7	931.6	1 531.0	1 165.0	1 185.0
<b>Social Services</b>									
14	Arts and Culture	107.2	126.8	146.3	152.9	152.9	164.8	174.3	183.7
15	Basic Education	150.4	186.3	225.2	271.1	271.1	325.6	349.3	371.7
16	Health	258.6	292.5	333.0	385.0	385.0	424.0	465.0	492.0
17	Higher Education and Training	146.2	174.8	201.8	251.6	249.6	301.5	334.1	359.7
18	Labour	497.9	491.3	576.5	744.8	701.9	786.3	865.8	915.2
19	Social Development	133.6	184.1	220.1	254.9	254.9	267.8	285.1	300.4
20	Sport and Recreation South Africa	43.4	54.5	61.3	75.8	74.3	79.9	84.0	88.4
<b>Justice, Crime Prevention and Security</b>									
21	Correctional Services	6 799.2	8 077.8	9 065.5	10 247.5	10 247.5	10 964.9	11 522.8	12 191.7
22	Defence and Military Veterans	9 735.9	10 620.0	12 705.6	16 219.0	16 219.0	16 770.7	17 700.5	18 787.8
23	Independent Complaints Directorate	45.7	58.0	65.1	75.8	75.8	86.6	91.8	97.2
24	Justice and Constitutional Development	4 250.9	5 326.2	6 028.1	7 262.9	7 224.1	7 631.2	8 382.2	8 850.6
25	Police	25 610.6	29 147.4	33 771.5	38 416.1	38 416.1	41 070.3	43 643.2	47 181.7
<b>Economic Services and Infrastructure</b>									
26	Agriculture, Forestry and Fisheries	811.1	931.3	1 082.2	1 199.6	1 199.6	1 273.0	1 395.3	1 474.5
27	Communications	97.7	108.0	129.6	164.6	164.6	171.7	179.3	188.0
28	Economic Development	–	–	7.9	57.7	33.7	79.2	91.8	96.5
29	Energy	85.5	103.0	133.3	147.9	147.9	181.7	192.4	218.3
30	Environmental Affairs	182.5	197.7	254.0	333.1	333.1	405.2	426.6	451.1
31	Human Settlements	103.5	134.2	166.9	289.0	289.0	319.0	331.9	346.8
32	Mineral Resources	210.1	231.0	275.1	343.7	343.7	377.6	401.0	421.8
33	Rural Development and Land Reform	476.4	614.2	760.9	1 196.8	1 196.8	1 395.7	1 523.3	1 608.9
34	Science and Technology	102.1	141.6	167.5	223.7	223.7	225.3	237.6	259.6
35	Tourism	130.8	106.4	89.6	101.1	101.1	141.9	158.4	169.4
36	Trade and Industry	327.5	383.1	437.7	569.8	533.3	602.2	644.2	676.4
37	Transport	131.3	182.6	228.1	266.2	266.2	294.4	309.9	326.5
38	Water Affairs	880.5	875.6	899.8	1 147.3	964.8	1 195.4	1 272.4	1 348.8
<b>Total</b>		<b>56 221.9</b>	<b>64 819.2</b>	<b>75 276.3</b>	<b>88 740.8</b>	<b>88 324.0</b>	<b>94 788.4</b>	<b>100 350.8</b>	<b>107 316.5</b>

**Table 10 Departmental receipts per vote 2007/08 to 2013/14<sup>1</sup>**

R million	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimates			
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14	
<b>Central Government Administration</b>									
1	The Presidency	0.3	0.2	0.6	0.5	0.5	0.3	0.3	0.3
2	Parliament	43.4	45.9	38.5	15.5	15.5	11.9	11.5	11.2
3	Cooperative Governance and Traditional Affairs	0.7	0.8	0.5	0.6	0.6	0.6	0.6	0.6
4	Home Affairs	421.1	355.7	442.2	455.3	455.3	482.6	506.7	557.4
5	International Relations and Cooperation	65.1	43.6	23.2	22.0	31.2	22.9	24.0	25.3
6.	Performance Monitoring and Evaluation	-	-	-	-	-	-	-	-
7	Public Works	95.8	28.5	39.6	30.9	30.9	38.7	40.6	42.6
8	Women, Children and People with Disabilities	-	-	-	-	-	-	-	-
<b>Financial and Administrative Services</b>									
9	Government Communication and Information System	3.1	3.3	2.9	3.0	2.7	2.5	2.6	2.6
10	National Treasury	5 095.8	5 270.4	2 543.6	3 204.2	2 842.2	1 233.2	2 391.4	2 746.0
11	Public Enterprises	0.1	0.8	1.2	1.2	1.2	0.1	0.1	0.1
12	Public Service and Administration	2.7	1.0	2.2	0.7	0.7	0.7	0.8	0.8
13	Statistics South Africa	17.7	2.8	8.5	2.2	2.2	2.4	2.5	2.7
<b>Social Services</b>									
14	Arts and Culture	0.4	3.6	1.1	0.8	0.8	0.8	0.9	1.1
15	Basic Education	1.9	1.5	0.7	1.2	1.5	1.0	1.1	1.2
16	Health	41.2	31.2	45.2	31.5	31.5	32.8	32.9	36.2
17	Higher Education and Training	6.9	6.7	6.7	7.9	7.9	7.9	8.0	8.0
18	Labour	8.4	28.9	12.9	16.1	16.1	22.4	24.3	25.5
19	Social Development	237.0	16.5	30.6	218.3	0.2	10.1	10.1	10.1
20	Sport and Recreation South Africa	0.0	0.3	0.2	0.3	0.3	0.4	0.4	0.4
<b>Justice, Crime Prevention and Security</b>									
21	Correctional Services	136.3	80.5	108.5	143.4	120.4	126.1	132.3	139.2
22	Defence and Military Veterans	551.9	629.4	699.9	902.5	902.5	803.5	843.7	885.9
23	Independent Complaints Directorate	0.4	0.1	0.2	0.2	0.1	0.1	0.2	0.2
24	Justice and Constitutional Development	317.0	356.8	382.9	377.6	377.6	399.8	422.5	443.7
25	Police	345.1	376.5	347.6	272.9	280.3	263.9	258.7	257.1
<b>Economic Services and Infrastructure</b>									
26	Agriculture, Forestry and Fisheries	121.1	254.0	250.5	119.3	119.3	121.5	118.2	123.6
27	Communications	3 007.4	3 520.1	1 344.8	1 398.7	898.9	913.4	928.0	943.4
28	Economic Development	229.3	244.4	456.0	230.0	366.3	243.8	250.0	263.8
29	Energy	1.2	3.3	4.4	3.7	3.7	3.9	4.1	4.2
30	Environmental Affairs	4.7	8.5	2.1	4.1	4.1	2.8	2.8	2.8
31	Human Settlements	0.7	2.4	0.7	1.2	1.2	0.5	0.6	0.6
32	Mineral Resources	267.1	261.3	212.7	99.0	99.0	27.6	28.0	28.3
33	Rural Development and Land Reform	176.4	64.2	44.0	41.7	41.7	69.0	64.5	68.3
34	Science and Technology	0.2	0.3	1.6	0.4	0.7	0.1	0.1	0.1
35	Tourism	-	-	0.7	1.5	1.5	-	-	-
36	Trade and Industry	94.2	64.9	52.6	108.3	90.3	115.0	120.3	121.5
37	Transport	362.5	215.8	106.1	266.7	266.7	137.4	144.3	151.5
38	Water Affairs	0.1	26.6	76.3	42.1	42.1	22.9	24.3	25.9
<b>Total departmental receipts as per Estimates of National Expenditure</b>									
Total departmental receipts as per Estimates of National Expenditure									
Less: Parliament (retained departmental receipts)									
Plus: Direct receipts into the National Revenue Fund (National Treasury) <sup>2</sup>									
Plus: South African Revenue Service departmental receipts collection									
<b>Total departmental receipts as per Budget Review</b>									
Total departmental receipts as per Budget Review									

1. Departmental receipts exclude extraordinary receipts which are deposited into the National Revenue Fund. Extraordinary receipts are included in the Budget Review.

2. Direct receipts into the National Revenue Fund in this instance refer to Levy accounts/exchange control forfeits collected by the South African Reserve Bank.



# Information contained in each chapter

The Estimates of National Expenditure publication describes in detail the planned spending of all national government departments for three years going forward: that is, the years of the medium term expenditure framework (MTEF). The Estimates of National Expenditure is tabled in Parliament by the Minister of Finance on the day the main Budget is tabled. It provides details about the allocation of expenditure to all national departments set out in the Appropriation Bill, which is tabled on the same day.

The main divisions of the Appropriation Bill are divided into votes. A vote generally specifies the total amount appropriated per department, but more than one department may be contained within a single vote. Each chapter in the Estimates of National Expenditure relates to a vote. By appropriating funds from the National Revenue Fund through the approval of the Appropriation Bill, Parliament authorises expenditure.

Votes are arranged into the following functional groupings to facilitate analysis of interdepartmental initiatives and service delivery.

- central government administration
- financial and administrative services
- social services
- justice, crime prevention and security
- economic services and infrastructure.

These functional groupings are informal and are not the same as either the government's cluster system groupings or the standard chart of accounts' more rigorous classification of government functions. In the functional budgeting approach linked to the outcomes approach which has been adopted, these groupings are disaggregated further.

More detailed information for each vote is available on [www.treasury.gov.za](http://www.treasury.gov.za). More comprehensive coverage of vote specific information, particularly about goods and services, transfers, donor funding, public entities and lower level institutional information is provided.

The chapter for each vote contains the following information:

## Budget summary

This table shows the budgeted expenditure for the vote for the three-year MTEF period.

R million	2011/12					2012/13	2013/14
	Total to be Appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
<b>MTEF allocation</b>							
Programme name							
Programme name							
Programme name							
<b>Subtotal</b>							
<b>Direct charge against the National Revenue Fund</b>							
Item							
Item							
<b>Total expenditure estimates</b>							
Executive authority	Minister						
Accounting officer	Director-General / Chief Operating Officer						
Website address							

*Due to rounding off, the figures do not necessarily add up to the total. Figures are mostly denoted in rand million unless otherwise indicated.*

The **2011/12 total to be appropriated** shows the expenditure allocation per programme and the aggregated amount for 2011/12 and corresponds with the information in the 2011 Appropriation Bill.

The totals to be appropriated by Parliament are categorised by economic classification into **current payments, transfers and subsidies, payments for capital assets** and **payments for financial assets**.

**Current payments** are payments made by a department for its operational requirements.

**Transfers and subsidies** are payments made by a department for which the department does not directly receive anything in return.

**Payments for capital assets** are payments made by a department for an asset that can be used for more than one year and from which future economic benefits or service potential are expected to flow.

**Payments for financial assets** mainly consist of payments made by departments as loans to public corporations or as equity investments in public corporations. The reason for expensing the payments rather than treating them as financing is that, unlike other financial transactions, the purpose of the transaction is not profit oriented. This column is only shown in votes where such payments have been budgeted for. Payments for theft and losses are included in this category; however, these payments are not budgeted for and will thus only appear in the historical information, which can be seen in the expenditure estimates table.

Estimates for the two outer years of the expenditure framework, **2012/13** and **2013/14**, are also shown. These estimates are not included in the 2011 Appropriation Bill as they are still only indicative of actual expenditure levels in the outer years of the MTEF period. Parliament typically only appropriates or authorises expenditure for one financial year at a time. These forward estimates or indicative allocations do, however, form the basis for the planning of the 2012 Budget.

**Direct charges against the National Revenue Fund** are amounts spent in terms of statutes and do not require parliamentary approval and thus are not contained in the Appropriation Bill. They are not budgeted for under any programme on a particular vote and include, for example, state debt costs.

**Total expenditure estimates** are the sum of the expenditure on programmes and direct charges, classified into current payments, transfers and subsidies, payments for capital assets and payments for financial assets.

The last lines of the table provide accountability information: the vote's executive authority, accounting officer and website address.

## Aim

*The aim of the vote captures the department's mandate, strategic objectives or administrative functions, and corresponds with the aim stated in the Appropriation Bill.*

## Programme purposes

Each vote is comprised of several programmes. The activities and functions performed by a department are typically divided into these programmes. Programme 1 is the *Administration* programme, which houses the administrative activities and functions required to keep the department operating. Each vote programme is listed individually with its purpose, as stated in the Appropriation Bill. The programme purpose outlines the activities and functions of the particular programme as per the approved budget programme structure, in terms of the Public Finance Management Act (1999).

## Strategic overview: 2007/08 – 2013/14

This section describes the department's strategic direction over the period under review. It includes policy and mandate developments, legislative changes, a discussion on how the department will contribute towards the achievement of outcomes that are attributed to it and the related outputs listed in the service delivery agreements, as well as a table of selected quantitative and trendable performance indicators.

## Savings and cost effectiveness measures

In this section, departments discuss details of the reprioritisation of budgets and savings and cost reduction measures to be effected over the MTEF period.

These typically emanate from reduced expenditure on non-core goods and services, the rescheduling of expenditure over time in the case of delays, reduced transfers to certain public entities, improved financial management, reduced expenditure on administration in favour of frontline services and through seeking alternative sources of financing.

## Selected performance indicators

Indicator	Programme	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14

The table presents only a selected set of a department or entity's performance information and is not intended to provide a comprehensive view of performance. It should, however, contain key performance indicators that form part of the service delivery agreements.

An **indicator** is a numerical measure that tracks a department's or entity's progress towards its goal. An indicator may measure inputs, activities, outputs, outcomes or in certain instances explanatory information relating to the internal or external environment.

The **programme** column links the indicator to the vote programme associated with it.

## Expenditure estimates

This table shows expenditure outcomes and estimates over a seven-year period, by vote programme and by economic classification item.

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
R million								
1. Programme name								
2. Programme name								
3. Programme name								
<b>Subtotal</b>								
<b>Direct charge against the National Revenue Fund</b>								
Item								
Item								
<b>Total</b>								
Change to 2010 Budget estimate								

### Economic classification

<b>Current payments</b>			
Economic classification item			
Economic classification item			
<b>Transfers and subsidies</b>			
Economic classification item			
Economic classification item			
<b>Payments for capital assets</b>			
Economic classification item			
Economic classification item			
<b>Payments for financial assets</b>			
<b>Total</b>			

Expenditure is set out first by **programme** and then by **economic classification** over a seven-year period.

For comparability, where programme structures have been changed in recent years, expenditure has, where possible, been reallocated to the new approved programme structure for all seven years.

**Audited outcomes** are presented as they appear in the department or entity's annual financial statements, with amounts reallocated for any subsequent approved budget programme structure changes.

**Adjusted appropriation** includes any changes made to the appropriation voted in the main 2010 Budget for the financial year, with amounts reallocated for any subsequent approved programme structure changes. Changes are generally made mid-year at the time of the adjustments budget. These adjustments can only be made in terms of the circumstances listed in section 30 of the Public Finance Management Act (1999). Adjustments were included in the Adjustments Appropriation Bill, which Parliament approved before expenditure could take place, and the details were published in the Adjusted Estimates of National Expenditure publication.

The **revised estimate** for 2010/11 represents National Treasury's current estimate, in consultation with the department, of expenditure outcomes. This does not imply a change in the amounts voted to departments in the 2010/11 adjusted appropriation; it is merely a more recent estimate of what the department is likely to spend in this financial year.

The **medium-term expenditure estimates** are shown for 2011/12, 2012/13 and 2013/14. The spending figures for 2011/12 constitute the proposed appropriation to be funded from the National Revenue Fund that is contained in the main Appropriation Bill, which has to be considered by Parliament after it has been tabled. The medium-term expenditure estimates for 2012/13 and 2013/14 are indicative allocations, and will form the basis for planning the 2012 Budget.

**Direct charges against the National Revenue Fund** are amounts spent in terms of statutes and do not require parliamentary approval and thus are not contained in the Appropriation Bill. They are not budgeted for in terms of a programme on a particular vote and include, for example, state debt costs.

The **totals**, which are the sum of the expenditure on programmes and direct charges, are also classified into current payments, transfers and subsidies, payments for capital assets and payments for financial assets.

## Expenditure trends

The main expenditure trends and vote programme structure changes from 2007/08 to 2013/14 are described. Trends are generally represented over the MTEF period between 2010/11 and 2013/14, or over the entire period between 2007/08 and 2013/14.

An explanation of the spending focus over the MTEF period in relation to the strategic objectives and the performance targets that will be achieved over the period is given. Expenditure growth in the historical period is also typically compared to expenditure anticipated over the MTEF period. Reasons are given for trends that are identified, and the significant increases or decreases in expenditure are explained in terms of the underlying policies that inform the trends. A summary of the new (additional) allocations to the vote programme's baseline budget is given. The baseline is derived from the previous year's forward estimates after consideration of savings, cost reduction and reprioritisation opportunities.

Generally, unless otherwise indicated, average annual growth rates are reflected in nominal, not real, terms. Where inflationary growth has been excluded from the calculation and real growth estimates are provided, the consumer price index has been used to deflate the growth rate.

### Personnel information

A brief summary of the personnel posts per programme by salary level is given.

### Infrastructure spending

Expenditure on existing, new and mega infrastructure is discussed.

## Departmental receipts

Departmental anticipated (non-tax) receipts for the MTEF period are described in relation to receipts for 2010/11.

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Departmental receipts								
Economic classification item								
Economic classification item								
<b>Total</b>								

## Information on each programme

Each programme section (with the exception of the *Administration* programme) opens with the purposes and activities of the subprogrammes that form that programme. Key functions, activities and transfers are highlighted by subprogramme. The work carried out by the subprogramme is explained in relation to the personnel responsible, the spending allocation of the funding, and outputs achieved.

Programme 1 is always *Administration*, which includes spending on the ministry, the director-general's office and central corporate services. The Ministry subprogramme includes spending on the ministerial and deputy ministerial offices.

## Objectives and measures

Objectives and measures are indicated for each programme. Objectives should include an explanation of strategic intent as well as specific interventions and progress measures. (Programme 1 (*Administration*) is generally exempt from providing objectives and measures.)

For example: Improve the provision of specified services and products to eligible citizens and residents (strategic intent/objective) by reducing the time taken to issue passports and travel documents (specific intervention) from 10 days in 2010/11 to 5 days in 2013/14 (progress measure).

## Expenditure estimates (per programme)

Tables for each programme set out expenditure by subprogramme and economic classification over a seven-year period.

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R million							
Subprogramme name							
Subprogramme name							
Subprogramme name							
<b>Total</b>							
Change to 2010 Budget estimate							
<b>Economic classification</b>							
<b>Current payments</b>							
Economic classification item							
Economic classification item							
<b>Transfers and subsidies</b>							
Economic classification item							
Economic classification item							
<b>Payments for capital assets</b>							
Economic classification item							
Economic classification item							
<b>Payments for financial assets</b>							
<b>Total</b>							

## **Expenditure trends (per programme)**

Important expenditure trends for each programme are explained. The scope of the information provided in this section is similar to what is provided for the entire vote.

## **Public entities and other agencies**

The scope of information contained in the write-up on public entities is similar to what is reported for the department.

Information on each of the public entities generally consists of the following:

- key legislative mandates in terms of which the entity was established and within which it operates as well as the outcomes and related outputs as stated in service delivery agreements
- selected performance indicators relating to the entity's mandate
- planned deliverables for the next MTEF period
- key achievements during the previous reporting periods
- financial data tables for the entity, focusing on the sources of funding for the entity, key spending areas and expenditure trends, and, if applicable, an analysis of some of the more important items on the entity's balance sheet that relate to the key activities being carried out
- reprioritisation, savings and cost effectiveness measures implemented
- personnel expenditure by salary level
- a list of other entities for which more detail appears on [www.treasury.gov.za](http://www.treasury.gov.za) appears at the end of each chapter together with a short description of what the entity does and its total budget.

## **Additional tables**

Additional tables appear at the end of the vote. These include:

### **Summary of expenditure trends and estimates per programme and economic classification**

This table shows the budgeted expenditure and the revised estimate for 2010/11 as well as the audited outcome for 2009/10.

### **Details of approved establishment and personnel numbers per salary level**

Employment information is provided in respect of the department. The amount spent by a department on compensation of employees is shown.

Information is provided on the **number of personnel posts filled/planned for on funded establishment** in the department at different salary levels **per programme** as at 30 September 2010.

**Number of posts on approved establishment** refers to the number of departmental employment positions approved by the Department of Public Service and Administration.

**Number of funded posts** refers to the number of departmental employment positions which are provided for within the budget.

**Number of posts additional to the establishment** typically refers to additional employment positions that have been allocated on an ad hoc basis and that do not form part of the approved departmental establishment.

### **Summary of expenditure on training**

Information is provided on the funds spent on training as a proportion of compensation of employees, and the number of people trained by the department.

### **Summary of conditional grants to provinces and municipalities**

A conditional grant refers to an allocation made by the national government, from its nationally raised revenue, to a province, local government or municipality, on condition that certain requirements or services are met.

## Summary of departmental public private partnerships projects

Disclosure notes with additional details are provided for the projects signed in terms of Treasury Regulation 16.

Public private partnerships refer to contractual arrangements in which a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria. A public private partnership may also be a project in which a private party uses state assets for its own commercial purposes, and government benefits from the profits generated by the enterprise.

A signed project is a public private partnership project which has reached financial close and is being implemented.

Projects in preparation are in some stage of inception, feasibility or procurement, but have not yet reached financial close.

**Unitary charge or fee** refers to the total payment made to the private party for the provision of the various services.

**Advisory fees** are costs related to the hiring of transaction advisors who assist government with feasibility studies and procurement in the public private partnership project process.

**Project monitoring cost** is associated with the ongoing evaluation and monitoring of public private partnerships in operation.

## Summary of donor funding

Donor funding is funding received by departments over and above the allocations provided in the South African government's appropriation legislation.

Donor funding comprises official development assistance and other local and international donations.

Official development assistance is an official resource flow from the international donor community to the South African government in the form of grants, technical cooperation and financial cooperation.

The **programme** column links the donor funding to the vote programme that is associated with it.

The **spending focus** shows what the department aims to achieve by using the funding.

## Summary of expenditure on infrastructure

The infrastructure table includes new and replacement assets, maintenance and repairs, upgrades and additions, and rehabilitation, renovation and refurbishment of assets.

**Departmental infrastructure** refers to direct spending by a department on infrastructure assets which the department will own.

**Infrastructure transfers to other spheres, agencies and departments** refers to transfers and grants to other government institutions for expenditure on infrastructure.

**Fixed installations transferred to households** shows the transfer of funds to individual South Africans to be used for the construction of fixed 'on-site' structures that enhance the welfare of households.

**Maintenance** refers to all maintenance, repairs and refurbishment expenditure on infrastructure that prolongs the life and retains the value of the infrastructure asset. This item does not include day-to-day maintenance.

**In all expenditure and revenue tables a dash ( - ) indicates that information is unavailable or zero.**



# **National Treasury**

**National Treasury  
Republic of South Africa**



# Contents

<b>Budget summary .....</b>	<b>1</b>
<b>Aim.....</b>	<b>1</b>
<b>Programme purposes .....</b>	<b>1</b>
<b>Strategic overview: 2007/08 – 2013/14.....</b>	<b>2</b>
<b>Savings and cost effectiveness measures .....</b>	<b>4</b>
<b>Selected performance indicators .....</b>	<b>4</b>
<b>Expenditure estimates .....</b>	<b>5</b>
<b>Expenditure trends.....</b>	<b>6</b>
<b>Departmental receipts .....</b>	<b>8</b>
<b>Programme 1: Administration .....</b>	<b>9</b>
<b>Programme 2: Economic Policy, Tax, Financial Regulation and Research.....</b>	<b>10</b>
<b>Programme 3: Public Finance and Budget Management .....</b>	<b>13</b>
<b>Programme 4: Asset and Liability Management.....</b>	<b>16</b>
<b>Programme 5: Financial Systems and Accounting.....</b>	<b>19</b>
<b>Programme 6: International Financial Relations .....</b>	<b>23</b>
<b>Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits .....</b>	<b>26</b>
<b>Programme 8: Technical Support and Development Finance.....</b>	<b>28</b>
<b>Programme 9: Revenue Administration .....</b>	<b>31</b>
<b>Programme 10: Financial Intelligence and State Security.....</b>	<b>32</b>
<b>Public entities and other agencies .....</b>	<b>33</b>
<b>Additional tables.....</b>	<b>69</b>

# Vote 10

## National Treasury

### Budget summary

R thousand	2011/12					2012/13	2013/14
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
<b>MTEF allocation</b>							
Administration	281 088	271 344	1 996	7 748	–	306 933	322 103
Economic Policy, Tax, Financial Regulation and Research	120 364	100 411	19 310	643	–	127 385	135 529
Public Finance and Budget Management	198 938	165 386	33 036	516	–	207 889	219 134
Asset and Liability Management	822 594	72 279	–	315	750 000	76 193	78 292
Financial Systems and Accounting	658 220	592 377	63 013	2 830	–	690 345	740 164
International Financial Relations	812 380	32 451	779 756	173	–	1 064 302	1 141 191
Civil and Military Pensions, Contributions to Funds and Other Benefits	3 139 833	43 820	3 096 013	–	–	3 198 084	3 367 287
Technical Support and Development Finance	4 156 180	158 649	3 996 101	1 430	–	4 655 754	5 707 678
Revenue Administration	8 653 573	–	8 653 573	–	–	9 244 374	9 757 215
Financial Intelligence and State Security	3 755 021	–	3 755 021	–	–	3 897 838	4 110 281
<b>Subtotal</b>	<b>22 598 191</b>	<b>1 436 717</b>	<b>20 397 819</b>	<b>13 655</b>	<b>750 000</b>	<b>23 469 097</b>	<b>25 578 874</b>
<b>Direct charge against the National Revenue Fund</b>							
Provincial Equitable Share	288 492 831	–	288 492 831	–	–	305 725 449	323 604 408
State Debt Costs	76 578 687	76 578 687	–	–	–	90 807 738	104 036 204
General Fuel Levy Sharing with Metros	8 573 130	–	8 573 130	–	–	9 039 687	9 613 360
<b>Total expenditure estimates</b>	<b>396 242 839</b>	<b>78 015 404</b>	<b>317 463 780</b>	<b>13 655</b>	<b>750 000</b>	<b>429 041 971</b>	<b>462 832 846</b>
Executive authority	Minister of Finance						
Accounting officer	Director-General of the National Treasury						
Website address	<a href="http://www.treasury.gov.za">www.treasury.gov.za</a>						

### Aim

*Support economic growth and development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances, maintenance of macroeconomic and financial sector stability and effective financial regulation of the economy.*

### Programme purposes

#### Programme 1: Administration

**Purpose:** Provide strategic management, leadership and administrative support to the department.

#### Programme 2: Economic Policy, Tax, Financial Regulation and Research

**Purpose:** Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector, and regulatory reform.

### **Programme 3: Public Finance and Budget Management**

**Purpose:** Provide analysis and advice on fiscal policy and public finances, intergovernmental financial relations and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

### **Programme 4: Asset and Liability Management**

**Purpose:** Manage government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state owned entities through financial analysis and oversight.

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

**Purpose:** Facilitate accountability, governance and oversight by promoting transparent, economical, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

### **Programme 6: International Financial Relations**

**Purpose:** Facilitate the deepening of South Africa's role in regional and international economic integration.

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

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

### **Programme 8: Technical Support and Development Finance**

**Purpose:** Facilitate technical assistance to departments, for purposes of capacity building and improving the value received for public funds spent. Provide specialised support relating to the planning and implementation of public sector infrastructure development.

### **Programme 9: Revenue Administration**

**Purpose:** Administer an efficient tax system, providing tax education to the public, ensuring maximum compliance with tax and customs legislation and providing a customs service that will maximise revenue collection, and facilitate trade.

### **Programme 10: Financial Intelligence and State Security**

**Purpose:** Combat financial crime including money laundering and terror financing activities. Gather intelligence for purposes of national security, defence and combating crime.

## **Strategic overview: 2007/08 – 2013/14**

The local and global economic and financial context

National Treasury's strategic intent is focused on the fiscal and financial requirements for improving the country's economic recovery and ensuring sustainable long term growth. According to the recently released World Bank Global Economic Prospects report, it will take between five and fifteen years for the world to gain the ground lost during the global downturn that started in 2008. Though negatively affected, the South African economy showed relative resilience, which proved that its foundations are strong. The public infrastructure programme, for example, which is partly funded by transfers from National Treasury and executed in the provinces, provided an essential stimulus to the economy during the recession, with the associated spending boosting economic activity and investment in the future growth of South Africa's economy. While there was stronger than expected growth in the first six months of 2010, this is largely attributed to the benefits of the 2010 FIFA World Cup. This means that growth is likely to moderate before picking up again in 2011/12. Real GDP growth is projected to rise from 3 per cent in 2010 to 3.5 per cent in 2011/12, 4.1 per cent in 2012/13 and 4.4 per cent in 2013/14.

It is against this backdrop that, as the custodian of public funds and finances, National Treasury will act to minimise the time required to bring the economy back to sufficiently high and sustained growth rates.

### *Prudent fiscal stance*

The country's low debt starting point has enabled government to respond to the effects of the downturn by significantly expanding borrowing, ensuring that spending on economic and social services can be maintained despite a decline in tax revenue. This counter cyclical response has stood the country in good stead as it has limited the human and economic costs of the recession. While this has resulted in increased debt costs, National Treasury is committed to bringing these down over time and maintaining fiscal sustainability.

### *Overseeing the implementation of cost savings across government*

There is a need to continue with the belt tightening and reprioritisation measures that were instituted at the start of the recession, to ensure that policy and delivery departments and agencies deliver on their core mandates. The Treasury has set bold savings targets for the public sector over the next three years. Since the government savings and reprioritisation drive was launched in 2009/10, over R23 billion worth of savings has been identified across all levels of government. This has helped to supplement those areas in the public sector that are in need of urgent financial support. The department is committed to finding more savings and to continue to use funds efficiently to eliminate wastage.

### **Priorities over the medium term**

#### *Social security and retirement reform*

Many jobs were lost during the recession and this has had direct and multiple effects on hundreds of thousands of households. To mitigate these effects, the concentrated efforts of all sectors of government are now needed to rapidly rebuild the country's economy. At the same time, in line with the need for government to play a more prominent role in addressing rising income inequality, social security and retirement reform will continue to form part of the focus over the medium term. Government has also committed itself to give effect to social security, retirement and the national health insurance reforms over the medium term, which will benefit those who have not been able to afford health services.

#### *Public service policy formulation*

Over the next three years and as mandated by the Public Finance Management Act (1999), National Treasury will remain at the centre of policy formation in government and will continue to drive major policies to underpin growth and development of this country. The department's strategic plan over the medium term has taken into account that the period ahead will be tough and requires the full participation of all spheres of government. Sustainable job creation is an example of such a shared priority, where the high unemployment rate of the country's youth is a real concern that calls for an immediate and concerted government response.

#### *Reviewing the expenditure of the public service*

National Treasury plans to undertake targeted expenditure reviews of public services, to contribute to the planning and monitoring of service delivery against expenditure. This should also refine the budget process and further advance the efficient and effective allocation of resources.

#### *Intergovernmental relations*

National Treasury places great value on maintaining a robust intergovernmental financial and fiscal relations system. This is necessary to achieve service delivery targets and efficient government spending. National Treasury's infrastructure delivery improvement programme will continue to support provincial departments in planning and executing their infrastructure programmes. The overall public sector budget for infrastructure in the next three years is close to R850 billion and measures are being taken to ensure that allocated funds are deployed in a manner that will realise the public benefits intended, and to ensure that wastage is minimised.

#### *Cost effective procurement*

In its drive to reduce wastage and improve the effectiveness of public funds spent, National Treasury has placed more emphasis on ensuring that supply chain principles and practices are being implemented as intended in government's supply chain management framework. A specialised audit services unit has also been established to reduce tender fraud and corruption. This unit will focus on developing fraud detection guidelines for supply chain management processes and providing fraud awareness and investigative capacity to departments. National Treasury facilitates and manages 57 transversal term contracts, at an estimated annual value of R13 billion.

### Review of development finance institutions

A review of development finance institutions was completed in 2008. The purpose of the review was to ensure that these institutions use resources more efficiently in support of government's social and economic policy objectives as well as minimising wasteful competition and overlap with the private sector. These institutions have continued to play a constructive role in broadening economic participation, providing access to development funds and supporting the country's development agenda. Coordination of delivery against their respective mandates will be enhanced through the establishment of a council of ministers for a development finance system.

### Savings and cost effectiveness measures

The department has identified efficiency savings of R237.7 million in 2011/12, R215.9 million in 2012/13 and R163.7 million in 2013/14, of which R60.1 million, R60.8 million and R64.1 million relate to savings identified in line with the December 2010 Cabinet decision to redirect funding to the front line service delivery departments.

Savings result from: regulated cellular phone usage, the reduced use of external venues and facilities and related catering expenses, monitored airfare and vehicle rental costs, and accommodation costs for local and foreign travelling expenses. These measures realised savings of R90 million in 2011/12, R80 million each in 2012/13 and 2013/14 in the *Revenue Administration* programme. Savings of R40 million, R80.9 million and R64.4 million over the medium term were also realised in the *Civil and Military Pensions, Contributions to Funds and Other Benefits* programme from restructuring of post-retirement medical benefits. The department does not expect these savings to impact on service delivery.

### Selected performance indicators

Table 10.1 National Treasury

Indicator	Programme	Past			Current 2010/11	Projections		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Number of training courses and workshops presented per year on the implementation of financial management reforms	Financial Systems and Accounting	217	128	80	100	150	200	200
Number of individuals trained per year to assist with the implementation of financial management reforms	Financial Systems and Accounting	4 204	3 200	1 600	2 000	3 000	4 000	4 000
Value of government gross annual borrowing	Asset and Liability Management	R16.1bn	R49.7bn	R183bn	R157.8bn	R175.8bn	R199.2bn	R198.1bn
Cost to service debt as a percentage of GDP	Asset and Liability Management	2.5%	2.3%	2.3%	2.5%	2.6%	2.8%	2.9%
Net loan debt as a percentage of GDP	Asset and Liability Management	23.2%	22.7%	27.6%	30.8%	34.3%	37.5%	39.2%
Percentage of identified transversal contracts with strategic sourcing principles introduced	Financial Systems and Accounting	80% (47)	85% (35)	100% (20)	100% (20)	100% (32)	100% (26)	100% (20)
Total number of neighbourhood development partnership grant projects granted award status	Technical Support and Development Finance	72	80	90	90	90	90	90
Total number of neighbourhood development partnership grant projects under construction	Technical Support and Development Finance	4	7	15	40	45	45	45

## Expenditure estimates

Table 10.2 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
R thousand								
Administration	177 602	203 663	242 790	279 058	248 710	281 088	306 933	322 103
Economic Policy, Tax, Financial Regulation and Research	70 554	70 758	71 893	104 245	91 543	120 364	127 385	135 529
Public Finance and Budget Management	119 437	134 132	141 884	187 117	170 532	198 938	207 889	219 134
Asset and Liability Management	57 827	10 062 503	31 053 174	20 822 452	20 817 932	822 594	76 193	78 292
Financial Systems and Accounting	366 696	475 707	542 742	693 827	608 843	658 220	690 345	740 164
International Financial Relations	524 385	567 347	576 398	596 808	593 966	812 380	1 064 302	1 141 191
Civil and Military Pensions, Contributions to Funds and Other Benefits	2 176 826	2 331 262	4 955 140	2 592 837	2 672 075	3 139 833	3 198 084	3 367 287
Technical Support and Development Finance	938 223	659 595	5 314 254	1 798 195	1 541 437	4 156 180	4 655 754	5 707 678
Revenue Administration	5 511 031	6 302 778	7 148 446	8 142 208	8 142 208	8 653 573	9 244 374	9 757 215
Financial Intelligence and State Security	2 626 720	2 955 057	3 193 871	3 488 166	3 488 166	3 755 021	3 897 838	4 110 281
<b>Subtotal</b>	<b>12 569 301</b>	<b>23 762 802</b>	<b>53 240 592</b>	<b>38 704 913</b>	<b>38 375 412</b>	<b>22 598 191</b>	<b>23 469 097</b>	<b>25 578 874</b>
<b>Direct charge against the National Revenue Fund</b>	<b>223 930 771</b>	<b>256 189 332</b>	<b>300 820 147</b>	<b>340 288 688</b>	<b>339 252 211</b>	<b>373 644 648</b>	<b>405 572 874</b>	<b>437 253 972</b>
Provincial Equitable Share	171 053 710	201 795 648	236 890 827	265 139 448	265 139 448	288 492 831	305 725 449	323 604 408
State Debt Costs	52 877 061	54 393 684	57 129 216	67 606 879	66 570 402	76 578 687	90 807 738	104 036 204
General Fuel Levy Sharing with Metros	–	–	6 800 104	7 542 361	7 542 361	8 573 130	9 039 687	9 613 360
<b>Total</b>	<b>236 500 072</b>	<b>279 952 134</b>	<b>354 060 739</b>	<b>378 993 601</b>	<b>377 627 623</b>	<b>396 242 839</b>	<b>429 041 971</b>	<b>462 832 846</b>
Change to 2010 Budget estimate				(11 099 999)	(12 465 977)	(14 567 549)	(12 983 262)	(3 503 775)
<b>Economic classification</b>								
<b>Current payments</b>	<b>53 738 162</b>	<b>55 317 221</b>	<b>58 259 449</b>	<b>69 055 596</b>	<b>67 825 728</b>	<b>7 801 504</b>	<b>92 341 093</b>	<b>105 647 832</b>
Compensation of employees	272 740	321 000	402 073	552 567	511 162	605 940	637 672	672 162
Goods and services	588 361	602 537	728 160	896 150	744 164	830 777	895 683	939 466
<i>of which:</i>								
Administrative fees	9 744	14 975	11 637	8 741	6 408	6 980	6 768	7 140
Advertising	3 268	4 451	1 897	4 244	2 959	3 455	3 243	3 568
Assets less than the capitalisation threshold	1 542	1 059	1 546	1 842	1 034	3 097	2 035	2 456
Audit cost: External	9 453	7 580	8 468	12 064	10 379	11 074	12 464	12 787
Bursaries: Employees	1 202	2 188	1 985	3 729	2 400	2 520	2 919	3 093
Catering: Departmental activities	2 557	2 506	1 973	2 787	1 845	2 393	2 522	2 654
Communication	6 164	5 473	7 400	7 802	8 018	7 358	7 988	8 635
Computer services	245 108	253 392	386 698	446 287	403 333	417 880	438 281	458 524
Consultants and professional services: Business and advisory services	176 527	134 883	161 620	228 793	163 437	212 017	228 474	243 625
Consultants and professional services: Legal costs	11 521	12 323	10 512	9 560	8 464	10 225	11 086	11 788
Contractors	1 473	3 711	2 016	2 819	1 703	3 353	3 417	3 631
Agency and support / outsourced services	–	32 852	9 253	11 998	9 988	10 947	11 873	12 730
Entertainment	310	246	137	514	335	472	497	525

Table 10.2 National Treasury (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
<b>Economic classification</b>								
<i>Inventory: Food and food supplies</i>	532	654	810	844	844	1 018	1 079	1 450
<i>Inventory: Fuel, oil and gas</i>	195	802	341	841	841	341	429	468
<i>Inventory: Materials and supplies</i>	1 126	53	241	231	231	248	263	293
<i>Inventory: Medical supplies</i>	–	–	–	4	4	5	5	6
<i>Inventory: Other consumables</i>	868	889	816	1 529	1 479	1 156	647	1 226
<i>Inventory: Stationery and printing</i>	12 810	14 306	14 617	15 659	9 725	14 848	15 569	16 874
<i>Lease payments</i>	25 614	19 586	30 739	26 173	25 249	34 192	36 389	38 627
<i>Property payments</i>	4 313	13 917	13 358	14 775	14 775	12 133	26 559	17 126
<i>Travel and subsistence</i>	38 704	43 915	36 214	53 642	43 213	49 727	56 180	63 846
<i>Training and development</i>	12 321	9 909	9 957	19 980	11 235	11 034	11 790	12 384
<i>Operating expenditure</i>	5 426	5 440	7 467	5 231	5 645	4 947	5 024	5 128
<i>Venues and facilities</i>	17 583	17 427	8 458	16 061	10 619	9 357	10 182	10 882
<i>Interest and rent on land</i>	52 877 061	54 393 684	57 129 216	67 606 879	66 570 402	76 578 687	90 807 738	104 036 204
<b>Transfers and subsidies</b>	<b>182 744 138</b>	<b>214 625 026</b>	<b>264 789 220</b>	<b>289 171 787</b>	<b>289 043 289</b>	<b>317 463 780</b>	<b>33 669 293</b>	<b>357 177 422</b>
Provinces and municipalities	171 770 202	202 157 105	248 699 056	274 076 398	273 868 398	298 250 602	316 044 469	334 543 854
Departmental agencies and accounts	8 218 629	9 518 441	10 510 985	11 875 937	11 875 943	13 275 383	13 409 378	14 153 945
Universities and technikons	2 285	5 456	5 456	5 500	500	–	–	–
Foreign governments and international organisations	503 820	550 501	555 186	564 891	564 891	781 866	1 032 610	1 107 691
Public corporations and private enterprises	101 674	81 989	88 517	93 005	98 005	2 060 026	3 054 962	4 051 498
Non-profit institutions	127	–	68	75	75	80	85	90
Households	2 147 401	2 311 534	4 929 952	2 555 981	2 635 477	3 095 823	3 151 389	3 320 344
<b>Payments for capital assets</b>	<b>13 038</b>	<b>9 431</b>	<b>11 652</b>	<b>16 218</b>	<b>8 606</b>	<b>13 655</b>	<b>7 985</b>	<b>7 592</b>
Buildings and other fixed structures	–	–	–	–	–	3 600	–	–
Machinery and equipment	13 038	9 431	11 652	16 218	8 606	10 055	7 985	7 592
<b>Payments for financial assets</b>	<b>4 734</b>	<b>10 000 456</b>	<b>31 000 418</b>	<b>20 750 000</b>	<b>20 750 000</b>	<b>750 000</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>236 500 072</b>	<b>279 952 134</b>	<b>354 060 739</b>	<b>378 993 601</b>	<b>377 627 623</b>	<b>396 242 839</b>	<b>42 904 1971</b>	<b>462 832 846</b>

## Expenditure trends

The spending focus over the medium term will be on formulating policy as mandated by the Public Finance Management Act (1999), maintaining robust intergovernmental financial and fiscal, social security and retirement reforms, and enhancing a specialised audit services unit to reduce tender fraud and corruption.

Between 2007/08 and 2010/11, total expenditure increased from R12.6 billion to R38.7 billion, at an average annual rate of 45.5 per cent. The increase was mainly due to payments to Eskom of R10 billion in 2008/09, R30 billion in 2009/10 and R20 billion in 2010/11 for the subordinated loan. The Eskom loan is accounted for in payments for financial assets, which accounts for 38.5 per cent of the department's spending between 2007/08 and 2010/11. Also included as payments for financial assets are the R1 billion and R750 million in spending that was incurred in 2009/10 and 2010/11 for the Land and Agricultural Development Bank of South Africa recapitalisation. Transfer payments account for 57.3 per cent of expenditure over this period and include: provincial and local government transfers, civil and military pension payments, as well as transfers to the South African Revenue Service and the South African Secret Service.

Between 2007/08 and 2010/11, the operational budget increased from R861 million to R1.5 billion, mainly due to an increase in personnel capacity in areas such as international economic relations, the 2010 FIFA World Cup unit, economic research, social retirement reforms and the infrastructure delivery implementation programme.

Between 2010/11 and 2013/14, total expenditure (excluding direct charges) is expected to decrease from R38.7 billion to R25.6 billion, at an average annual rate of 12.9 per cent. The decrease is mainly due to the phasing out of the Eskom subordinated loan in 2010/11, as well as the end of the recapitalisation funding for the Land and Agricultural Development Bank of South Africa in 2011/12. Excluding the Eskom loan and the bank's recapitalisation, National Treasury's expenditure is expected to increase from R18 billion in 2010/11 to R25.6 billion in 2013/14, at an average annual rate of 12.5 per cent. This increase is mainly due to an additional R9 billion allocation over the medium term for the *Employment Creation Facilitation Fund* subprogramme in the *Technical Support and Development Finance* programme. The increase is also attributable to the annual effect of adjustments to expenditure on compensation of employees and post-retirement medical benefits, an increased contribution to the African Development Bank, common monetary area compensation payments and enhancing the infrastructure delivery implementation programme.

Over the medium term, the department receives additional non-statutory allocations of R3.4 billion in 2011/12, R4.1 billion in 2012/13 and R5.2 billion in 2013/14. These allocations are mainly in transfer payments for:

- the employment creation facilitation fund (R9 billion over the medium term)
- post-retirement medical benefits, the state's contribution to the political office bearer's fund and injury on duty expenditure (R1.5 billion over the medium term)
- post-disaster recovery and reconstruction funding (R600 million in 2011/12)
- the increased membership contributions to the African Development Bank and the African Development Fund (R466.2 million over the medium term)
- the shortfall in the estimated annual increase of the circulation of notes and coins related to the common monetary area (R309 million over the medium term)
- the expansion of the crime intelligence structure (R260 million over the medium term)
- the increased membership contributions to the World Bank (R168.1 million over the medium term).

An additional R59.4 million is also allocated to the department over the medium term for inflation related adjustment to compensation of employees.

The use of consultants is limited to areas where there are critical skills shortages or a lack of technical expertise, such as for economic research support, technical assistance to departments for public private partnership projects, specialised audit services, accounting standards and financial management capacity building initiatives, legal expertise, and engineering capacity support for the infrastructure delivery implementation programme. The ratio of consultancy costs to compensation of employees is 1:2.6 over the MTEF period.

The ratio of administrative costs to line function costs is 1:100 in 2011/12, and 1:50 in 2012/13 and 2013/14.

The department is responsible for the main statutory transfers to provincial governments. More information on these transfers can be found in chapter 7 and annexure E of the 2011 Budget Review and the 2011 Division of Revenue Bill. The National Treasury vote also includes a provision for servicing government's debt obligations, which is a direct charge against the National Revenue Fund in terms of section 73 of the Public Finance Management Act (1999).

## Infrastructure spending

### *Neighbourhood development partnership grant projects*

National Treasury, through the neighbourhood development partnership grant, is involved in the construction of new and better community facilities, which includes pedestrian bridges and community centres. The total cost for the infrastructure spending over the medium term is R2.6 billion. The budget has increased from R578.1 million in 2009/10 to R1.2 billion in 2010/11.

In 2009/10, the pedestrian walkways linking the informal settlement areas in Orange Farm to Stretford Station in Gauteng were completed at a cost of R17.4 million in March 2010. The project focused on increasing community safety by providing safe access between residences and the station. The project contributed to job creation through the extensive use of local labour.

In the same year, the basement parking for the Walter Sisulu Square of Dedication in Kliptown, Soweto was also completed in March at a cost of R30 million. This project addressed the need for safe parking to support tourism and commercial development for the square, the Holiday Inn and other economic amenities in the area.

In 2010/11, six projects were completed at a cost of R126 million. These included road improvement and highway interchanges in Mpumalanga, at a cost of R29 million, as part of the greenfield development and an intermodal transport facility in Bridge City, which will integrate nodes and open up economic development in the city.

#### Refurbishing 32 Church Square

National Treasury will be refurbishing the building at 32 Church Square in Pretoria to create more space and a better working environment for National Treasury staff. This project will be completed in 2011/12 at a cost of R3.6 million.

#### Personnel information

The Treasury has an approved establishment of 1 446. The funded personnel establishment expanded from 860 in 2007/08 to 1 245 in 2010/11. This expansion was due to structural changes made to enhance service delivery, which includes increased responsibilities in monitoring pension administration, playing a greater role in the international sphere, and providing more support to provincial and local government. Over the MTEF period, the number of personnel is expected to increase to 1 289.

There are 155 vacancies within the department, of which most are in the *Administration, Economic Policy, Tax, Financial Regulation and Research*, and *Financial Systems and Accounting* programmes. The vacancies exist due to resignations, transfers and retirements, and are being filled as and when they become vacant. It takes approximately three to five months to fill positions from salary level 11-15 due to the difficulties in attracting the right skills at the right level of remuneration. 52 vacant positions remain unfunded (mainly from salary level 6 to 12) due to budgetary constraints. The department will endeavour to fill all the critical funded posts over the medium term.

The ratio of support to line function staff is 1:12.5 each year of the MTEF period and the ratio of consultants to departmental personnel is 1:15.4.

## Departmental receipts

The main items of revenue are interest on government deposits and dividends received from the South African Reserve Bank. Over the medium term, revenue is expected to decrease from R3.2 billion in 2010/11 to R2.7 billion in 2013/14. Interest on exchequer investments is affected by domestic and international interest rates, exchange rates and the level of government's cash balances.

Table 10.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
<b>Departmental receipts</b>	<b>5 095 776</b>	<b>5 270 354</b>	<b>2 543 597</b>	<b>3 204 202</b>	<b>2 842 232</b>	<b>1 233 233</b>	<b>2 391 418</b>	<b>2 746 007</b>
Sales of goods and services produced by department	45 215	49 273	300 418	84 903	84 903	60 151	40 400	104 957
Sales of scrap, waste, arms and other used current goods	–	7	3	6	6	5	18	10
Interest, dividends and rent on land	4 884 243	4 953 175	2 085 054	2 861 970	2 500 000	900 400	2 100 500	2 400 500
Sales of capital assets	–	324	212	80	80	–	–	40
Transactions in financial assets and liabilities	166 318	267 575	157 910	257 243	257 243	272 677	250 500	240 500
<b>National Revenue Fund receipts</b>	<b>1 020 877</b>	<b>–</b>	<b>1 000 000</b>	<b>–</b>	<b>600 000</b>	<b>–</b>	<b>–</b>	<b>–</b>
Levy accounts from SARB	1 020 877	–	1 000 000	–	600 000	–	–	–
<b>Total</b>	<b>6 116 653</b>	<b>5 270 354</b>	<b>3 543 597</b>	<b>3 204 202</b>	<b>3 442 232</b>	<b>1 233 233</b>	<b>2 391 418</b>	<b>2 746 007</b>

## Programme 1: Administration

### Expenditure estimates

Table 10.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Ministry <sup>1</sup>	1 725	2 364	2 750	3 312	3 465	3 599	3 779
Departmental Management	24 701	26 249	28 144	34 691	33 781	35 509	38 259
Corporate Services	61 751	65 286	85 907	94 722	95 166	103 170	115 153
Enterprise Wide Risk Management	8 920	9 559	11 795	22 858	17 325	18 213	19 020
Financial Administration	18 686	22 554	25 277	32 187	31 967	33 587	35 362
Legal Services	13 588	14 212	11 856	14 075	13 079	13 695	14 387
Internal Audit	6 399	8 657	11 718	10 597	9 114	9 506	9 988
Communications	5 372	7 094	7 349	8 275	8 882	9 498	10 069
Office Accommodation	36 460	47 688	57 994	58 341	68 309	80 156	76 086
<b>Total</b>	<b>177 602</b>	<b>203 663</b>	<b>242 790</b>	<b>279 058</b>	<b>281 088</b>	<b>306 933</b>	<b>322 103</b>
Change to 2010 Budget estimate				35 324	27 893	45 152	45 924

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown. Before this, only salary and car allowance are included.

Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

#### Economic classification

	167 388	198 983	233 796	266 913	271 344	302 474	317 655
<b>Current payments</b>							
Compensation of employees	61 073	69 819	91 802	125 410	131 487	138 058	145 735
Goods and services	106 315	129 164	141 994	141 503	139 857	164 416	171 920
<i>of which:</i>							
<i>Administrative fees</i>	3 440	5 910	5 734	3 459	2 291	1 957	2 063
<i>Advertising</i>	675	1 806	571	1 362	1 067	924	1 207
<i>Assets less than the capitalisation threshold</i>	1 120	711	997	799	1 770	742	1 034
<i>Audit cost: External</i>	3 263	3 794	5 343	6 914	5 638	5 949	6 276
<i>Bursaries: Employees</i>	262	429	224	1 074	648	901	953
<i>Catering: Departmental activities</i>	696	875	657	828	683	721	766
<i>Communication</i>	3 778	2 992	4 618	4 509	3 848	4 255	4 710
<i>Computer services</i>	18 266	21 001	23 181	25 589	28 384	33 509	39 708
<i>Consultants and professional services: Business and advisory services</i>	19 587	11 171	13 873	9 715	5 168	5 613	7 295
<i>Consultants and professional services: Legal costs</i>	10 799	12 023	9 602	9 520	9 225	9 986	10 588
<i>Contractors</i>	1 339	3 191	1 876	2 327	2 947	2 985	3 173
<i>Agency and support / outsourced services</i>	–	9 393	8 981	10 201	8 531	8 947	9 295
<i>Entertainment</i>	183	92	35	140	115	124	140
<i>Inventory: Food and food supplies</i>	511	654	810	844	1 018	1 079	1 450
<i>Inventory: Fuel, oil and gas</i>	195	802	341	841	341	429	468
<i>Inventory: Materials and supplies</i>	1 118	52	221	204	228	241	270
<i>Inventory: Medical supplies</i>	–	–	–	4	5	5	6
<i>Inventory: Other consumables</i>	867	884	807	1 508	1 143	634	1 213
<i>Inventory: Stationery and printing</i>	3 376	4 202	4 351	4 249	4 592	4 944	5 428
<i>Lease payments</i>	17 804	18 166	29 511	23 308	32 008	33 996	36 044
<i>Property payments</i>	4 312	13 917	13 358	14 775	12 133	26 559	17 126
<i>Travel and subsistence</i>	9 880	12 044	12 246	13 317	13 698	15 252	17 448
<i>Training and development</i>	3 925	2 081	2 227	3 990	2 866	3 075	3 516
<i>Operating expenditure</i>	429	1 653	1 699	1 198	1 067	1 078	1 132
<i>Venues and facilities</i>	490	1 321	731	828	443	511	611
<b>Transfers and subsidies</b>	<b>2 638</b>	<b>1 464</b>	<b>1 335</b>	<b>2 074</b>	<b>1 996</b>	<b>2 035</b>	<b>2 079</b>
Departmental agencies and accounts	243	284	358	420	396	435	479
Households	2 395	1 180	977	1 654	1 600	1 600	1 600
<b>Payments for capital assets</b>	<b>7 447</b>	<b>3 101</b>	<b>7 615</b>	<b>10 071</b>	<b>7 748</b>	<b>2 424</b>	<b>2 369</b>
Buildings and other fixed structures	–	–	–	–	3 600	–	–
Machinery and equipment	7 447	3 101	7 615	10 071	4 148	2 424	2 369

Table 10.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Economic classification</b>							
Payments for financial assets	129	115	44	-	-	-	-
<b>Total</b>	<b>177 602</b>	<b>203 663</b>	<b>242 790</b>	<b>279 058</b>	<b>281 088</b>	<b>306 933</b>	<b>322 103</b>
<b>Details of transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
Current	243	284	358	420	396	435	479
Finance, Accounting, Management, Consulting and other Financial Services (FASSET) Sector Education and Training Authority	243	284	358	420	396	435	479
<b>Households</b>							
<b>Households social benefits</b>							
Current	2 395	1 180	977	1 654	1 600	1 600	1 600
Severance packages	2 219	788	26	54	-	-	-
Bursaries: Non-employees	176	392	951	1 600	1 600	1 600	1 600

## Expenditure trends

Between 2007/08 and 2010/11, expenditure increased from R177.6 million to R279.1 million, at an average annual rate of 16.3 per cent. The increase was mainly due to the accommodation refurbishment programme, and the upgrade of office telecommunication, ICT systems and executive boardrooms. These factors are also responsible for the increase in payments for capital assets from R7.4 million in 2007/08 to R10.1 million in 2010/11, at an average annual rate of 10.6 per cent.

Over the MTEF period, expenditure is expected to grow from R279.1 million to R322.1 million, at an average annual rate of 4.9 per cent. The growth is mainly due to increased compensation costs, and increased spending on goods and services for office accommodation, IT system upgrades and audit fees. The bulk of the goods and services budget is allocated in computer services, consultants, and lease and property payments. R3.6 million is allocated to payments for capital assets in 2011/12 for the refurbishment of the 32 Church Square building.

There has been a decrease in the number of consultants used, from 26 in 2007/08 to 15 in 2010/11, and a further reduction is projected over the medium term, from 15 to 8. The ratio of consultancy expenses to spending on compensation of employees is 1:5.3 each year over the MTEF period. The consultants are mainly used for IT support, co-sourced internal audit function and legal services. Spending on consultants between 2007/08 and 2013/14 decreases from R30.4 million to R17.9 million. The decrease is attributed to the phasing out of outsourced services for both IT and the internal audit, to allow for the establishment of sustainable capacity within the department.

Payments for capital assets are expected to decrease from R10.1 million in 2010/11 to R2.4 million in 2013/14, at an average annual rate of 38.3 per cent. The decrease is mainly due to the finalisation of the telecommunications and ICT systems upgrades. An additional R13 million has been allocated over the medium term for inflation related salary adjustments.

## Programme 2: Economic Policy, Tax, Financial Regulation and Research

- *Programme Management for Economic Policy, Financial Regulation and Research* provides advice on policy to promote economic growth, employment, macroeconomic stability and regional integration. In 2010/11, this subprogramme has a staff complement of 8, and a total budget of R13.8 million, of which 40 per cent (R5.5 million) is for compensation of employees. The balance is mainly for travelling and subsistence and subscriptions for research journals.
- *Research* funds the department's economic research programmes and promotes the research capacity of local academic researchers in the areas of economic growth, job creation, macroeconomic stability, taxation, financial sector development, regulations, retirement reform and poverty alleviation. There are no

employees for the research unit as all work is undertaken by consultants. The subprogramme has a total budget of R9.7 million in 2010/11, wholly used for economic research. The subprogramme also includes funding for economic research undertaken by Economic Research Southern Africa, at a cost of R10 million per year over the medium term, and the Centre for Research into Economics and Finance in Southern Africa.

- *Financial Sector Policy* provides policy advice on the financial sector, in relation to the regulatory framework and supporting legislation. This entails modernising the financial regulatory framework in response to the global economic downturn, and facilitating financial stability, retirement reform and financial sector access and transformation. The subprogramme has a staff complement of 44 and a total budget of R23.3 million in 2010/11, of which 85.8 per cent (R20 million) is used for compensation of employees. In 2010, after extensive research and consultation, the unit prepared a discussion document on improvements to the financial regulatory framework in South Africa to make financial supervision more effective. The work was undertaken using internal capacity.
- *Tax Policy* is responsible for drafting the annual tax legislation and providing advice, tax revenue analysis and revenue forecasting. The unit implemented tax policy reforms on the legislative framework needed to shift the secondary tax on companies to a withholding tax on dividends in the hands of shareholders, industrial policy incentives, and the turnover tax for small businesses. The subprogramme has a staff complement of 39, and a total budget of R24.4 million in 2010/11, of which 87.3 per cent (R21.3 million) is used for compensation of employees. In 2010/11, work on environmental fiscal reform continued, with the implementation of a vehicle carbon emission tax in September 2010, using internal resources. The Mineral and Petroleum Resources Royalty Act (2008) was also promulgated in 2010.
- *Economic Policy* provides macroeconomic, microeconomic, forecasting and regulatory technical and policy analysis for the annual budget and other government processes, and reviews policy. The subprogramme has a staff complement of 38, and a total budget of R25 million in 2010/11, of which 76.4 per cent (R19.1 million) is used for compensation of employees. The balance is mainly for travelling and subsistence and subscriptions for research journals. The division provides analytical work and policy advice on a wide range of issues, including inflation management, electricity pricing, economic growth, structural budget balances, employment creation and the exchange rate.
- *Cooperative Banking Development Agency* provides for the registration and supervision of deposit taking savings and credit cooperative banks, community banks and village banks. The agency also facilitates, promotes and funds the education and training of cooperative banks. The agency began operating in 2010/11 with an allocation of R8.2 million. Over the medium term, transfers are expected to increase to R13.5 million, at an average annual rate of 18.1 per cent. This is mainly to support the agency's services, which include supervision, training, liquidity support and benchmarking the performance of financial cooperatives and cooperative banks.

## Objectives and measures

- Improve South Africa's macroeconomic framework through quarterly analytical development, research, and policy advisory services in support of promoting economic growth, macroeconomic stability and retirement reform.
- Review and strengthen the regulatory framework for the financial sector by continuing to implement the Basle II capital accord, which came into effect in January 2008.
- Support economic research and capacity by funding relevant institutions annually.

## Expenditure estimates

Table 10.5 Economic Policy, Tax, Financial Regulation and Research

Subprogramme	Audited outcome			Adjusted appropriation 2010/11	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
R thousand							
Programme Management for Economic Policy, Financial Regulation and Research	1 230	14 017	13 269	13 758	21 570	21 888	22 893

Table 10.5 Economic Policy, Tax, Financial Regulation and Research (continued)

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Research	11 196	8 767	8 504	9 650	13 968	15 219	15 909
Financial Sector Policy	9 538	14 012	17 535	23 261	25 766	26 999	28 416
Tax Policy	11 751	15 284	17 334	24 383	25 487	26 824	28 190
Economic Policy	36 839	18 678	15 251	24 993	24 263	25 379	26 611
Cooperative Banking Development Agency	-	-	-	8 200	9 310	11 076	13 510
<b>Total</b>	<b>70 554</b>	<b>70 758</b>	<b>71 893</b>	<b>104 245</b>	<b>120 364</b>	<b>127 385</b>	<b>135 529</b>
Change to 2010 Budget estimate				(429)	115	(9 084)	(13 418)
<b>Economic classification</b>							
<b>Current payments</b>	<b>70 035</b>	<b>65 030</b>	<b>66 389</b>	<b>90 397</b>	<b>100 411</b>	<b>105 845</b>	<b>111 481</b>
Compensation of employees	26 070	34 825	44 832	65 957	71 883	75 326	79 027
Goods and services	43 965	30 205	21 557	24 440	28 528	30 519	32 454
<i>of which:</i>							
Administrative fees	544	1 792	1 131	716	855	957	1 022
Advertising	181	499	222	314	363	385	410
Assets less than the capitalisation threshold	23	60	70	112	115	125	135
Bursaries: Employees	49	140	239	465	420	530	555
Catering: Departmental activities	247	211	209	260	324	337	342
Communication	480	356	400	469	518	578	617
Computer services	293	91	37	366	341	336	290
Consultants and professional services:	11 196	8 681	8 504	9 610	13 968	15 219	15 909
Business and advisory services							
Consultants and professional services:	-	86	-	40	-	-	-
Legal costs							
Contractors	18	4	26	63	65	69	73
Agency and support / outsourced services	-	1 457	14	-	-	-	-
Entertainment	18	21	15	58	32	33	34
Inventory: Food and food supplies	21	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	5	-	3	5	5
Inventory: Other consumables	-	2	-	3	4	4	4
Inventory: Stationery and printing	1 720	1 357	1 047	1 309	1 211	1 290	1 354
Lease payments	6 599	102	126	263	190	219	253
Travel and subsistence	11 926	7 822	4 429	6 486	6 236	6 397	7 317
Training and development	608	1 067	539	857	873	974	1 039
Operating expenditure	3 146	2 065	4 294	2 389	2 670	2 681	2 665
Venues and facilities	6 896	4 392	250	660	340	380	430
<b>Transfers and subsidies</b>	<b>-</b>	<b>5 000</b>	<b>5 010</b>	<b>13 200</b>	<b>19 310</b>	<b>21 076</b>	<b>23 510</b>
Departmental agencies and accounts	-	-	-	8 200	9 310	11 076	13 510
Universities and technikons	-	5 000	5 000	5 000	-	-	-
Public corporations and private enterprises	-	-	-	-	10 000	10 000	10 000
Households	-	-	10	-	-	-	-
<b>Payments for capital assets</b>	<b>517</b>	<b>726</b>	<b>463</b>	<b>648</b>	<b>643</b>	<b>464</b>	<b>538</b>
Machinery and equipment	517	726	463	648	643	464	538
<b>Payments for financial assets</b>	<b>2</b>	<b>2</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>70 554</b>	<b>70 758</b>	<b>71 893</b>	<b>104 245</b>	<b>120 364</b>	<b>127 385</b>	<b>135 529</b>
<b>Details of transfers and subsidies</b>							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	-	-	-	8 200	9 310	11 076	13 510
Cooperative Banking Development Agency	-	-	-	8 200	9 310	11 076	13 510
Households							
Households social benefits							

Table 10.5 Economic Policy, Tax, Financial Regulation and Research (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Economic classification</b>							
Current	-	-	10	-	-	-	-
Severance package	-	-	10	-	-	-	-
<b>Universities and technikons</b>							
Current	-	5 000	5 000	5 000	-	-	-
University of Cape Town	-	5 000	5 000	5 000	-	-	-
<b>Public corporations and private enterprises</b>							
<b>Private enterprises</b>							
<b>Other transfers to private enterprises</b>							
Current	-	-	-	-	10 000	10 000	10 000
Economic Research Southern Africa	-	-	-	-	10 000	10 000	10 000

### Expenditure trends

The spending focus over the medium term will be on reviewing tax policy proposals for the budget, preparing the legislative changes to support tax proposals, and developing policies to promote economic growth, macroeconomic stability and retirement reforms.

Expenditure increased from R70.6 million in 2007/08 to R104.2 million in 2010/11, at an average annual rate of 13.9 per cent. This increase was mainly in spending on compensation of employees, consultants, and transfer payments to universities and technikons. These increases are mainly to cater for increases in capacity from 2008/09 for the cost of research work for regulatory impact and microeconomic analysis, and the policy advice implications for legislation in the areas of tax, pensions and banking regulations. The transfer payment to the University of Cape Town is for the economic research that was facilitated through the institution that will be continued with the Economic Research Southern Africa private enterprise.

Expenditure over the MTEF period is expected to grow from R104.2 million to R135.5 million, at an average annual rate of 9.1 per cent. The growth is mainly in current payments due to the continued increase in capacity for economic research, improvements to the functioning of the financial regulatory system, and enhancements to both the tax and economic policy proposals over the MTEF period. The economic research that was previously solicited through the University of Cape Town will be done by Economic Research Southern Africa over the medium term, which results in a 21.2 per cent increase in transfer payments due to the new transfers to public corporations and private enterprises over the medium term.

The ratio of administrative costs to line function programme costs is 1:10 each year over the MTEF period. Spending on consultants has increased from R11.2 million in 2007/08 to R15.9 million in 2013/14, due to increased economic research support and this includes the Centre for Research into Economics and Finance in Southern Africa and the Economic Research Southern Africa. The ratio of consultancy costs to spending on compensation of employees is 1:5 each year over the MTEF period. An additional R8.4 million has been allocated over the medium term for inflation related salary adjustments.

### Programme 3: Public Finance and Budget Management

- *Programme Management for Public Finance and Budget Management* provides support for the planning, monitoring and delivering of the programme's activities. This subprogramme has a staff complement of 12 and a total budget of R15.8 million in 2010/11, of which 41.7 per cent (R6.6 million) is used for compensation of employees and the balance for publishing budget documents. In 2010/11, as part of the second phase of capacitating local government, preparation work was done for the mayors' induction course and for aligning a cash flow management system with current developments around local government budget formats.
- *Public Finance* provides financial and budgetary analysis of government programmes, advises on policy and service delivery trends, and manages National Treasury's relations with other national departments. This subprogramme has a staff complement of 97 and a total budget of R55.3 million in 2010/11, of which

83.9 per cent (R46.4 million) is used for compensation of employees, and the balance mainly for social security and retirement reforms. In 2010/11, a new quarterly financial reporting format was implemented for reporting to Parliament through the standing committee on appropriations, using internal resources.

- *Budget Office and Coordination* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, coordinates international technical assistance and donor finance, and compiles public finance statistics. The Budget Office is also responsible for the regulatory framework to promote a consistent approach to governance, organisational and institutional design, financial management, human resource management and the governance of public entities, government agencies and departmental business enterprises. This subprogramme has a staff complement of 71 and a total budget of R39 million in 2010/11, of which 86.2 per cent (R33.6 million) is used for compensation of employees and the balance mainly for editing budget documents and travelling, to support Parliament's oversight responsibility.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management. This subprogramme has a staff complement of 71 and a total budget of R45.6 million in 2010/11, of which 75.2 per cent (R34.3 million) is used for compensation of employees. The balance goes to, among others, a consultancy (R4.8 million) for establishing a city budget forum to facilitate initiatives to support improvements in service delivery, a system for budget monitoring, and the development of the new budget formats. These initiatives include reforms in financing and planning municipal infrastructure, with 6 metropolitan municipalities and 3 aspirant metropolitan municipalities being targeted. The new budget formats were rolled out to all 283 municipalities in 2010/11 and will be further enhanced in 2011/12.
- *Financial and Fiscal Commission* derives its mandate from chapter 13 of the Constitution, as amended. Sections 220, 221 and 222 and related sections 214(2), 219(5), 228(2)(b), 229(5), 230(2), 230A(2) and 230A(2) provide for independent, objective, impartial and unbiased advice to government on the division of revenue across all spheres of government and in the enactment of legislation pertaining to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans. This subprogramme, which is a transfer payment to the Financial and Fiscal Commission, increased from R26.6 million in 2009/10 to R31.4 million in 2010/11, due to increased capacity for fiscal research and adjustments for inflation.

## Objectives and measures

- Give effect to government's economic, fiscal, social and development goals by preparing a budget framework and medium term expenditure recommendations annually.
- Contribute to improved financial management by promoting sound planning, budgeting and project management, including support to public finance reforms in provinces and municipalities, on an ongoing basis.
- Promote transparency and accountability by publishing annually the Budget Review, the Estimates of National Expenditure, provincial and local government budget and expenditure reviews, the medium term budget policy statement and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators for service delivery and performance according to the various guidelines.
- Promote the improved planning and analysis of public expenditure and service delivery and the appropriate use of public and private financial resources for social and economic development and infrastructure investment by analysing expenditure and performance information and compiling quarterly reports.
- Develop the policy framework for social security, retirement and health insurance arrangements by the end of 2011 through a dedicated project management unit.

## Expenditure estimates

Table 10.6 Public Finance and Budget Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Programme Management for Public Finance and Budget Management	12 921	13 551	16 189	15 797	25 536	27 639	29 705
Public Finance	28 342	30 620	35 556	55 332	54 889	57 195	59 813
Budget Office and Coordination	22 169	29 809	32 823	38 959	42 510	43 897	46 144
Intergovernmental Relations	28 508	34 027	30 736	45 638	42 967	44 720	47 140
Financial and Fiscal Commission	27 497	26 125	26 580	31 391	33 036	34 438	36 332
<b>Total</b>	<b>119 437</b>	<b>134 132</b>	<b>141 884</b>	<b>187 117</b>	<b>198 938</b>	<b>207 889</b>	<b>219 134</b>
Change to 2010 Budget estimate				7 392	10 433	18 153	(31 937)
<b>Economic classification</b>							
<b>Current payments</b>	<b>90 965</b>	<b>106 193</b>	<b>113 112</b>	<b>153 932</b>	<b>165 386</b>	<b>172 898</b>	<b>182 279</b>
Compensation of employees	70 443	80 587	90 026	120 800	132 851	139 231	146 107
Goods and services	20 522	25 606	23 086	33 132	32 535	33 667	36 172
<i>of which:</i>							
Administrative fees	916	1 147	992	661	433	443	474
Advertising	862	752	472	562	402	408	423
Assets less than the capitalisation threshold	124	52	83	265	159	164	182
Audit cost: External	–	–	6	–	20	20	20
Bursaries: Employees	212	320	266	464	328	342	388
Catering: Departmental activities	786	729	375	601	449	492	536
Communication	408	420	439	510	553	598	631
Computer services	242	732	681	444	184	185	186
Consultants and professional services: Business and advisory services	2 650	4 222	6 922	11 365	17 134	17 544	18 759
Contractors	38	268	16	119	47	53	58
Agency and support / outsourced services	–	1 880	5	61	11	12	12
Entertainment	45	52	20	112	105	111	118
Inventory: Materials and supplies	2	–	3	2	9	9	9
Inventory: Other consumables	1	1	2	8	5	5	5
Inventory: Stationery and printing	5 534	5 909	6 057	6 305	5 607	5 683	6 210
Lease payments	444	376	251	525	362	458	520
Travel and subsistence	5 517	6 291	4 401	7 900	5 202	5 497	5 868
Training and development	1 524	1 019	1 384	1 760	882	940	1 007
Operating expenditure	556	509	209	319	245	259	284
Venues and facilities	661	927	502	1 149	398	444	482
<b>Transfers and subsidies</b>	<b>27 497</b>	<b>26 581</b>	<b>27 808</b>	<b>31 897</b>	<b>33 036</b>	<b>34 438</b>	<b>36 332</b>
Departmental agencies and accounts	27 497	26 125	26 580	31 391	33 036	34 438	36 332
Universities and technikons	–	456	456	500	–	–	–
Households	–	–	772	6	–	–	–
<b>Payments for capital assets</b>	<b>972</b>	<b>1 338</b>	<b>944</b>	<b>1 288</b>	<b>516</b>	<b>553</b>	<b>523</b>
Machinery and equipment	972	1 338	944	1 288	516	553	523
<b>Payments for financial assets</b>	<b>3</b>	<b>20</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>119 437</b>	<b>134 132</b>	<b>141 884</b>	<b>187 117</b>	<b>198 938</b>	<b>207 889</b>	<b>219 134</b>
<b>Details of transfers and subsidies</b>							
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	27 497	26 125	26 580	31 391	33 036	34 438	36 332
Financial and Fiscal Commission	27 497	26 125	26 580	31 391	33 036	34 438	36 332
Households							
Households social benefits							
Current	–	–	772	6	–	–	–
Severance packages	–	–	772	6	–	–	–
Universities and technikons							
Current	–	456	456	500	–	–	–
University of Pretoria	–	456	456	500	–	–	–

## Expenditure trends

The spending focus over the medium term will be on continuing to enhance the implementation of the infrastructure delivery improvement programme to provincial departments, increasing capacity for the benefits assessments, supporting the parliamentary liaison office, and the comprehensive expenditure reviews.

Between 2007/08 and 2010/11, expenditure increased from R119.4 million to R187.1 million, at an average annual rate of 16.1 per cent. The increase is mainly due to costs associated with the intensified implementation of the infrastructure delivery improvement programme. The increases in current payment across all subprogrammes are mainly in spending on compensation of employees. The number of employees grew from 199 in 2007/08 at a cost of R70.4 million, to 220 in 2010/11 at a cost of R120.8 million. Spending on consultants grew from R2.7 million in 2007/08 for 6 consultants to R11.4 million in 2010/11 for 10 consultants. The transfer payments to departmental agencies and accounts grew from R27.5 million in 2007/08 to R31.4 million in 2010/11, mainly due to increases in transfers to the Financial and Fiscal Commission.

Over the MTEF period, expenditure is expected to increase from R187.1 million in 2010/11 to R219.1 million in 2013/14, at an average annual rate of 5.4 per cent. This increase is mainly in spending on compensation of employees across all subprogrammes, which is expected to grow from R120.8 million in 2010/11 to R146.1 million in 2013/14, due to inflation related adjustments to salaries. In addition, spending on consultants is expected to grow from R11.4 million for 10 consultants to R18.8 million for 17 consultants over the same period, at an average annual rate of 18.2 per cent. The Financial and Fiscal Commission transfer payment is expected to grow from R31.4 million to R36.3 million over the medium term, at an average annual rate of 5 per cent.

The consultants are mainly used for editing budget documents, including the Estimates of National Expenditure, Adjusted Estimates of National Expenditure, Budget Review, Medium Term Budget Policy Statement, Medium Term Expenditure Reporting Framework, and extensive work for social security retirement reforms. Spending on consultancy expenditure increases from R2.7 million in 2007/08 to R18.8 million in 2013/14, mainly due to increases in the number and volume of publications, comprehensive reviews of expenditure and more work done on social reforms.

The bulk of spending in this programme is on compensation of employees, which uses an average of 66.2 per cent of the total budget each year over the medium term. The ratio of administrative costs to line function programme costs is 1:10 each year over the MTEF period. An additional R12.9 million has been allocated over the medium term for inflation related salary adjustments.

## Programme 4: Asset and Liability Management

- *Programme Management for Asset and Liability Management* provides support for planning, monitoring and delivering the programme's activities. This subprogramme has a staff complement of 4 and a total budget of R15.1 million in 2010/11, of which 13.9 per cent (R2.1 million) is used for compensation of employees. In 2010/11, R4.8 million was spent mainly on consultations for the development of a treasury management system, the optimal capital structure and appropriate dividend policies for state owned entities.
- *State Owned Entity Financial Management and Governance* promotes the optimal allocation and use of financial resources and sound corporate governance in state owned entities through financial oversight in accordance with government policy. This subprogramme has a staff complement of 30 and a total budget of R21.3 million in 2010/11, of which 95.3 per cent (R20.3 million) is used for compensation of employees. In 2009/10, the callable capital of the Development Bank of Southern Africa was increased to R20 billion to extend its lending capacity to approximately R140 billion.
- *Government Debt Management* is responsible for government's long term funding needs, manages domestic and foreign debt, and contributes to the development of financial markets. Government successfully financed its gross borrowing requirement of R156.6 billion by mainly raising funds in domestic capital markets, while coordinating borrowing between government and state owned entities. This subprogramme has a staff complement of 18 and a total budget of R14.2 million in 2010/11, of which 88 per cent (R12.5 million) was used for compensation of employees. In 2010/11, 4 new domestic government bonds

were introduced to increase the number of funding instruments, and government raised US\$2 billion (R14.5 billion) in international capital markets as prefunding for 2010/11.

- *Financial Operations* provides for government's short term funding needs, manages cash in all spheres of government, accounts for debt and the investment of government surplus cash, supplies reliable systems, and provides quality information. This subprogramme has a staff complement of 18 and a total budget of R14.3 million in 2010/11, of which 64.3 per cent (R9.2 million) is used for compensation of employees and the balance for the maintenance of the old treasury management system. The amount of public sector cash available for use by government and the provinces as bridging finance increased from R12.4 billion in 2009/10 to R34 billion in 2010/11. The domestic debt module delivered in December 2010 will be implemented by mid-2011, and the remaining modules will be completed by 2012.
- *Strategy and Risk Management* develops and maintains a risk management framework by implementing debt management strategies. This subprogramme has a staff complement of 15. The domestic debt portfolio is projected to stabilise at 64 per cent fixed and 36 per cent non-fixed as government issues instruments that maximise cash subject to market demand. Through active debt management strategies, the debt portfolio ratio will improve towards the risk benchmark of a 70:30 fixed to non-fixed rate. In 2010/11, the foreign debt ratio fell to 10 per cent, which was affirmed by Standard & Poor's (BBB+) and Fitch Ratings (BBB+).
- *Financial Investments* provides funding mainly for the recapitalisation of Eskom and the Land and Agricultural Development Bank of South Africa. In 2009/10, the bank was mandated to coordinate its strategic role with that of the Department of Rural Development and Land Reform and the Department of Agriculture, Forestry and Fisheries, in supporting developing farmers. A pilot curatorship and emerging farmer's support facility model for financially distressed black farmers who are clients of the bank is being implemented. Based on an assessment of the model's success, Cabinet will be approached about extending it further.

## Objectives and measures

- Oversee state owned entities to promote the maximisation of delivery on government's objectives through exercising oversight over schedule 2 and 3B entities by, among others: reviewing corporate plans and annual reports; reviewing applications for guarantees and borrowing limits; coordinating state owned enterprises' borrowing programmes and monitoring progress; tracking progress on capital expenditure programmes; and monitoring guarantees and taking remedial action where necessary.
- Exercise shareholder oversight over the Development Bank of Southern Africa, the Land and Agricultural Development Bank of South Africa, the Public Investment Corporation, and the South African Special Risks Insurance Association to ensure that they promote government's policy objectives while remaining financially sound institutions by: reviewing corporate plans; negotiating shareholder compacts for signature by the Minister; and reviewing quarterly and annual reports.
- Finance government's gross borrowing requirements of R175.8 billion by March 2012 by borrowing money from domestic and international markets.
- Improve the affordability of government debt by reducing the net loan debt to 33.6 per cent of GDP and the cost to service debt to 2.6 per cent of GDP by March 2012.
- Ensure that government's liquidity requirements are consistently met through effective cash management.
- Enable government to manage financial risks and attract investment by reviewing credit, debt, country ratings and contingent liability risk benchmarks and by ensuring adherence to these standards by March 2012.

## Expenditure estimates

Table 10.7 Asset and Liability Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Programme Management for Asset and Liability Management	16 503	22 740	11 982	15 143	13 111	14 080	13 024
State Owned Entity Financial Management and Governance	16 128	11 878	13 859	21 310	22 091	23 145	24 261
Government Debt Management	9 171	10 493	11 247	14 185	14 583	15 274	16 049
Financial Operations	11 269	10 957	10 119	14 307	14 789	15 316	16 170
Strategy and Risk Management	4 756	6 435	5 967	7 507	8 020	8 378	8 788
Financial Investments	–	10 000 000	31 000 000	20 750 000	750 000	–	–
<b>Total</b>	<b>57 827</b>	<b>10 062 503</b>	<b>31 053 174</b>	<b>20 822 452</b>	<b>822 594</b>	<b>76 193</b>	<b>78 292</b>
Change to 2010 Budget estimate				5 346	155	67	(2 021)
<b>Economic classification</b>							
<b>Current payments</b>	<b>55 329</b>	<b>61 930</b>	<b>53 069</b>	<b>72 137</b>	<b>72 279</b>	<b>75 878</b>	<b>77 977</b>
Compensation of employees	30 054	33 413	38 070	51 141	55 579	58 281	61 278
Goods and services	25 275	28 517	14 999	20 996	16 700	17 597	16 699
<i>of which:</i>							
Administrative fees	515	1 113	370	383	96	99	102
Advertising	379	483	212	255	250	250	250
Assets less than the capitalisation threshold	29	32	13	25	24	24	24
Audit cost: External	418	462	433	460	477	524	577
Bursaries: Employees	291	727	690	366	264	265	265
Catering: Departmental activities	129	169	63	133	85	87	88
Communication	305	329	380	349	387	391	395
Computer services	4 070	2 465	2 129	5 454	5 494	6 240	4 962
Consultants and professional services: Business and advisory services	14 980	16 961	6 511	9 751	6 651	6 668	6 912
Consultants and professional services: Legal costs	–	18	–	–	–	–	–
Contractors	23	23	42	31	27	28	29
Agency and support / outsourced services	–	1 502	–	–	–	–	–
Entertainment	22	25	14	38	40	42	42
Inventory: Materials and supplies	4	1	4	–	–	–	–
Inventory: Other consumables	–	1	1	–	–	–	–
Inventory: Stationery and printing	493	485	1 362	531	510	519	528
Lease payments	83	126	150	200	159	160	161
Travel and subsistence	1 963	2 611	1 874	2 556	1 744	1 782	1 825
Training and development	452	257	381	404	300	315	330
Operating expenditure	736	431	20	60	43	43	45
Venues and facilities	383	296	350	–	149	160	164
<b>Payments for capital assets</b>	<b>2 498</b>	<b>573</b>	<b>104</b>	<b>315</b>	<b>315</b>	<b>315</b>	<b>315</b>
Machinery and equipment	2 498	573	104	315	315	315	315
<b>Payments for financial assets</b>	<b>–</b>	<b>10 000 000</b>	<b>31 000 001</b>	<b>20 750 000</b>	<b>750 000</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>57 827</b>	<b>10 062 503</b>	<b>31 053 174</b>	<b>20 822 452</b>	<b>822 594</b>	<b>76 193</b>	<b>78 292</b>

## Expenditure trends

The spending focus over the medium term will be on sectoral oversight, liability management, the maintenance of a risk management framework, and on ensuring sound corporate governance in state owned entities.

Between 2007/08 and 2010/11, expenditure increased from R57.8 million to R20.8 billion, at an average annual rate of 611.4 per cent. This increase is attributed to transfer payments in the *Financial Investments* subprogramme to Eskom for the subordinated loan (R10 billion in 2008/09, R30 billion in 2009/10 and

R20 billion in 2010/11) and to the Land and Agricultural Development Bank of South Africa for recapitalisation (R1 billion in 2009/10 and R750 million in 2010/11). Excluding these payments, operational expenditure between 2007/08 and 2010/11 increased from R57.8 million to R72.5 million, at an average annual rate of 7.8 per cent. This increase was mainly in the *State Owned Entity Financial Management and Governance* and *Government Debt Management* subprogrammes due to the formulation of the state owned entities' capital structure and dividend policy, and to the impact on the annual national adjustment of salaries. The growth is also attributed to the development of a treasury management system that will address the operations and support the needs of the department. Between 2007/08 and 2010/11, although the number of employees decreases from 102 to 100, spending on compensation of employees increases from R30.1 million to R51.1 million, at an average annual rate of 19.4 per cent to match the level of remuneration to the skills required. Conversely, spending on consultants decreases from R15 million for 4 consultants to R9.8 million for 7 consultants, at an average annual rate of 13.3 per cent, mainly due to once-off costing experts for the Pebble Bed Modular Reactor in 2008/09 and phasing in of a less costly project for the development of a treasury management system.

Over the MTEF period, expenditure is expected to decrease from R20.8 billion in 2010/11 to R78.3 million in 2013/14, at an average annual rate of 84.5 per cent. The decrease is due to the phasing out of the Eskom subordinated loan in 2010/11 and the recapitalisation of the Land and Agricultural Development Bank of South Africa in 2011/12. Over the medium term, the programme budget, excluding the amounts for Eskom and the bank, increases from R72.5 million to R78.3 million, at an average annual rate of 2.6 per cent. The increase is mainly due to the finalisation of the treasury management system. Spending on consultants is expected to decrease from R9.8 million in 2010/11 to R6.9 million in 2013/14, mainly due to the phasing out of the development of the management system and the capital project for state owned entities.

The ratio of administrative costs to line function programme costs is 1:12.5 each year over the MTEF period. The ratio of spending on consultants to compensation of employees over the MTEF period is 1:4.8 each year. An additional R5.3 million has been allocated over the medium term for inflation related salary adjustments.

## Programme 5: Financial Systems and Accounting

- *Programme Management for Financial Systems and Accounting* provides support for planning, monitoring and delivering the programme's activities. This subprogramme has a staff complement of 10 and a total budget of R14 million in 2010/11, of which 42.1 per cent (R5.9 million) is used for compensation of employees. The balance is for financial management training and support for all spheres of government.
- *Supply Chain Policy* develops policy that regulates the supply chain processes in the public sector. This subprogramme has a staff complement of 58 and a total budget of R39.1 million in 2010/11, of which 66.5 per cent (R26 million) is used for compensation of employees. Of the balance, R9.2 million was used for developing the asset management module for the integrated financial management system. In 2010/11, the draft revised preferential procurement regulations, which align preferential procurement with the aims of the Broad Based Black Economic Empowerment Act (2003) and its codes of good practice, were workshopped with the parliamentary standing committee on finance and appropriations, and the National Economic Development and Labour Council.
- *Financial Systems* maintains and improves existing financial management systems and replaces outdated systems to comply with the Public Finance Management Act (1999) and generally recognised accounting practice. This subprogramme has a staff complement of 40 (with an additional 5 service providers) and a total budget of R429.7 million in 2010/11, of which 3.9 per cent (R16.6 million) is used for compensation of employees. 96.1 per cent of the balance was used for customising the commercial off-the-shelf financial management system for the procurement asset management and human resources module. Furthermore, lead site preparations have started in National Treasury and the Limpopo provincial treasury for the new asset management module of the integrated financial management system. The Department of Defence and Military Veterans and three other Limpopo provincial departments are scheduled to go live by March 2011.
- *Financial Reporting for National Accounts* is responsible for accounting for: the National Revenue Fund and the Reconstruction and Development Fund; banking services for national government; and for providing support for all spheres of government in implementing financial reporting frameworks and preparing a consolidated financial statement. This subprogramme has a staff complement of 49 and a total

budget of R77.3 million in 2010/11, of which 31.7 per cent (R24.5 million) is used for compensation of employees. 47.6 per cent (R36.8 million) of the balance is for transfers to the Independent Regulatory Board for Auditors (R29.3 million) and the Accounting Standards Board (R7.5 million). In 2010/11, 1 334 municipal officials were trained on the new generally recognised accounting practice standards at a total cost of R345 000.

- *Financial Management Policy and Compliance Improvement* includes improving financial management, developing the reporting frameworks in line with international and local best practice, developing and implementing accounting policies, and improving the financial management and internal audit capacity in government. This subprogramme has a staff complement of 89 and a total budget of R112.2 million in 2010/11, of which 43.8 per cent (R49.1 million) was used for compensation of employees. The balance of R40 million relates to special audit services forensic investigations. This unit aims to combat fraud and corruption in all government entities, and was established in collaboration with law enforcement agencies, the auditor general and other relevant stakeholders to curb non-compliance with legislation and the undermining of good financial management. The unit will also lead the supply chain management compliance task team aimed at eliminating fraud and corruption in the procurement of goods and services by government.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls in statutory bodies and municipalities in terms of the Auditor General Act (1995).
- *Service Charges: Commercial Banks* provides for bank service charges for all departments' deposit accounts.

### **Objectives and measures:**

- Improve financial management in government by implementing a capacity building strategy for financial management, internal audit and risk management to enhance institutional, organisational and individual capacity, and by supporting the strategy through a detailed implementation plan with specific outputs and timelines over the MTEF period, including:
  - promoting and enforcing transparency and the management of revenue, expenditure, assets and liabilities in all three spheres of government; implementing generally recognised accounting practice standards, accounting policies, reporting frameworks and other accounting guidelines; and administering the National Revenue Fund and the Reconstruction and Development Fund as well as banking services for national departments by March 2012
  - formulating accounting and governance frameworks and providing support to entities to improve accountability, oversight and governance in all government entities annually
  - intervening to rectify the breakdown of financial management in national, provincial and local government institutions and investigating fraud and corruption in these institutions when required
  - capacitating the building of an internal audit function through prudent use of shared audit resources between National Treasury and the South African Revenue Service by March 2012.
- Improve supply chain management by:
  - enhancing supply chain management compliance monitoring and combating supply chain management related corruption by ensuring compliance with prescribed procedures and prescripts and by operationalising the supply chain management compliance monitoring unit by the end of March 2012
  - ensuring the successful implementation of the revised preferential procurement regulations, which will form the initial phase of the comprehensive review of the supply chain management framework, in all national and provincial departments, constitutional institutions, public entities and municipalities by 2011/12
  - improving value for money on contracts by quantifying the economic benefits of applying strategic sourcing methodologies to 3 strategic transversal term contracts in 2011/12
  - enhancing the application of strategic sourcing in 2011/12.
- Maintain government's current financial systems at a level of 98 per cent availability, including by providing system support and user training in 2011/12, by rolling out the completed modules and fast-

tracking the development and implementation of the remaining modules of the integrated financial management system.

- Facilitate the implementation of the integrated financial management system by managing the user requirement statement repository in 2011/12.
- Complete the development and implementation of the inventory management, payroll and core financial management modules by rolling out the completed modules (human resource management, procurement management and asset management) of the integrated financial management system to lead departments in 2011/12.

## Expenditure estimates

Table 10.8 Financial Systems and Accounting

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Programme Management for Financial Systems and Accounting	15 731	15 436	11 716	14 008	12 344	12 891	13 300
Supply Chain Policy	28 792	20 752	30 608	39 090	40 167	42 390	44 602
Financial Systems	231 321	250 458	373 449	429 711	399 381	414 559	430 352
Financial Reporting for National Accounts	48 577	53 222	64 810	77 261	76 963	82 146	87 199
Financial Management Policy and Compliance Improvement	18 409	29 324	42 365	112 202	103 276	107 913	115 216
Audit Statutory Bodies	23 800	106 428	19 636	21 355	25 919	30 266	49 305
Service Charges: Commercial Banks	66	87	158	200	170	180	190
<b>Total</b>	<b>366 696</b>	<b>475 707</b>	<b>542 742</b>	<b>693 827</b>	<b>658 220</b>	<b>690 345</b>	<b>740 164</b>
Change to 2010 Budget estimate				(33 261)	(89 201)	(75 050)	(67 328)
<b>Economic classification</b>							
<b>Current payments</b>	<b>318 250</b>	<b>338 691</b>	<b>487 666</b>	<b>631 929</b>	<b>592 377</b>	<b>618 405</b>	<b>647 910</b>
Compensation of employees	54 783	64 094	90 369	122 160	138 212	144 913	151 961
Goods and services	263 467	274 597	397 297	509 769	454 165	473 492	495 949
<i>of which:</i>							
<i>Administrative fees</i>	1 788	2 792	2 029	2 174	1 771	1 791	1 869
<i>Advertising</i>	439	328	181	1 164	777	746	709
<i>Assets less than the capitalisation threshold</i>	171	140	340	468	851	793	858
<i>Audit cost: External</i>	5 714	3 324	2 686	4 690	4 939	5 671	5 597
<i>Bursaries: Employees</i>	155	373	221	1 020	475	482	488
<i>Catering: Departmental activities</i>	248	249	466	640	534	543	557
<i>Communication</i>	781	878	988	1 217	1 363	1 420	1 483
<i>Computer services</i>	222 117	228 635	360 556	414 146	383 225	397 735	413 080
<i>Consultants and professional services: Business and advisory services</i>	11 342	5 042	11 567	41 566	34 387	35 743	40 962
<i>Consultants and professional services: Legal costs</i>	722	-	-	-	-	-	-
<i>Contractors</i>	55	206	47	219	225	236	250
<i>Agency and support / outsourced services</i>	-	8 886	-	1 355	700	700	700
<i>Entertainment</i>	27	38	30	114	118	122	125
<i>Inventory: Materials and supplies</i>	2	-	1	4	4	4	4
<i>Inventory: Other consumables</i>	-	1	-	3	1	1	1
<i>Inventory: Stationery and printing</i>	1 238	1 467	1 172	2 531	1 833	1 965	2 109
<i>Lease payments</i>	514	557	506	1 601	1 291	1 364	1 440
<i>Property payments</i>	1	-	-	-	-	-	-
<i>Travel and subsistence</i>	3 808	6 330	5 586	14 328	9 623	11 279	12 397
<i>Training and development</i>	5 554	5 190	4 885	12 182	5 147	5 463	5 429
<i>Operating expenditure</i>	242	447	837	1 028	654	673	690
<i>Venues and facilities</i>	8 549	9 714	5 199	9 319	6 247	6 761	7 201

Table 10.8 Financial Systems and Accounting (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Economic classification</b>							
Transfers and subsidies	47 438	134 097	52 832	58 637	63 013	69 248	90 189
Departmental agencies and accounts	47 138	134 097	52 832	58 189	62 613	68 843	89 783
Households	300	–	–	448	400	405	406
Payments for capital assets	1 002	2 910	2 217	3 261	2 830	2 692	2 065
Machinery and equipment	1 002	2 910	2 217	3 261	2 830	2 692	2 065
Payments for financial assets	6	9	27	–	–	–	–
<b>Total</b>	<b>366 696</b>	<b>475 707</b>	<b>542 742</b>	<b>693 827</b>	<b>658 220</b>	<b>690 345</b>	<b>740 164</b>
<b>Details of transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>47 138</b>	<b>134 097</b>	<b>52 832</b>	<b>58 189</b>	<b>62 613</b>	<b>68 843</b>	<b>89 783</b>
Accounting Standards Board	6 243	7 411	7 242	7 538	7 970	8 369	8 829
Independent Regulatory Board for Auditors	17 095	20 258	22 018	29 296	28 724	30 208	31 649
Auditor-General	23 800	106 428	19 636	21 355	25 919	30 266	49 305
Institute for Public Finance and Auditing	–	–	3 936	–	–	–	–
<b>Households</b>							
<b>Households social benefits</b>							
<b>Current</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>48</b>	<b>–</b>	<b>–</b>	<b>–</b>
Severance package	–	–	–	48	–	–	–
<b>Capital</b>	<b>300</b>	<b>–</b>	<b>–</b>	<b>400</b>	<b>400</b>	<b>405</b>	<b>406</b>
Bursaries: Non-employees	300	–	–	400	400	405	406

## Expenditure trends

The spending focus over the medium term will be on enhancing the specialised audit unit aimed at combating fraud and corruption in all government institutions, strengthening capacity building efforts, and maintaining and improving the existing financial management systems.

Between 2007/08 and 2010/11, expenditure increased from R366.7 million to R693.8 million, at an average annual rate of 23.7 per cent. The increase was mainly due to growth in the programme's establishment (from 145 to 231 employees), the chartered accountancy academy programme, and the formulation of the financial management capability maturity model. Most of the increase between 2007/08 and 2010/11 was in the *Financial Systems* subprogramme, where expenditure on the integrated financial management system increased from R59.4 million to R217 million, at an average annual rate of 54 per cent. Increases are also attributable to the ongoing maintenance work on the legacy systems, such as the basic accounting system, Logis, Persal and Vulindlela.

Computer services contributed to 58.7 per cent of total spending between 2007/08 and 2010/11, transfers to departmental agencies and accounts 14.8 per cent, and compensation of employees 15.7 per cent. Spending on consultancy services grew from R12 million for 6 consultants to R41.6 million for 12 consultants over the same period, mainly for specialised audit services and the financial management capability maturity model. The main transfer payments in this programme are to the Accounting Standards Board, the Independent Regulatory Board for Auditors, and the auditor general.

Over the MTEF period, expenditure is expected to increase from R693.8 million to R740.2 million, at an average annual rate of 2.2 per cent. The increase is mainly due to the enhancement of the special audit services unit, which resulted in an average annual increase of 32.2 per cent in the transfer payments in the *Audit Statutory Bodies* subprogramme.

The ratio of administrative costs to line function programme costs is 1:25 each year over the MTEF period.

Consultancy expenditure is expected to decrease from R41.6 million for 12 consultants in 2010/11 to R41 million for 11 consultants in 2013/14. Consultants are used mainly for formulating the financial management capability maturity model, assisting with the development of accounting standards, and for special audit services. The ratio of spending on consultants to compensation of employees is 1:3.6 each year over the MTEF period and 1:4.26 per cent each year over the seven-year period. An additional R13.7 million has been allocated over the medium term for inflation related salary adjustments.

## Programme 6: International Financial Relations

- *Programme Management for International Financial Relations* supports the planning, monitoring and delivering the programme's activities. This subprogramme has a staff complement of 6 and a total budget of R8 million in 2010/11, of which 48.9 per cent (R3.9 million) is for compensation of employees. The balance is for travel and subsistence cost due to international engagements mainly with the Bretton Woods institutions.
- *International Economic Cooperation* focuses on improving South Africa's participation in international economic institutions and debates. It also facilitates the deepening of South Africa's role in regional integration through the Southern African Development Community (SADC) and the Southern African Customs Union, and works through key economic institutions such as the African Development Bank, the United Nations Economic Commission for Africa and New Partnership for Africa's Development. This subprogramme has a staff complement of 36 and a total budget of R25.9 million in 2010/11, of which 66.4 per cent (R17.2 million) is used for compensation of employees. The balance is for co-hosting the South African Customs Union and SADC summit in order to determine regional economic integration. In 2009/10, the subprogramme successfully negotiated two loans for Eskom of €1.86 billion (R18.2 billion) from the African Development Bank and US\$3.8 billion (R27.1 billion) from the World Bank.
- *Common Monetary Area Compensation* transfers funds to Lesotho, Namibia and Swaziland for the rand monetary area agreement. The budget decreased from R409.9 million in 2009/10 to R381 million in 2010/11, mainly due to rand circulation in the SADC.
- *Financial and Technical Support* caters for support of Africa specific programmes, which includes the logistical arrangement of the African Development Bank. This subprogramme makes transfer payments.
- *African Development Bank and African Development Fund* transfers funds with the purpose of buying shares and subscriptions, as well as the accelerated encashment schedule to support African development. The budget increased from R57.3 million in 2009/10 to R80.6 million in 2010/11, due to the commitment to support development of the African continent.
- *World Bank Group* transfers funds to the World Bank, including the International Development Association, which is part of the group, and provides debt relief to poor countries in terms of a bilateral agreement between donor countries. The budget for 2009/10 and 2010/11 has been maintained at R68 million as per the agreed financial commitment.
- *Collaborative Africa Budget Reform Initiative* transfers funds to the Collaborative Africa Budget Reform Initiative to provide capacity building in financial sector management, budget reform and governance through South Africa's contributions. A transfer of R1.2 million started in 2010/11.
- *Commonwealth Fund for Technical Cooperation* transfers funds to the Commonwealth Fund for Technical Cooperation to assist developing member countries in acquiring the knowledge and institutional capacity needed to address development priorities. The contribution was R3.5 million in 2009/10 and it increased to R4.1 million in 2010/11 due to changes in the exchange rate.
- *International Funding Facility for Immunisation* transfers funds to the International Finance Facility for Immunisation to support healthcare, particularly the provision of vaccines to reduce the number of vaccine preventable deaths among children under the age of 5. The pledge of US\$1 million (R7.5 million) in 2009/10 for this cause increased to R10 million in 2010/11 due to changes in the exchange rate.
- *Investment Climate Facility* transfers funds to the Investment Climate Facility to support initiatives on climate change. The last payment of R7.6 million was processed in 2009/10.

## Objectives and measures

- Advance South Africa's national economic interests through regular strategic analysis and engagement and negotiation at financial and economic forums.
- Increase Africa's voice and improve South Africa's participation in international economic institutions like the International Monetary Fund, the World Bank, the G20 and the African Development Bank, including reforming the Bretton Woods institutions.
- Promote regional economic integration in the SADC and strengthen economic links within Africa by providing ongoing support in SADC forums and by supporting the Southern African Customs Union to meet regional challenges, including the existing revenue sharing formula.

## Expenditure estimates

Table 10.9 International Financial Relations

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Programme Management for International Financial Relations	9 498	710	2 680	8 021	9 346	9 408	9 791
International Economic Cooperation	13 142	18 826	19 914	25 896	23 278	24 523	26 071
Common Monetary Area Compensation	320 597	362 468	409 878	380 957	403 814	602 132	653 932
Financial and Technical Support	–	–	–	18 088	13 273	26 087	27 687
African Development Bank and African Development Fund	76 945	93 849	57 329	80 567	225 401	241 872	268 562
World Bank Group	86 641	68 000	68 000	68 000	121 926	144 500	138 500
Collaborative Africa Budget Reform Initiative	–	–	–	1 200	1 200	1 260	1 329
Commonwealth Fund for Technical Cooperation	3 434	3 659	3 536	4 079	4 442	4 820	5 085
International Funding Facility for Immunisation	7 363	9 618	7 454	10 000	9 700	9 700	10 234
Investment Climate Facility	6 765	10 217	7 607	–	–	–	–
<b>Total</b>	<b>524 385</b>	<b>567 347</b>	<b>576 398</b>	<b>596 808</b>	<b>812 380</b>	<b>1 064 302</b>	<b>1 141 191</b>
Change to 2010 Budget estimate				5 670	193 193	369 346	2 180
<b>Economic classification</b>							
<b>Current payments</b>	<b>20 140</b>	<b>19 323</b>	<b>22 466</b>	<b>33 695</b>	<b>32 451</b>	<b>33 856</b>	<b>35 695</b>
Compensation of employees	11 022	11 521	14 313	21 100	22 372	23 397	24 529
Goods and services	9 118	7 802	8 153	12 595	10 079	10 459	11 166
<i>of which:</i>							
Administrative fees	988	806	450	143	260	225	233
Advertising	353	103	113	202	152	97	97
Assets less than the capitalisation threshold	15	26	26	63	57	55	67
Bursaries: Employees	131	63	256	65	95	100	105
Catering: Departmental activities	202	41	37	108	80	82	85
Communication	220	238	318	512	387	423	453
Computer services	33	14	62	12	11	13	14
Consultants and professional services: Business and advisory services	3 356	108	508	863	332	310	315
Contractors	–	10	6	19	7	8	9
Agency and support / outsourced services	–	408	137	191	10	10	10
Entertainment	12	6	8	18	15	15	15
Inventory: Materials and supplies	–	–	1	–	–	–	–
Inventory: Other consumables	–	–	5	–	–	–	–
Inventory: Stationery and printing	135	166	201	343	257	271	287
Lease payments	33	22	25	61	34	36	39
Travel and subsistence	3 087	5 376	4 769	5 902	7 141	7 464	8 067
Training and development	43	103	89	395	135	138	143
Operating expenditure	212	40	253	44	17	17	17
Venues and facilities	298	272	889	3 654	1 089	1 195	1 210

Table 10.9 International Financial Relations (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Transfers and subsidies</b>	<b>504 030</b>	<b>547 811</b>	<b>553 804</b>	<b>562 891</b>	<b>779 756</b>	<b>1 030 371</b>	<b>1 105 329</b>
Universities and technikons	2 285	–	–	–	–	–	–
Foreign governments and international organisations	501 745	547 811	553 804	562 891	779 756	1 030 371	1 105 329
<b>Payments for capital assets</b>	<b>214</b>	<b>213</b>	<b>109</b>	<b>222</b>	<b>173</b>	<b>75</b>	<b>167</b>
Machinery and equipment	214	213	109	222	173	75	167
<b>Payments for financial assets</b>	<b>1</b>	<b>–</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>524 385</b>	<b>567 347</b>	<b>576 398</b>	<b>596 808</b>	<b>812 380</b>	<b>1 064 302</b>	<b>1 141 191</b>
<b>Details of transfers and subsidies</b>							
<b>Universities and technikons</b>							
<b>Current</b>	<b>2 285</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
University of Cape Town	2 285	–	–	–	–	–	–
<b>Foreign governments and international organisations</b>							
<b>Current</b>	<b>338 159</b>	<b>385 962</b>	<b>428 475</b>	<b>396 236</b>	<b>419 156</b>	<b>617 912</b>	<b>670 580</b>
Common Monetary Area Compensation	320 597	362 468	409 878	380 957	403 814	602 132	653 932
Collaborative Africa Budget Reform Initiative	–	–	–	1 200	1 200	1 260	1 329
Commonwealth Fund for Technical Cooperation	3 434	3 659	3 536	4 079	4 442	4 820	5 085
International Funding Facility for Immunization	7 363	9 618	7 454	10 000	9 700	9 700	10 234
Investment Climate Facility	6 765	10 217	7 607	–	–	–	–
<b>Capital</b>	<b>163 586</b>	<b>161 849</b>	<b>125 329</b>	<b>166 655</b>	<b>360 600</b>	<b>412 459</b>	<b>434 749</b>
Financial and Technical Support	–	–	–	18 088	13 273	26 087	27 687
African Development Bank and African Development Fund	76 945	93 849	57 329	80 567	225 401	241 872	268 562
World Bank Group	86 641	68 000	68 000	68 000	121 926	144 500	138 500

## Expenditure trends

The spending focus over the medium term will be on the recapitalisation of the African Development Bank, the commitment to the World Bank, as well as honouring membership and other contributions based on international contractual obligations.

Spending increased from R524.4 million in 2007/08 to R596.8 million in 2010/11, at an average annual rate of 4.4 per cent. The growth was mainly due to the impact of Rand circulation as per the common rand monetary area agreement, which increased expenditure from R320.6 million to R381 million, at an average annual rate of 5.9 per cent. The increase over the period was also due to spending on compensation of employees, which increased from R11 million in 2007/08 for 26 staff to R21.1 million in 2010/11 for 33 staff. However, over the same period, transfer payments to the World Bank decline from R86.6 million to R68 million, at an average annual rate of 7.8 per cent. The *Investment Climate Facility* subprogramme's three-year obligation came to an end in 2009/10. Spending on consultants decreased from R3.4 million in 2007/08 for three consultants to R863 000 in 2010/11 for one consultant. The decrease was mainly due to increased internal capacity, which reduced the need for consultants.

Expenditure over the MTEF period is expected to increase from R596.8 million to R1.1 billion, at an average annual rate of 24.1 per cent. The increase is mainly due to additional funds allocated to international commitments, namely for: the recapitalisation of the African Development Bank, honouring the commitment to the World Bank, increased membership contributions, and expected increases in Rand circulation for common monetary area compensation. For these reasons, spending over the MTEF period grows as follows: from R80.6 million to R268.6 million in the *African Development Bank and African Development Fund* subprogramme, at an average annual rate of 49.4 per cent; from R381 million to R653.9 million in the *Common Monetary Area Compensation* subprogramme, at an average annual rate of 19.7 per cent; and from R68 million to R138.5 million in the *World Bank Group* subprogramme, at an average annual rate of 26.8 per cent.

Spending on compensation of employees is expected to increase over the medium term at an average annual rate of 5.1 per cent for inflation related adjustments to salaries. Spending on consultancy service decreases from

R3.4 million in 2007/08 to R315 000 in 2013/14, mainly due to once-off technical support for South Africa's hosting of the G20 in 2007/08.

The ratio of administrative to line function programme costs is 1:33.3 per year over the MTEF period. The ratio of spending on consultants to spending on compensation of employees is 1:100 for each year of the seven-year period. An additional R2.2 million has also been allocated over the medium term for inflation related salary adjustments.

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

- *Programme Management for Civil and Military Pensions, Contributions to Funds and Other Benefits* provides support to the planning, monitoring and delivery of the programme's activities. This subprogramme has a staff complement of 3 and a total budget of R2.3 million in 2011/12, of which all will be used for compensation of employees.
- *Government Pensions Administration Agency* provides administrative services in accordance with the Temporary Employees Pension Fund Act (1979), the Associated Institutions Pension Fund Act (1963) on behalf of National Treasury, post-retirement medical subsidies as provided for and regulated by Public Service Coordinating Bargaining Council resolutions, the Military Pensions Act (1976), military pensions in terms of this act, injury on duty payments in terms of the Compensation for Occupational Injuries and Diseases Act (1993), special pensions in terms of the Special Pensions Act (1996) on behalf of National Treasury.
- *Civil Pensions and Contributions to Funds* provides for the payment of benefits to pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes such as medical aid schemes, collective bargaining agreements and other commitments. In 2010/11, 11 663 injury on duty claims were paid out at a cost of R365.4 million, 71 005 monthly medical aid contributions were made in 2009/10 at a cost of R1.5 billion, and 72 467 members will be paid by the end of 2010/11 at a cost of R1.5 billion.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices and other related expenses in terms of statutory commitments. In 2010/11, 7 054 monthly military pensions were paid out at a cost of R171.8 million.

### **Objectives and measures**

- Ensure customer satisfaction by processing post-retirement medical benefit applications within 60 days and paying all medical subsidies within 7 days of receiving them.
- Eliminate the backlog on implementing the Special Pensions Amendment Act (2008) by the end of March 2011/12 by:
  - ensuring that the administration only deals with applications that are not older than 3 months or are current
  - developing a policy to deal with applicants under 35 years of age who applied before the amendment and sending them letters (and application packs) requesting them to reapply.
- Ensure customer satisfaction by punctual and accurate payments of injury on duty benefits to civil servants within 7 days of receiving complete documentation, thus reducing the backlog by 40 per cent (from 2 300 to 920).
- Ensure punctual and accurate payment of military pensions within 3 weeks of receiving completed documentation and of medical treatments within 30 days of receiving an original account, thus reducing the backlog by 40 per cent (from 1 600 to 640).

## Expenditure estimates

Table 10.10 Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Programme Management for Civil and Military Pensions, Contributions to Funds and Other Benefits	–	–	–	1 888	2 323	2 438	2 559
Government Pensions Administration Agency	29 918	18 218	25 497	35 001	41 497	43 938	43 938
Civil Pensions and Contributions to Funds	1 999 964	2 158 759	4 767 721	2 384 105	2 908 169	2 951 654	3 109 433
Military Pensions and Other Benefits	146 944	154 285	161 922	171 843	187 844	200 054	211 357
<b>Total</b>	<b>2 176 826</b>	<b>2 331 262</b>	<b>4 955 140</b>	<b>2 592 837</b>	<b>3 139 833</b>	<b>3 198 084</b>	<b>3 367 287</b>
Change to 2010 Budget estimate				1 888	471 459	446 159	464 006
<b>Economic classification</b>							
<b>Current payments</b>	<b>25 330</b>	<b>17 913</b>	<b>25 254</b>	<b>36 889</b>	<b>43 820</b>	<b>46 376</b>	<b>46 497</b>
Compensation of employees	–	–	–	1 888	2 323	2 438	2 559
Goods and services	25 330	17 913	25 254	35 001	41 497	43 938	43 938
<i>of which:</i>							
<i>Consultants and professional services:</i>	<i>25 330</i>	<i>17 913</i>	<i>25 254</i>	<i>35 001</i>	<i>41 497</i>	<i>43 938</i>	<i>43 938</i>
<i>Business and advisory services</i>							
<b>Transfers and subsidies</b>	<b>2 146 908</b>	<b>2 313 044</b>	<b>4 929 643</b>	<b>2 555 948</b>	<b>3 096 013</b>	<b>3 151 708</b>	<b>3 320 790</b>
Foreign governments and international organisations	2 075	2 690	1 382	2 000	2 110	2 239	2 362
Non-profit institutions	127	–	68	75	80	85	90
Households	2 144 706	2 310 354	4 928 193	2 553 873	3 093 823	3 149 384	3 318 338
Payments for financial assets	4 588	305	243	–	–	–	–
<b>Total</b>	<b>2 176 826</b>	<b>2 331 262</b>	<b>4 955 140</b>	<b>2 592 837</b>	<b>3 139 833</b>	<b>3 198 084</b>	<b>3 367 287</b>
<b>Details of transfers and subsidies</b>							
<b>Households</b>							
<b>Households social benefits</b>							
<b>Current</b>	<b>2 144 706</b>	<b>2 310 354</b>	<b>4 928 193</b>	<b>2 553 873</b>	<b>3 093 823</b>	<b>3 149 384</b>	<b>3 318 338</b>
Contribution to Provident Funds for Associated Institutions (PFMI)	646	692	576	585	766	813	857
Parliamentary awards	15	15	16	20	20	21	22
Other benefits	56 098	62 820	69 983	75 840	83 849	88 964	10 137
Injury on duty	337 351	349 322	376 191	365 357	426 370	452 379	481 784
Government contribution to medical schemes	1 336 745	1 423 032	1 451 744	1 518 706	1 830 201	1 880 885	2 067 839
Special pensions	246 442	296 869	337 431	387 722	412 924	404 665	396 572
Political Officer Bearers Pension Fund	19 747	21 297	2 525 781	29 987	146 495	115 901	143 755
Pension benefits: RSA President	845	2 022	4 617	3 888	5 434	5 787	6 105
Military pension: Ex-Servicemen	39 008	37 683	36 077	32 766	38 824	41 348	43 622
SA citizen force	91 453	96 886	103 520	112 588	120 794	128 645	135 721
Civil protection	19	19	19	20	21	23	24
Other benefits: Ex-Servicemen	16 337	19 697	22 238	26 394	28 125	29 953	31 900
<b>Foreign governments and international organisations</b>							
<b>Current</b>	<b>2 075</b>	<b>2 690</b>	<b>1 382</b>	<b>2 000</b>	<b>2 110</b>	<b>2 239</b>	<b>2 362</b>
United Kingdom tax	2 075	2 690	1 382	2 000	2 110	2 239	2 362
<b>Non-profit institutions</b>							
<b>Current</b>	<b>127</b>	<b>–</b>	<b>68</b>	<b>75</b>	<b>80</b>	<b>85</b>	<b>90</b>
SA Legion	127	–	68	75	80	85	90

## Expenditure trends

The spending focus over the medium term will be mainly on establishing the Government Pensions Administration Agency and the Political Office Bearer's Pension Fund, eradicating the backlog of injury on duty cases, and making contributions to post-retirement medical benefits.

Government's contributions to pensions, military and other benefits on behalf of retired civil servants, in the form of transfers to households, accounts for 98.7 per cent of expenditure in this programme. Expenditure

increased from R2.2 billion in 2007/08 to R2.6 billion in 2010/11, at an average annual rate of 6 per cent. This growth is mainly due to above average increases in medical and other benefit tariffs, and increased spending on compensation for injury on duty. In 2009/10, there was a once-off transfer payment of R2.5 billion to the Political Office Bearers Pension Fund for its pension obligations to members who did not return to office after the 2009 general elections. The expenditure on consultants relates to the services provided by the Government Pensions Administration Agency. The cost of the service increased from R25.3 million in 2007/08 to R35 million in 2010/11, at an average annual rate of 11.4 per cent. This increase was mainly due to the increase in internal capacity within the agency to deal with backlog, which relates to special pensions, military pensions and injury on duty.

Expenditure is expected to increase from R2.6 billion in 2010/11 to R3.4 billion in 2013/14, at an average annual rate of 9.1 per cent. The growth is mainly due to the additional allocation of R1.5 billion for the implementation of the benefit equalisation for the political office bearers; increases in the medical and other benefit tariffs; increased spending on injury on duty as a result of the backlog eradication; and the implementation of the Special Pensions Amendment Act (2008), which will expand benefits to widows and orphans. Spending on consultants is expected to grow from R35 million in 2010/11 to R43.9 million in 2013/14, at an average annual rate of 7.9 per cent. This increase is in line with inflation and also due to an increase in critical administration capacity.

## Programme 8: Technical Support and Development Finance

- *Programme Management for Technical Support and Development Finance* provides advisory and capacity building initiatives focused on public private partnerships, project management, infrastructure service delivery and public finance information systems. This subprogramme has a staff complement of 80 and a total budget of R185.6 million in 2010/11, of which 23.8 per cent (R44.1 million) is used for compensation of employees. The bulk of spending, however, is for 27 full time technical assistants deployed to 9 provincial education, health and public works departments to support the infrastructure improvement programme.
- *Local Government Financial Management and Restructuring Grants* provides for transfers to municipalities and assists them in building capacity to implement the financial management reforms underpinning the Municipal Finance Management Act (2003). It also provides financial assistance to municipalities to help them implement the act as part of capacity building efforts to modernise financial management in local government. In 2010/11, this subprogramme transferred R364.6 million to local government.
- *Gautrain Loan* provides for a once-off transfer of R4.2 billion in 2009/10 to fund the shortfall for the Gautrain rapid rail link project.
- *Neighbourhood Development Partnership Grant* provides for the transfer to municipalities for developing high quality social facilities and economic infrastructure platforms in townships. In 2010/11, this subprogramme transferred R1.2 billion to local government for the implementation of awarded projects.
- *Development Bank of Southern Africa* is an implementing agent of the Siyenza Manje project, which is an initiative to build capacity and support programmes within local government by hiring experts and young professionals in areas where there are skills shortages. In 2010/11, R93 million was transferred to the bank.
- *Post-disaster Recovery and Reconstruction* is a new transfer of R600 million in 2011/12 to deal with post-disaster recovery activities.
- *Employment Creation Facilitation Fund* supports the government initiative to enable the creation of a developmental economy in order to create jobs. The subprogramme will begin functioning in 2011/12. The subprogramme's budget is R9 billion over the medium term.

### Objectives and measures

- Assist in the design and co-financing of neighbourhood development partnership grant projects by:
  - maintaining the number of awards under management at 90 in 57 municipalities per year
  - increasing the number of township regeneration capital projects under construction from 23 to 45 in the implementation phase over the MTEF period.

- Build financial skills by improving internal and external reporting by 2011 on financial management grants as they relate to budget, service delivery and budget implementation plans, in-year-monitoring and annual reports.
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health, and transport through quarterly monitoring of their delivery of provincial infrastructure.

## Expenditure estimates

Table 10.11 Technical Support and Development Finance

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Programme Management for Technical Support and Development Finance	120 057	136 049	147 612	185 601	171 513	186 459	205 094
Local Government Financial Management and Restructuring Grants	675 250	180 000	299 990	364 589	434 641	479 333	526 086
Neighbourhood Development Partnership Grant	41 242	261 557	578 135	1 155 000	850 000	880 000	855 000
Gautrain Loan	-	-	4 200 000	-	-	-	-
Development Bank of Southern Africa	101 674	81 989	88 517	93 005	100 026	109 962	121 498
Post-disaster recovery and reconstruction	-	-	-	-	600 000	-	-
Employment Creation Facilitation Fund	-	-	-	-	2 000 000	3 000 000	4 000 000
<b>Total</b>	<b>938 223</b>	<b>659 595</b>	<b>5 314 254</b>	<b>1 798 195</b>	<b>4 156 180</b>	<b>4 655 754</b>	<b>5 707 678</b>
Change to 2010 Budget estimate				(11 512 331)	(11 104 044)	(11 563 170)	(10 908 582)
<b>Economic classification</b>							
<b>Current payments</b>	<b>113 664</b>	<b>115 474</b>	<b>128 481</b>	<b>162 825</b>	<b>158 649</b>	<b>177 623</b>	<b>192 134</b>
Compensation of employees	19 295	26 741	32 661	44 111	51 233	56 028	60 966
Goods and services	94 369	88 733	95 820	118 714	107 416	121 595	131 168
<i>of which:</i>							
<i>Administrative fees</i>	<i>1 553</i>	<i>1 415</i>	<i>931</i>	<i>1 205</i>	<i>1 274</i>	<i>1 296</i>	<i>1 377</i>
<i>Advertising</i>	<i>379</i>	<i>480</i>	<i>126</i>	<i>385</i>	<i>444</i>	<i>433</i>	<i>472</i>
<i>Assets less than the capitalisation threshold</i>	<i>60</i>	<i>38</i>	<i>17</i>	<i>110</i>	<i>121</i>	<i>132</i>	<i>156</i>
<i>Audit cost: External</i>	<i>58</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>300</i>	<i>317</i>
<i>Bursaries: Employees</i>	<i>102</i>	<i>136</i>	<i>89</i>	<i>275</i>	<i>290</i>	<i>299</i>	<i>339</i>
<i>Catering: Departmental activities</i>	<i>249</i>	<i>232</i>	<i>166</i>	<i>217</i>	<i>238</i>	<i>260</i>	<i>280</i>
<i>Communication</i>	<i>192</i>	<i>260</i>	<i>257</i>	<i>236</i>	<i>302</i>	<i>323</i>	<i>346</i>
<i>Computer services</i>	<i>87</i>	<i>454</i>	<i>52</i>	<i>276</i>	<i>241</i>	<i>263</i>	<i>284</i>
<i>Consultants and professional services: Business and advisory services</i>	<i>88 086</i>	<i>70 785</i>	<i>88 481</i>	<i>110 922</i>	<i>92 880</i>	<i>103 439</i>	<i>109 535</i>
<i>Consultants and professional services: Legal costs</i>	<i>-</i>	<i>196</i>	<i>910</i>	<i>-</i>	<i>1 000</i>	<i>1 100</i>	<i>1 200</i>
<i>Contractors</i>	<i>-</i>	<i>9</i>	<i>3</i>	<i>41</i>	<i>35</i>	<i>38</i>	<i>39</i>
<i>Agency and support / outsourced services</i>	<i>-</i>	<i>9 326</i>	<i>116</i>	<i>190</i>	<i>1 695</i>	<i>2 204</i>	<i>2 713</i>
<i>Entertainment</i>	<i>3</i>	<i>12</i>	<i>15</i>	<i>34</i>	<i>47</i>	<i>50</i>	<i>51</i>
<i>Inventory: Materials and supplies</i>	<i>-</i>	<i>-</i>	<i>6</i>	<i>21</i>	<i>4</i>	<i>4</i>	<i>5</i>
<i>Inventory: Other consumables</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>7</i>	<i>3</i>	<i>3</i>	<i>3</i>
<i>Inventory: Stationery and printing</i>	<i>314</i>	<i>720</i>	<i>427</i>	<i>391</i>	<i>838</i>	<i>897</i>	<i>958</i>
<i>Lease payments</i>	<i>137</i>	<i>237</i>	<i>170</i>	<i>215</i>	<i>148</i>	<i>156</i>	<i>170</i>
<i>Travel and subsistence</i>	<i>2 523</i>	<i>3 441</i>	<i>2 909</i>	<i>3 153</i>	<i>6 083</i>	<i>8 509</i>	<i>10 924</i>

Table 10.11 Technical Support and Development Finance (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Economic classification</b>							
Training and development	215	192	452	392	831	885	920
Operating expenditure	105	295	155	193	251	273	295
Venues and facilities	306	505	537	451	691	731	784
<b>Transfers and subsidies</b>	<b>824 166</b>	<b>543 546</b>	<b>5 185 540</b>	<b>1 634 957</b>	<b>3 996 101</b>	<b>4 476 669</b>	<b>5 513 929</b>
Provinces and municipalities	716 492	361 457	5 008 125	1 394 589	1 184 641	1 279 333	1 326 086
Departmental agencies and accounts	6 000	100 100	88 898	147 363	761 434	152 374	146 345
Public corporations and private enterprises	101 674	81 989	88 517	93 005	2 050 026	3 044 962	4 041 498
<b>Payments for capital assets</b>	<b>388</b>	<b>570</b>	<b>200</b>	<b>413</b>	<b>1 430</b>	<b>1 462</b>	<b>1 615</b>
Machinery and equipment	388	570	200	413	1 430	1 462	1 615
<b>Payments for financial assets</b>	<b>5</b>	<b>5</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>938 223</b>	<b>659 595</b>	<b>5 314 254</b>	<b>1 798 195</b>	<b>4 156 180</b>	<b>4 655 754</b>	<b>5 707 678</b>
<b>Details of transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>6 000</b>	<b>100 100</b>	<b>88 898</b>	<b>147 363</b>	<b>161 434</b>	<b>152 374</b>	<b>146 345</b>
Project Development Facility Trading Account	6 000	-	-	3 000	23 000	28 000	33 000
Technical Assistance Unit Trading Entity	-	20 000	18 898	19 363	38 434	44 374	58 345
Neighbourhood Development Partnership Grant	-	80 100	70 000	125 000	100 000	80 000	55 000
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600 000</b>	<b>-</b>	<b>-</b>
Post disaster recovery and reconstruction	-	-	-	-	600 000	-	-
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	<b>675 250</b>	<b>180 000</b>	<b>299 990</b>	<b>364 589</b>	<b>434 641</b>	<b>479 333</b>	<b>526 086</b>
Local Government Restructuring Grant	530 000	-	-	-	-	-	-
Local Government Financial Municipalities Grant	145 250	180 000	299 990	364 589	434 641	479 333	526 086
<b>Capital</b>	<b>41 242</b>	<b>181 457</b>	<b>508 135</b>	<b>1 030 000</b>	<b>750 000</b>	<b>800 000</b>	<b>800 000</b>
Neighbourhood Development Partnership Grant	41 242	181 457	508 135	1 030 000	750 000	800 000	800 000
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Public corporations - subsidies on products and production</b>							
<b>Current</b>	<b>101 674</b>	<b>81 989</b>	<b>88 517</b>	<b>93 005</b>	<b>100 026</b>	<b>109 962</b>	<b>121 498</b>
Development Bank of Southern Africa	101 674	81 989	88 517	93 005	100 026	109 962	121 498
<b>Provinces and municipalities</b>							
<b>Provinces</b>							
<b>Provincial Revenue Funds</b>							
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>4 200 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gaulrain loan	-	-	4 200 000	-	-	-	-
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers to public corporations</b>							
<b>Current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 950 000</b>	<b>2 935 000</b>	<b>3 920 000</b>
Employment Creation Facilitation Fund	-	-	-	-	1 950 000	2 935 000	3 920 000

## Expenditure trends

The spending focus over the medium term will be on funding post-disaster recovery and reconstruction and providing public funds for job creation initiatives, infrastructure grants for the design of partnership projects, and infrastructure delivery improvement programme projects. Spending will also focus on the enhancement of the delivery capability of the different municipalities.

Between 2007/08 and 2010/11, expenditure increased from R938.2 million to R1.8 billion, at an average annual rate of 24.2 per cent. The growth was mainly due to the implementation of the infrastructure delivery implementation programme, the creation of capacity for social security through its project management unit, the 2010 FIFA World Cup, and the neighbourhood development partnership grant. Spending in the *Local Government Financial Management and Restructuring Grants* subprogrammes decreased between 2007/08 and 2010/11, at an average annual rate of 18.6 per cent, mainly due to the phasing out of the local government restructuring grant. Spending in the *Development Bank of Southern Africa* subprogramme for the Siyenza Manje project decreased at an average annual rate of 2.9 per cent over the same period, mainly due to the phasing out of the financial management grant in 2007/08.

Expenditure over the MTEF period is expected to increase from R1.8 billion to R5.7 billion, at an average annual rate of 47 per cent. The increase is primarily due to an additional allocation of R600 million in 2011/12 for post-disaster recovery and reconstruction, an additional allocation of R9 billion over the medium term for the *Employment Creation Facilitation Fund* subprogramme and the focused implementation of the neighbourhood development partnership grant. Spending on compensation of employees in the *Programme Management for Technical Support and Development Finance* subprogramme grows from R44.1 million in 2010/11 to R51.4 million in 2013/14, mainly due to increased capacity for project management support and the monitoring of provinces.

Spending on consultants decreases from R110.9 million for 30 consultants in 2010/11 to R109.5 million for 27 consultants in 2013/14. The ratio of administrative costs to line function programme costs is 1:33.3 each year over the MTEF period.

## Programme 9: Revenue Administration

- *South African Revenue Service* makes transfers to allow the South African Revenue Service to provide core tax administration services and maintain the IT services that support operations. Activities include branch operations, tax payer audits, call centre operations, processing operations, debt management and IT support.

## Expenditure estimates

Table 10.12 Revenue Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
R thousand							
South African Revenue Service	5 511 031	6 302 778	7 148 446	8 142 208	8 653 573	9 244 374	9 757 215
<b>Total</b>	<b>5 511 031</b>	<b>6 302 778</b>	<b>7 148 446</b>	<b>8 142 208</b>	<b>8 653 573</b>	<b>9 244 374</b>	<b>9 757 215</b>
Change to 2010 Budget estimate				75 398	(90 000)	(80 000)	(80 000)
<b>Economic classification</b>							
Transfers and subsidies	5 511 031	6 302 778	7 148 446	8 142 208	8 653 573	9 244 374	9 757 215
Departmental agencies and accounts	5 511 031	6 302 778	7 148 446	8 142 208	8 653 573	9 244 374	9 757 215
<b>Total</b>	<b>5 511 031</b>	<b>6 302 778</b>	<b>7 148 446</b>	<b>8 142 208</b>	<b>8 653 573</b>	<b>9 244 374</b>	<b>9 757 215</b>
<b>Details of transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
Current	5 255 704	6 021 111	6 996 453	7 972 036	7 855 011	8 394 708	8 914 882
South African Revenue Service	5 255 704	6 021 111	6 996 453	7 972 036	7 855 011	8 394 708	8 914 882
Capital	255 327	281 667	151 993	170 172	798 562	849 666	842 333
South African Revenue Service	255 327	281 667	151 993	170 172	798 562	849 666	842 333

## Expenditure trends

The spending focus over the medium term will be on making transfer payments to enable the South African Revenue Service to implement enforcement initiatives and continue to modernise IT systems.

Between 2007/08 and 2010/11, expenditure increased from R5.5 billion to R8.1 billion, at an average annual rate of 13.9 per cent. R644.8 million of the increase was mainly due to the development of e-filing and the modernisation of the South African Revenue Service's IT systems.

Over the MTEF period, expenditure is expected to increase from R8.1 billion in 2010/11 to R9.8 billion in 2013/14, at an average annual rate of 6.2 per cent. The increase is mainly for spending on compensation of employees to provide for additional capacity for the auditing of tax payers.

## Programme 10: Financial Intelligence and State Security

- *Financial Intelligence Centre* transfers funds to the Financial Intelligence Centre, which enhances the integrity of the South African financial system while creating new measures for investigating authorities to pursue criminal activity. The transfer payment increased from R141.6 million in 2009/10 to R181.4 million in 2010/11 to provide for the development of an IT system.
- *Secret Services* provides government with accurate, topical, policy relevant and timeous foreign intelligence to promote, enhance and protect the national security and interests of South Africa and its citizens. Services also include support of the National Intelligence Agency, the South African Secret Service, and certain activities of the detective service of the South African Police Service. The transfer payment increased from R3.1 billion in 2009/10 to R3.3 billion in 2010/11, mainly due to salary adjustments and the 2010 FIFA World Cup project.

## Expenditure estimates

Table 10.13 Financial Intelligence and State Security

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	appropriation 2010/11	2011/12	2012/13	2013/14
R thousand							
Financial Intelligence Centre	42 480	111 474	141 645	181 414	136 500	142 325	150 000
Secret Services	2 584 240	2 843 583	3 052 226	3 306 752	3 618 521	3 755 513	3 960 281
<b>Total</b>	<b>2 626 720</b>	<b>2 955 057</b>	<b>3 193 871</b>	<b>3 488 166</b>	<b>3 755 021</b>	<b>3 897 838</b>	<b>4 110 281</b>
Change to 2010 Budget estimate				(100 000)	50 301	51 969	19 889
<b>Economic classification</b>							
Transfers and subsidies	2 626 720	2 955 057	3 193 871	3 488 166	3 755 021	3 897 838	4 110 281
Departmental agencies and accounts	2 626 720	2 955 057	3 193 871	3 488 166	3 755 021	3 897 838	4 110 281
<b>Total</b>	<b>2 626 720</b>	<b>2 955 057</b>	<b>3 193 871</b>	<b>3 488 166</b>	<b>3 755 021</b>	<b>3 897 838</b>	<b>4 110 281</b>
<b>Details of transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>2 025 382</b>	<b>2 593 656</b>	<b>2 739 888</b>	<b>3 075 890</b>	<b>3 401 051</b>	<b>3 546 802</b>	<b>3 738 200</b>
Financial Intelligence Centre	36 826	105 555	99 464	108 619	85 700	89 825	94 940
Secret Services	1 988 556	2 488 101	2 640 424	2 967 271	3 315 351	3 456 977	3 643 260
<b>Capital</b>	<b>601 338</b>	<b>361 401</b>	<b>453 983</b>	<b>412 276</b>	<b>353 970</b>	<b>351 036</b>	<b>372 081</b>
Financial Intelligence Centre	5 654	5 919	42 181	72 795	50 800	52 500	55 060
Secret Services	595 684	355 482	411 802	339 481	303 170	298 536	317 021

## Expenditure trends

The spending focus over the medium term will be on making transfer payments to the Financial Intelligence Centre and the South African Secret Service.

Expenditure increased from R2.6 billion in 2007/08 to R3.5 billion in 2010/11, at an average annual rate of 9.9 per cent. The increase was mainly due to an upgrading of IT systems to allow the Financial Intelligence Centre, among others, to monitor and detect money laundering, and for increases in operational costs of the South African Secret Services.

Expenditure over the MTEF period is expected to increase from R3.5 billion to R4.1 billion, at an average annual rate of 5.6 per cent. The increase is mainly for salary adjustments, and the continued modernisation of the Financial Intelligence Centre's IT systems. The centre's increased presence in all nine provinces also contributes to increased spending in this subprogramme.

## Public entities and other agencies

### The Independent Regulatory Board for Auditors

#### Strategic overview: 2007/08 – 2013/14

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

Between 2007/08 and 2010/11, the board focused on creating and implementing the legislated, regulated and operational structures, frameworks, policy and procedures of the act. The objectives of the board over the medium term are to develop and maintain auditing and ethical standards that are internationally comparable, provide an appropriate framework for the education and training of properly qualified auditors, inspect and review the work of registered auditors, and investigate and take appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct.

#### Savings and cost effectiveness measures

The board has implemented savings in spending on goods and services, including: from printing costs, by reducing the number of annual reports printed; and distribution costs by sending invoices and statements by email. Consulting and professional fees are also reduced from R2 million to R103 740. The use of its public relations company has been limited to providing the service on a retainer basis and most of the public relations work is done internally by the chief executive officer. In addition, international air travel is based on the most economic options. The board does not anticipate that these measures will impact negatively on service delivery.

## Selected performance indicators

Table 10.14 Independent Regulatory Board for Auditors

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of registered auditors re-registered per year	Registration of Registered Auditors	4 345	4 260	4 1173	4 100	3 800	3 500	3 500
Number of new registrations per year	Registration of Registered Auditors	152	232	152	108	108	108	108
Number of disciplinary case files opened per year	Inspections	2 479	2 566	2 798	1 952	2 400	2 400	2 400

## Details of programmes/activities/objectives

Table 10.15 Independent Regulatory Board for Auditors

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Auditing and Ethical Standards	2 985	3 587	4 469	5 468	5 699	6 122	6 570
Education, Training and Professional Development	15 939	19 053	7 655	9 061	8 928	9 530	10 136
Registration and Compliance	5 792	6 924	1 484	995	1 048	1 125	1 208
Inspections	5 127	6 129	16 072	15 223	16 350	17 615	18 796
Legal	14 570	20 980	7 138	12 156	12 448	13 297	14 155
Other Objectives	-	-	22 312	22 486	22 456	22 494	22 295
<b>Total expense</b>	<b>44 413</b>	<b>56 673</b>	<b>59 130</b>	<b>65 389</b>	<b>66 929</b>	<b>70 183</b>	<b>73 160</b>

The board has a total budget of R65.4 million in 2010/11, of which 47 per cent is used in the following programmes:

**Auditing and Ethical Standards** provides advice to registered auditors on matters of professional ethics, and conducts and interacts on matters relating to its functions and powers with professional bodies, as well as other bodies or organs of state with an interest in the auditing profession. In 2009/10, this programme had a staff complement of 5 and a total budget of R4.5 million, of which 100 per cent was used for implementation of the auditing standards. In the same year, the International Auditing and Assurance Standards Board 2009 handbook was published with the clarified international standards on auditing, and the public sector standing committee was also established.

**Education, Training and Professional Development** delivers the public practice examination and provides support to members of the board and associates to maintain, improve and broaden their auditing knowledge and skills, and develop the personal qualities required in their professional lives to achieve excellence. This programme has a staff complement of 7 and a total budget of R9.1 million in 2010/11, of which 100 per cent is used for the education and training of auditors. In 2009/10, 2 320 candidates of the 2 798 who wrote the examination passed. In addition, the board initiated the support programme for black repeat candidates. Of the 131 candidates who enrolled for the support programme, 104 passed the public practice examination. These outputs were achieved at a total cost of R7.7 million

**Registration and Compliance** provides consideration and registration of individuals as registered auditors and provides charges and/or penalties for unethical conduct by auditors. This programme has a staff complement of 5. The programme is responsible for the administration and processing of reportable irregularities. In 2009/10, this function had a total budget of R1.5 million. In 2010/11, the total budget for this objective is R995 000 and is mainly used for editing and publication costs.

**Inspections** conducts inspections and/or reviews the practice of a registered auditor and the effective implementation of training contracts. This programme has a staff complement of 19 and in 2009/10, a total of 868 audit engagement inspections and 40 firm inspections were performed at a cost of R16.1 million. In 2010/11, the total budget for inspection was reduced to R15.2 million due to the loss of 2 staff members as there was less inspection work.

## Expenditure estimates

Table 10.16 Independent Regulatory Board for Auditors

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>31 015</b>	<b>33 995</b>	<b>45 744</b>	<b>36 093</b>	<b>38 205</b>	<b>39 975</b>	<b>41 511</b>
Sale of goods and services other than capital assets	30 584	33 639	38 407	35 504	38 035	39 795	41 320
<i>of which:</i>							
Admin fees	1 508	1 289	1 172	550	585	621	655
Sales by market establishments	14 745	32 350	37 235	22 621	25 152	26 978	28 301
Other sales	14 331	–	–	12 333	12 298	12 196	12 364
Other non-tax revenue	431	356	7 337	589	170	180	191
<b>Transfers received</b>	<b>17 095</b>	<b>20 258</b>	<b>22 018</b>	<b>29 296</b>	<b>28 724</b>	<b>30 208</b>	<b>31 649</b>
<b>Total revenue</b>	<b>48 110</b>	<b>54 253</b>	<b>67 762</b>	<b>65 389</b>	<b>66 929</b>	<b>70 183</b>	<b>73 160</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>44 413</b>	<b>56 673</b>	<b>59 130</b>	<b>65 389</b>	<b>66 929</b>	<b>70 183</b>	<b>73 160</b>
Compensation of employees	24 723	28 268	31 404	32 975	34 623	36 355	38 172
Goods and services	18 879	27 232	25 815	30 262	30 527	31 622	32 663
Depreciation	700	1 173	1 910	2 152	1 779	2 206	2 325
Interest, dividends and rent on land	111	–	–	–	–	–	–
<b>Total expenses</b>	<b>44 413</b>	<b>56 673</b>	<b>59 130</b>	<b>65 389</b>	<b>66 929</b>	<b>70 183</b>	<b>73 160</b>
<b>Surplus / (Deficit)</b>	<b>3 697</b>	<b>(2 420)</b>	<b>8 632</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Statement of financial position</b>							
Carrying value of assets	5 734	9 676	7 433	6 292	5 055	4 638	3 099
<i>of which: Acquisition of assets</i>	512	9 218	506	1 011	874	2 306	1 030
Investments	–	–	–	10 000	10 000	10 000	10 000
Inventory	–	–	129	129	129	129	129
Receivables and prepayments	5 852	6 273	4 353	4 231	4 231	4 231	4 231
Cash and cash equivalents	5 443	1 553	5 307	4 378	6 681	7 538	13 387
Assets not classified elsewhere	–	3 641	10 000	149	149	149	149
<b>Total assets</b>	<b>17 029</b>	<b>21 144</b>	<b>27 222</b>	<b>25 179</b>	<b>26 245</b>	<b>26 685</b>	<b>30 995</b>
Accumulated surplus/deficit	6 159	4 018	1 877	1 918	2 730	2 399	5 119
Capital and reserves	6 671	7 126	17 898	18 229	18 589	18 993	19 380
Trade and other payables	3 504	9 219	6 705	4 068	4 465	5 361	1 762
Liabilities not classified elsewhere	695	779	741	3 084	2 868	2 339	2 339
<b>Total equity and liabilities</b>	<b>17 029</b>	<b>21 143</b>	<b>27 221</b>	<b>27 299</b>	<b>28 652</b>	<b>29 092</b>	<b>28 600</b>

## Expenditure trends

The spending focus over the medium term will continue to be on developing and issuing new audit guidance to ensure that the available guidance remains relevant and actively addresses needs in the audit market.

The board receives revenue from National Treasury and fees from the registration of auditors, practice reviews and charges to auditors. Between 2007/08 and 2010/11, transfers received increased from R17.1 million in 2007/08 to R29.3 million in 2010/11, at an average annual rate of 19.7 per cent. The increase was to fund capacity building for the entity to increase audit inspections. Transfers received over the medium term are projected to increase from R29.3 million to R31.7 million in 2013/14, at an average annual rate of 2.6 per cent. Revenue collection from practice reviews is expected to drop due to changes in the Companies Act (2008).

Total expenditure grew from R44.4 million to R65.4 million between 2007/08 and 2010/11, at an average annual rate of 13.8 per cent. This increase was mainly due to personnel and operational expenditure such as lease payments, and the impact of deregistration of the value added tax. Spending on goods and services grew by 17.2 per cent in 2010/11, due to increased spending on the lease of a building at Greenstone Hill Office Park, which increased from R2.6 million in 2009/10 to R4 million in 2011/12.

Over the medium term expenditure is expected to grow from R65.4 million in 2010/11 to R73.2 million in 2013/14 at an annual average rate of 3.8 per cent mainly in compensation of employees. R4 million was reprioritised from National Treasury to the board to address the impact of value added tax deregistration.

#### **Personnel information**

The board has a total establishment of 68 posts, all of which are funded. The number of filled posts remained constant at 65 from 2007/08 to in 2010/11, and is expected to grow to 72 over the medium term. The projected increase in employees relates to 3 vacant positions and 4 new positions required for the implementation of the new code of professional conduct and 1 for a forensic investigator in the legal department. Due to the small size of its staff complement, the board operates with the support of the various statutory committees. Compensation of employees grows from R24.7 million in 2007/08 to R33 million in 2010/11 at an annual average rate of 10.1 per cent and to R38.2 million over the medium term at an average annual rate of 5 per cent.

The ratio of support staff to line function staff is 1:2.6.

### **The Accounting Standards Board**

#### **Strategic overview: 2007/08 – 2013/14**

The Accounting Standards Board is a statutory body established in terms of the Public Finance Management Act (1999) to set standards of generally recognised accounting practice for all spheres of government. A further function of the board is to promote the effective management of revenue, expenditure, and assets and liabilities of the entities to which the standards apply, and to ensure that there is transparent reporting on these.

The board has completed the development of a core set of standards for implementation by all spheres of government, and approved generally recognised accounting practice standards for impairment, financial instruments and employee benefits.

The board's strategic focus over the medium term is as follows:

For 2011/12, the focus of the board's work programme will be: the completion of generally recognised accounting practice standards for related parties, segment reporting, narrative reporting and service outcomes; international cooperation with the International Public Sector Accounting Standards Board to develop international public sector accounting standards and facilitate the concurrent exposure of the proposed international standards in South Africa, and convergence with the International Accounting Standards Board on standards that are sector neutral; local initiatives to fill public sector gaps, including a guide on public sector specific financial instruments and a generally recognised accounting practice standard on social policy obligations; the development of accounting and reporting guidelines, and undertaking research in identified areas of financial reporting; and initiatives to facilitate the implementation of generally recognised accounting practice standards in all spheres of government.

The implementation of the generally recognised accounting practice standards will lead to improved decision making, allocation of resources and accountability, as all spheres of government will be preparing financial statements that are comparable. This will enhance the understanding of service delivery initiatives.

#### **Savings and cost effectiveness measures**

To ensure cost effectiveness, the board renegotiated the lease agreement, resulting in the rental being maintained at the previous year's level, resulting in a saving of R210 205 to be realised in 2011/12. The board will also explore other ways of ensuring cost effectiveness, such as seconding trainees with suitable skills. Cost effectiveness measures will not impact on service delivery.

## Selected performance indicators

Table 10.17 The Accounting Standards Board

Indicator	Past			Current	Projections		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total number of documents completed related to setting generally recognised accounting practice standards	12	12	12	12	21	21	21

## Details of programme/activities/objectives

Table 10.18 The Accounting Standards Board

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Setting Standards of Generally Recognised Accounting Standards for all spheres of government	6 497	7 625	7 310	7 623	8 055	8 396	8 827
<b>Total expense</b>	<b>6 497</b>	<b>7 625</b>	<b>7 310</b>	<b>7 623</b>	<b>8 055</b>	<b>8 396</b>	<b>8 827</b>

The board sets standards of generally recognised accounting practice for all spheres of government in accordance with the Public Finance Management Act (1999). The board has a staff complement of 7 and a total budget of R7.6 million, of which 67.4 per cent is used for compensation of employees. Developing a single standard takes approximately 4 years, given the extensive consultation process that must be followed by the board.

## Expenditure estimates

Table 10.19 The Accounting Standards Board

Statement of financial performance							
R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Revenue</b>							
Non-tax revenue	211	112	104	85	85	85	85
<i>Other non-tax revenue</i>	211	112	104	85	85	85	85
Transfers received	6 243	7 411	7 859	7 538	7 970	8 369	8 829
<b>Total revenue</b>	<b>6 454</b>	<b>7 523</b>	<b>7 963</b>	<b>7 623</b>	<b>8 055</b>	<b>8 454</b>	<b>8 914</b>
<b>Expenses</b>							
Current expense	6 497	7 625	7 310	7 623	8 055	8 396	8 827
Compensation of employees	3 844	4 316	4 900	5 138	5 627	5 611	5 968
Goods and services	2 492	3 155	2 253	2 375	2 324	2 705	2 810
Depreciation	161	154	157	110	104	80	49
<b>Total expenses</b>	<b>6 497</b>	<b>7 625</b>	<b>7 310</b>	<b>7 623</b>	<b>8 055</b>	<b>8 396</b>	<b>8 827</b>
<b>Surplus / (Deficit)</b>	<b>(43)</b>	<b>(102)</b>	<b>653</b>	<b>-</b>	<b>-</b>	<b>58</b>	<b>87</b>
<b>Statement of financial position</b>							
Carrying value of assets	418	314	225	236	222	282	333
<i>of which: Acquisition of assets</i>	133	52	71	121	90	140	100
Receivables and prepayments	158	141	51	51	51	51	51
Cash and cash equivalents	995	1 215	1 058	530	188	189	189
<b>Total assets</b>	<b>1 571</b>	<b>1 670</b>	<b>1 334</b>	<b>817</b>	<b>461</b>	<b>522</b>	<b>573</b>
Accumulated surplus/deficit	418	314	968	507	507	565	652
Trade and other payables	551	518	130	200	239	242	206
Provisions	166	94	110	110	110	110	110
Liabilities not classified elsewhere	436	744	126	-	-	-	-
<b>Total equity and liabilities</b>	<b>1 571</b>	<b>1 670</b>	<b>1 334</b>	<b>817</b>	<b>856</b>	<b>917</b>	<b>968</b>

## Expenditure trends

The spending focus over the medium term will be on: fostering cooperation with the International Public Sector Accounting Standards Board; completing the standards of generally recognised accounting practice on related parties, segment reporting, narrative reporting and service outcomes; and facilitating the implementation of the standards of generally recognised accounting practice in all spheres of government.

Spending grew from R6.5 million in 2007/08 to R7.6 million in 2010/11, at an average annual rate of 5.5 per cent. The growth was mainly due to an increase in outreach programmes to stakeholders to increase awareness and participation in the development of standards of generally recognised accounting practice. Spending over the medium term is expected to increase from R7.6 million in 2010/11 to R8.8 million in 2013/14, at an average annual rate of 5.4 per cent. The growth is attributed to the general salary adjustments, as well as an increase in the staff complement to increase the number of standard setters.

#### **Personnel information**

As at 30 September 2010, the entity had an approved and fully funded and filled establishment of 7. There are no additional posts to the structure. The staff complement is composed of 5 standard setters, 1 support staff and 1 executive management personnel (CEO). The standard setters are responsible for drafting the accounting standards. The funded personnel establishment remained at 7 from 2007/08 to 2010/11 and compensation of employees increased from R3.8 million to R5.1 million across all levels over the period at an average annual rate of 10.2 per cent mainly due to general inflation adjustments. The board does not make use of consultants.

Over the medium term the establishment is expected to remain at 7 from 2010/11 to 2013/14 and compensation of employees is projected to increase to R5.6 million at an average annual rate of 5.1 per cent. The projected increase is mainly to accommodate anticipated general inflation adjustments. Expenditure on compensation of employees over the seven-year period under review constitutes 65.6 per cent of total expenses. The ratio of support staff to line function employees is 1:6 and the ratio of administrative to line function spending increases from 2:13 (12.0 per cent) in 2011/12 to 2:11 (19.3 per cent) in 2013/14.

### **Cooperative Banks for Development Agency**

#### **Strategic overview: 2007/08 – 2013/14**

The Cooperative Banks for Development Agency was established in 2009 in terms of the Cooperative Banks Act (2007). The objectives of the agency are to provide for the registration, as cooperative banks, of deposit taking financial service cooperatives, savings and credit cooperatives, community banks and village banks, and the regulation and supervision of these banks. The agency will also facilitate, promote and fund the education and training of cooperative bank personnel.

Access to financial services is a precondition for economic development. As 37 per cent of South Africans have no access to regulated financial services, National Treasury has committed to a range of initiatives to increase access. Financial cooperatives are member owned and controlled structures. The agency provides training and support to ensure that the members' savings and assets are properly managed, and are not exposed to undue risk. In line with government's responsibility for regulating banking and developments in the cooperative banking sector, National Treasury has begun developing appropriate legislation to supervise and support the sector.

In terms of the development and delivery of its training programmes, existing learning programmes and technical tools available in the field are assessed first and then formally accredited by the South African Qualifications Authority. The agency will only develop its own programmes if there are gaps, and this is one of the ways in which the agency tries to work as efficiently and cost-effectively as possible.

#### **Savings and cost effectiveness measures**

The Cooperative Banks Development Agency has identified entered savings of R500 000 in lease payments and R1.5 million on operational expenditure in human resources, facilities management and financial management. Savings of approximately R2 million were also realised in 2009/10 and 2010/11 as the agency shares its building and some of its capital and operational expenditure with National Treasury. These cost effective measures will not impact negatively on service delivery.

## Selected performance indicators

Table 10.20 Cooperative Banks for Development Agency

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of cooperative banks supervised per year	Implement Effective Support	-	-	35	22	26	35	35
Number of cooperative banks registered per year	Registration of Cooperative Banks	-	-	-	3	6	7	10
Number of financial cooperatives in training per year	Implement Effective Support	-	-	35	342	564	848	1 175
Number of cooperative banks receiving financial support per year	Implement Effective Support	-	-	35	7	10	15	15
Number of accredited support organisations per year	Implement Effective Support	-	-	35	23	28	35	35
Total number of financial cooperatives benchmarking performance	Implement Effective Support	-	-	5	35	45	63	63
Total number of publications	Implement Effective Support	-	-	7	7	15	19	19

## Details of programme/activities/objectives

Table 10.21 Cooperative Banks for Development Agency

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Register and Supervise Co-operative banks	-	-	-	952	1 262	1 028	2 462
Implement Effective Support	-	-	-	1 648	1 648	2 966	2 648
Implement Financial Support	-	-	-	1 680	1 680	1 680	1 680
Benchmark Sector Progress	-	-	-	520	520	520	520
Build Sector Networks	-	-	-	600	600	600	600
Other Objectives	-	-	-	2 836	3 600	4 282	5 600
<b>Total expense</b>	-	-	-	<b>8 236</b>	<b>9 310</b>	<b>11 076</b>	<b>13 510</b>

The agency has a total budget of R8.2 million in 2010/11, of which 11.6 per cent is used in the Registration of Cooperative Banks programme's activity and support.

**Implement Effective Support:** This objective aims to support 45 programmes in 2010/11, which are set to increase to 75 by 2013/14. This will be done through the internal capacity of 9 employees.

**Registration of Cooperative Banks:** In 2009/10, the agency established the supervisory function and applications for registration of cooperative banks were called for. 17 financial cooperatives applied, of which 9 submitted completed applications, which are currently under consideration.

**Building Sector Networks:** In 2010/11, the agency worked towards building partnerships in the sector. Since two other agencies also register financial cooperatives, it is essential that this agency has partnerships to enable coordinated programmes for the sector. To support this initiative, the agency has initiated the capacity building guidance committee, a partnership which includes the South Africa Micro-finance Apex Fund, the Savings and Credit Cooperative League of South African and the Banking Sector Education and Training Authority. The cost of building sector networks will be R600 000 for 2010/11 and this will be maintained over the MTEF period. In 2010/11, the entity employed 18 consultants, which represents a consultant to staff ratio of 1:1.6.

## Expenditure estimates

Table 10.22 Cooperative Banks for Development Agency

Statement of financial performance				Revised estimate	Medium-term estimate		
R thousand	Audited outcome				2010/11	2011/12	2012/13
		2007/08	2008/09	2009/10			
Revenue							
Non-tax revenue	-	-	-	-	-	-	-
Transfers received	-	-	-	8 236	9 310	11 076	13 510
Total revenue	-	-	-	8 236	9 310	11 076	13 510
Expenses							
Current expense	-	-	-	8 236	9 310	11 076	13 510
Compensation of employees	-	-	-	3 936	4 443	4 415	6 130
Goods and services	-	-	-	4 300	4 867	6 661	7 380
Total expenses	-	-	-	8 236	9 310	11 076	13 510
Surplus / (Deficit)	-	-	-	-	-	-	-

## Expenditure trends

The spending focus over the medium term will be on facilitating, promoting and funding education and training of cooperative banks.

The agency began its operations in 2010/11, with an allocation of R8.2 million. Over the medium term, transfers received are expected to increase from R8.2 million to R13.5 million, at an average annual rate of 17.9 per cent. This is mainly attributed to funding to support the agency's services, which include supervision, training, liquidity support and benchmarking performance of financial cooperatives and cooperative banks.

The growth is driven largely by spending on goods and services, which increases from R4.3 million in 2010/11 to R7.4 million in 2013/14 at an average annual rate of 19.7 percent, due to the registration of cooperative banks, capacity building and building sector networks.

## Personnel information

As at 30 September 2010 the agency had an approved establishment of 9 that was fully funded.

Over the medium term, compensation of employees is expected to increase from R3.4 million in 2010/11 to R6.1 million in 2013/14 at an average annual rate of 15.9 per cent mainly for the increase in the establishment at professional and management levels as a result of the entity appointing the programme manager (senior management) for the capacity building programme; two professionals in capacity building programme and one professional for the monitoring and evaluation of CBDA programmes.

Expenditure on compensation of employees over the medium term constitutes 44.9 per cent of total expenses and this is mainly to the fact that the focus on the first year has been on populating the establishment. The ratio of administrative to line function spending is 1:10. The ratio of admin to line function employees is 2:9.

Spending on 30 consultants over the medium term is expected to increase from R1.6 million in 2010/11 to R3.5 million in 2013/14 mainly due to inflation. Consultancy expenditure over the five-year period under review constitutes 30 per cent of total expenses and the ratio of consultant spending to compensation of employees is 1:2.2. The ratio of consultants to employees is 1:3.

## Financial Intelligence Centre

### Strategic overview: 2007/08 – 2013/14

The Financial Intelligence Centre was established by the promulgation of the Financial Intelligence Centre Act (2001) and started functioning in 2003. The centre's role is to ensure that the information it provides to law enforcement authorities is used in a non-partisan manner, particularly where successful prosecution can have a high impact. It is the youngest of government's compliance institutions and its creation was spurred by the need to enhance the integrity of the South African financial system, while also creating new measures for investigating authorities to pursue criminal activity.

In 2009/10, the centre made considerable efforts preparing for data it will receive under the Financial Intelligence Centre Amendment Act (2008), its IT technology platform was enhanced, the quality of the centre's

intelligence reports was improved, and the centre strengthened its international cooperation through interactions with partner organisations, with a particular focus on Africa.

The centre's strategic priority over the medium term is to make the information it collects available to investigating authorities, the intelligence services and the South African Revenue Service. It also aims to implement IT systems that will assist it in exchanging information with other governmental departments and agencies, and continue engaging with supervisory bodies in other countries.

## Savings and cost effectiveness measures

The Financial Intelligence Centre completed its ICT project in 2010/11, resulting in a saving of R100 million in 2010/11, R32.7 million in 2011/12, R35 million in 2012/13 and R36.2 million in 2013/14.

## Selected performance indicators

Table 10.23 Financial Intelligence Centre

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of suspicious transaction reports per year <sup>1</sup>	Monitoring and Enforcement	24 580	22 762	29 411	36 708	40 378	32 741	36 669
Total referrals to law enforcement agencies per year	Legal and Policy	1221	1002	1150	1323	549 <sup>1</sup>	1221	1005
Number of compliance audits per year	Compliance and Prevention	236	235	199	337	51 <sup>2</sup>	239	250
Total number of requests from international counterparts	Monitoring and Evaluation	79	102	83	153	188	194	200

1. Fewer fraudulent transactions are expected to go through the banking sector as people become aware of the monitoring of banking transactions.

2. Focus will not be on audits but on training on the Amended Financial Intelligence Centre Act.

## Details of programme/activities/objectives

Table 10.24 Financial Intelligence Centre

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Financial Intelligence Centre Information and Communication Technology Project	–	24 000	34 000	43 289	50 054	60 946	70 946
Monitoring and Analysis	6 830	8 958	12 599	15 789	26 037	25 870	25 870
Legal and Policy	3 680	4 434	6 500	7 680	8 816	11 161	11 161
Compliance and Prevention	10 261	11 931	16 500	18 325	27 952	32 023	22 023
Administration and Support	39 027	50 397	52 000	54 383	23 641	12 325	20 000
Total expense	59 798	99 720	121 599	139 466	136 500	142 325	150 000

The centre has a total budget of R139.5 million in 2010/11, of which 31 per cent is used in the Financial Intelligence Centre Information and Communication Technology project.

**Financial Intelligence Centre Information and Communication Technology Project** provides a platform to access information with other intelligence authorities to monitor money laundering and crime, or the financing of crime. This objective has a staff complement of 28 employees and 9 consultants and a total budget of R43.3 million, of which 100 per cent is used for software licences and the maintenance of the system. In 2009/10, the IT capacity was maintained to sustain the business of the centre and establish disaster recovery, business continuity and information security systems and policies to secure business operations. In 2010/11, the centre budgeted R7.7 million for software licences and R10 million for computer equipment relating to the ICT project rollout in other provinces.

**Monitoring and Analysis** receives information from reporting and accountable institutions relating to alleged money laundering and terror financing activities. The department also receives spontaneous disclosures from international counterparts and members of the public. In 2010/11, this programme budgeted R15.8 million, which is 11.3 per cent of the entity's total budget. The information is then stored, analysed, contextualised and

distributed to law enforcement authorities and intelligence agencies where further investigation is deemed necessary. In 2009/10, this programme spent R12.6 million compared to R9 million in 2008/09.

**Legal and Policy** administers the Financial Intelligence Centre Act (2001), engages with international and regional policy forming, sets standards for organisations, and provides policy advice on matters of a strategic nature concerning money laundering and terrorist financing. This programme has a total budget of R7.7 million, of which 100 per cent is used for legal advice. In 2009/10, the programme spent R6.5 million, compared to R4.4 million in 2008/09, for improved standards setting and policy advice to government on money laundering and terrorist financing. In 2010/11, this objective promulgated the amendment to the Financial Intelligence Centre Act and monitored the actions by relevant South African authorities to implement the recommendations from the Financial Action Task Force's mutual evaluation assessment report, thus fulfilling international responsibilities in terms of the task force standards and United Nations conventions. This activity was supported by a total budget of R8 million and a total staff complement of 11.

**Compliance and Prevention** provides guidance to accountable and reporting institutions and monitors the supervision of supervisory bodies of their responsibilities under relevant legislation. This objective has a staff complement of 25 and a total budget of R18.3 million, of which 100 per cent is used for information gathering and reporting. In 2009/10, the objective developed a risk based approach to compliance management and oversight, carried out administrative activities, and assisted in criminal prosecutions relating to non-compliance with the aim of improving compliance with the Financial Intelligence Centre Act (2001). In 2010/11, the centre conducted 7 compliance reviews on the South African Post Office.

**Administration and Support** includes office management, financial and administrative management, supply chain management, human resources, registry and document storage services, staff learning and development, security services, in house legal services and ICT. In 2010/11, this programme had a total budget of R54.4 million, of which 100 per cent was used for operational expenses and support services. In 2010/11, the centre participated in the national joint operational and intelligence structure to contribute to fighting crime during the 2010 FIFA World Cup. The centre contributed to 12 investigations linked to the crime combating initiative during the event.

## Expenditure estimates

Table 10.25 Financial Intelligence Centre

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
<b>Revenue</b>							
Non-tax revenue	1 443	516	1 281	1 197	1 272	1 350	1 360
Other non-tax revenue	1 443	516	1 281	1 197	1 272	1 350	1 360
Transfers received	42 480	111 474	141 645	181 414	136 500	142 325	150 000
<b>Total revenue</b>	<b>43 923</b>	<b>111 990</b>	<b>142 926</b>	<b>182 611</b>	<b>137 772</b>	<b>143 675</b>	<b>151 360</b>
<b>Expenses</b>							
Current expense	59 735	99 720	121 599	139 466	136 500	142 325	150 000
Compensation of employees	34 241	48 383	59 855	73 684	68 254	69 544	64 713
Goods and services	23 806	44 630	53 521	55 988	50 548	49 108	49 360
Depreciation	1 621	6 456	8 132	9 663	17 559	23 525	35 771
Interest, dividends and rent on land	67	251	91	131	139	148	156
Transfers and subsidies	63	-	-	-	-	-	-
<b>Total expenses</b>	<b>59 798</b>	<b>99 720</b>	<b>121 599</b>	<b>139 466</b>	<b>136 500</b>	<b>142 325</b>	<b>150 000</b>
<b>Surplus / (Deficit)</b>	<b>(15 875)</b>	<b>12 270</b>	<b>21 327</b>	<b>43 145</b>	<b>1 272</b>	<b>1 350</b>	<b>1 360</b>
<b>Statement of financial position</b>							
Carrying value of assets	26 586	35 413	36 359	78 226	111 467	140 442	159 731
of which: Acquisition of assets	22 189	15 484	9 287	51 600	50 800	52 500	55 060
Inventory	170	166	169	169	169	169	169
Receivables and prepayments	466	1 646	1 700	1 700	1 700	1 700	1 700
Cash and cash equivalents	1 180	1 601	23 554	24 832	25 914	25 582	25 809

Table 10.25 Financial Intelligence Centre (continued)

Statement of financial position	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Total assets	28 402	38 826	61 782	104 927	139 250	167 893	187 409
Accumulated surplus/deficit	16 639	28 797	50 124	93 269	127 314	155 660	174 864
Capital and reserves	23	23	23	23	23	23	23
Trade and other payables	10 005	9 332	11 014	11 014	11 014	11 014	11 014
Provisions	1 154	–	156	156	156	156	156
Liabilities not classified elsewhere	581	674	465	465	743	1 040	1 352
Total equity and liabilities	28 402	38 826	61 782	104 927	139 250	167 893	187 409

## Expenditure trends

The spending focus over the medium term will be on making the information collected by the centre also available to investigating authorities, and on ensuring that the information it provides to law enforcement authorities is used in a non-partisan manner, particularly where successful prosecution can have a high impact. The centre will also focus on implementing IT technology systems that will assist in exchanging information with other governmental departments and agencies, as well as supervisory bodies in other countries.

Between 2007/08 and 2010/11 transfer received, revenue grew from R42.5 million to R181.4 million, at an average annual rate of 62.2 per cent. This increase was driven largely by additional allocations for the ICT projects. Transfer received are expected to decrease from R181.4 million in 2010/11 to R150 million in 2013/14, at an average annual rate of 6.1 per cent. The decrease is due to the completion of the ICT projects in 2010/11.

Between 2007/08 and 2010/11, spending grew from R59.8 million to R139.5 million, at an average annual rate of 32.6 per cent. The growth was driven mainly by spending on goods and services for the ICT projects. Expenditure increases to R150 million over the MTEF period at an average annual rate of 2.5 per cent stimulated by a substantial increase in the depreciation expense of R26.1 million over the period.

## Personnel information

The FIC had an approved establishment of 150 as at 30 September 2010, of which 137 were funded and filled. The establishment consists mainly of investigative professionals who support the achievement of the FIC's main objectives.

The funded personnel establishment increased from 107 in 2007/08 to 150 in 2010/11 and compensation of employees increased from R34.2 million to R73.7 million over the period at an average annual rate of 29 per cent mainly to increase the capacity to monitor transactions, compliance and also ensure enforcement of regulations. The bulk of the establishment is at the professional level and also in middle management and vacancies occur mainly at the professional level. The main reason for vacant posts is due to a lack of skilled professionals in the market

Over the medium term, the approved establishment is expected to grow from 150 posts in 2010/11 to 225 in 2013/14 and compensation of employees is projected to increase to R98 million at an average annual rate of 10 per cent. The projected increase in the establishment is necessitated by the entity's revised mandate which compels the entity to have a footprint in all provinces and strengthen its coordination efforts with other law enforcement agencies. No vacancies are anticipated as the entity's personnel projections are below what the management believes is required but had to be curbed due to budgetary constraints. Expenditure on compensation of employees over the seven-year period under review constitutes 49.3 per cent of total expenses and the ratio of administrative to line function spending increases from 1:29 in 2010/11 to 1:15 in 2013/14. The ratio of admin to line function employees is 1:1

Spending on consultants grows from R5.2 million in 2007/08 for 1 consultant to R17.5 million in 2010/11 for 19 consultants at an average annual rate of 49.6 per cent. The increase was mainly for the implementation of the new Information Communication Technology platform and systems necessary for achieving the FIC's objectives. Spending on consultants over the medium term is expected to decrease to R3.7 million in 2013/14 for 8 consultants who will augment the investigative capacity of FIC. Consultancy expenditure over the seven-

year period under review constitutes 8 per cent of total expenses and the ratio of consultant spending to compensation of employees is 1:10.4. The ratio of consultants to employees is 1:14.

## The Public Investment Corporation Limited

### Strategic overview: 2007/08 – 2013/14

The Public Investment Corporation is the investment management company that manages investments on behalf of the Government Employees Pension Fund, Unemployment Insurance Fund, Compensation Commissioner, Compensation Commissioner Fund and the Associated Institutions Pension Fund. The Public Investment Corporation is wholly owned by the South African government. The Public Investment Corporation's largest client is the Government Employees Pension Fund with assets worth about R910.9 billion entrusted to the corporation.

The strategic focus of the corporation between 2007/08 and 2010/11 included entrenching a culture of shareholder participation and publishing the corporate governance and proxy voting policy to ensure consistency between the companies, shareholders, the organisation and fund managers that invest on the organisation's behalf. The corporation became a signatory to both the United Nations Principle of Responsible Investment and the United Nations Global Compact and has been at the forefront of efforts to raise the profile of the principles of responsible investing in South Africa. Following the corporation's successful execution of the core satellite equities investment strategy, 75 per cent of equities are managed in-house and 25 per cent externally. The value of properties managed by the corporation's asset manager has reached the R34.9 billion mark.

The corporation's strategic thrust over the medium term is to continue to deliver performance on investment that exceeds the set benchmarks, focus on client retention, increase the quantum invested and also the number of deals for the Isibaya Fund. (The corporation established the Isibaya Fund in 1999 to participate in projects that promote job creation, poverty alleviation and economic transfer). The corporation aims to achieve greater alignment with the mandates of its clients by reducing the number of deviations resulting from tracking errors, as well as through the restructuring of funds managed through the equities. It will further consolidate and grow the properties business, invest in the Pan African Infrastructure Development Fund, promote good corporate governance and shareholder activism, and continue to operate to high standards.

### Selected performance indicators

Table 10.26 Public Investment Corporation Limited

Indicator	Past			Current 2010/11	Projections		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Value of revenue per year	R385m	R436m	R345m	R385m	R406m	R394m	R493m
Value of operating expenses per year	R222m	R278m	R275m	R256m	R271m	R279m	R288m
Value of net profit after tax per year	R162m	R158m	R72m	R63.7m	R61m	R16m	R92m
Total value of funds under management	R786.8bn	R739.7bn	R910.9bn	987bn	– <sup>1</sup>	– <sup>1</sup>	– <sup>1</sup>
Number of clients per year	36	38	38	38	41	43	45

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

### Details of programme/activities/objectives

Table 10.27 Public Investment Corporation Limited

R thousand	Audited outcome			Revised estimate 2010/11	Medium-term estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Incurred on investing funds on behalf of clients	222 122	278 165	275 149	318 415	344 780	378 843	401 573
Total expense	222 122	278 165	275 149	318 415	344 780	378 843	401 573

The corporation has one main programme, the Investment Division, which provides asset management business and is led by the chief investment officer. This component consists of the four investment divisions: fixed income and dealing, equities, properties and the Isibaya Fund. The fair value of assets under management (by

the Public Investment Corporation) increased by 23.1 per cent, from R739.7 billion in March 2009 to R910.9 billion as at 31 March 2010. The listed equities portfolio was a major contributor to the growth achieved, increasing in value from R270 billion to R437 billion by the end of 2009/10, representing growth of 61.9 per cent. The value of property assets under management increased by 15 per cent, from R23.4 billion in March 2009 to R26.9 billion at the end of March 2010.

## Expenditure estimates

Table 10.28 Public Investment Corporation Limited

Statement of financial performance				Revised	Medium-term estimate		
	Audited outcome			estimate			
R thousand	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>384 976</b>	<b>436 447</b>	<b>346 999</b>	<b>327 742</b>	<b>406 060</b>	<b>394 330</b>	<b>493 339</b>
Sale of goods and services other than capital assets	349 458	390 097	310 247	314 790	400 205	389 925	490 527
<i>of which:</i>							
<i>Sales by market establishments</i>	349 458	390 097	310 247	314 790	400 205	389 925	490 527
<i>Other non-tax revenue</i>	35 518	46 350	36 752	12 952	5 855	4 405	2 812
<b>Total revenue</b>	<b>384 976</b>	<b>436 447</b>	<b>346 999</b>	<b>327 742</b>	<b>406 060</b>	<b>394 330</b>	<b>493 339</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>156 236</b>	<b>210 852</b>	<b>229 317</b>	<b>287 058</b>	<b>324 092</b>	<b>367 030</b>	<b>381 030</b>
Compensation of employees	84 608	125 619	134 219	192 247	218 514	244 633	259 311
Goods and services	61 130	79 636	88 480	76 096	87 947	107 872	106 323
Depreciation	10 361	5 428	6 373	7 824	8 028	10 672	11 312
Interest, dividends and rent on land	137	169	245	10 891	9 603	3 853	4 084
<b>Total expenses</b>	<b>222 122</b>	<b>278 165</b>	<b>275 149</b>	<b>318 415</b>	<b>344 781</b>	<b>378 843</b>	<b>401 573</b>
<b>Surplus / (Deficit)</b>	<b>162 854</b>	<b>158 282</b>	<b>71 850</b>	<b>9 327</b>	<b>61 279</b>	<b>15 487</b>	<b>91 766</b>

## Expenditure trends

The spending focus over the medium term will be on increased investment and delivering better performance over investments. The Public Investment Corporation receives a management fee for the management of assets of the Government Employees Pension fund.

Total revenue decreased from R385 million in 2007/08 to R327.7 million in 2010/11, at an average annual rate of 5.2 per cent. The decrease was mainly due to the economic downturn and the loss of asset value. Other non-tax revenue decreases at an average annual rate of 57.1 per cent over the seven-year period due to the decrease in the management fee paid for the management of assets by clients.

Over the medium term, total revenue is expected to increase from R327.7 million in 2010/11 to R493.3 million in 2013/14, at an average annual rate of 14.6 per cent. This is mainly due to the fee earned from managing the assets of the Governments Employees Pension Fund. Other non-tax revenue decreases from R13 million in 2010/11 to R2.8 million in 2013/14, at an average annual rate of 39.9 per cent over the medium term. The decrease is due to adjustments to the fair value of assets.

Between 2007/08 and 2010/11, total expenditure increased from R222.1 million to R318.4 million, at an average annual rate of 12.8 per cent. The increase was due to the acquisition of IT systems and related software licences and maintenance costs, and the leasing of a new building to accommodate the increase in staff. Expenditure over the MTEF period is expected to grow from R318.4 million in 2010/11 to R401.6 million in 2013/14, at an average annual rate of 8 per cent. The growth is due to the introduction of the long term incentives and expenditure on IT systems. The increase in the rental of premises will also contribute to the increase in the corporation's expenditure over the MTEF period.

## Government Pensions Administration Agency

### Strategic overview: 2007/08 – 2013/14

The separation of the administration component from the Government Employees Pension Fund culminated in the formation of the Government Pensions Administration Agency, which has the Minister of Finance as its executive authority.

The agency was registered on 1 April 2010 in terms of the Public Service Act (1994) as amended, and a 2010 presidential proclamation. The agency provides pension administration services in the following categories in accordance with relevant legislation: the Temporary Employees Pension Fund Act (1979); the Associated Institutions Pension Fund Act (1963) on behalf of National Treasury; post-retirement medical subsidies as provided for and regulated by Public Service Coordinating Bargaining Council resolutions; military pensions in terms of the Military Pensions Act (1976); injury on duty payments in terms of the Compensation for Occupational Injuries and Diseases Act (1993); special pensions in terms of the Special Pensions Act (1996); and the technical support and development finance programme on behalf of National Treasury.

Over the years, the Government Employees Pension Fund has been faced with service delivery challenges, including ensuring that benefits are paid on time, maintaining accurate information on paid and payable pension benefits, communicating with members and building relations with departments. The agency's goal is to improve service delivery in line with the service level agreement that was developed to monitor targets, including turnaround times for processing and paying benefits. The agency is committed to delivering on the following: accurate payment within 60 days; reduction of backlogs; responsive and accessible service channels; a stabilised and conducive employee environment; an unqualified audit rating with no matters of emphasis; and education to reduce fraudulent cases and claims.

In 2010/11, 100 per cent of all contributions from employer departments were received on time. Manual employers' salary schedules decreased from 85 per cent in the first quarter to 81 per cent in the second quarter.

Over the medium term, the South African Revenue Service's enterprise business enablement unit is partnering with the agency to leverage off its modernisation experience and capabilities, thus avoiding the use of expensive external management consultants. The agency's long term modernisation programme replaces the service delivery improvement programme, and seeks to improve administrative capacity and business processes, while forging strategic alliances with all current and future partners. It is envisaged that the modernisation programme will extend over a five-year period, starting in 2011/12, at a cost of about R350 million, which will come from the service delivery improvement programme's budget.

### Savings and cost effectiveness measures

It is anticipated that the modernisation programme, which aims to enhance the ICT infrastructure and network services, will result in operational costs savings. The level of savings will be determined once the programme has been implemented, which is expected to begin in 2011/12.

### Selected performance indicators

Table 10.29 Government Pensions Administration Agency

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of members receiving special pensions per year	Civil and military pensions, contributions to funds and other benefits	6 208	6 359	6 486	6 764	6 816	7 200	7 280
Number of beneficiaries receiving post retirement medical benefits per year	Civil and military pensions, contributions to funds and other benefits	68 417	69 767	71 117	73 459	74 928	76 427	77 955
Value of contribution to medical aid scheme paid on behalf of members per year	Civil and military pensions, contributions to funds and other benefits	R1.3bn	R1.4bn	R1.4bn	R1.7bn	R1.8bn	R1.9bn	R1.9bn

Table 10.29 Government Pensions Administration Agency (continued)

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value of military pension benefits paid to beneficiaries per year	Civil and military pensions, contributions to funds and other benefits	R147m	R154.3m	R173.6m	R182m	R199.1m	R211.7m	R223.6m
Number of beneficiaries paid due to withdrawal from fund per year	Employee benefits	64 425	65 000	67 500	60 000	60 000	60 000	60 000
Number of beneficiaries paid for funeral benefits per year	Employee benefits	18 715	19 400	20 000	17 000	17 500	18 000	18 500
Value of benefits paid due to withdrawal from fund per year	Employee benefits	R24.1bn	R24.5bn	R25.8bn	R25.9bn	R26bn	R29.5bn	R33.4bn

### Details of programmes/activities/objectives

Table 10.30 Government Pensions Administration Agency

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Service delivery improvement plan	–	6 226	10 041	50 000	–	–	–
Modernisation project	–	–	–	–	49 003	52 255	56 435
Employee benefits	26 010	32 882	42 322	72 880	76 562	79 704	83 521
Client relations management	55 740	70 445	90 361	117 744	130 326	136 716	143 669
Civil and military pensions, contributions to funds and other benefits	25 330	17 913	25 496	38 767	37 963	38 534	40 413
Other objectives	172 708	212 033	216 790	207 771	310 148	343 480	376 835
<b>Total expense</b>	<b>279 788</b>	<b>339 499</b>	<b>385 010</b>	<b>487 162</b>	<b>604 002</b>	<b>650 689</b>	<b>700 873</b>

The agency has a total budget of R487.1 million in 2010/11, of which 90 per cent is used for employee benefits, client relations management, civil pensions and other objectives, including corporate services legal and support.

**Modernisation** project enhances service delivery through enabling technology and well documented processes. In 2010/11, the agency's service delivery programme was replaced by the modernisation project, with a budget of R50 million. The agency's systems will be modernised to ensure that processes are properly documented and implemented, and fully automated.

**Employee benefits** ensures that all in-service employees who qualify to be on a pension are admitted to the Government Employees Pension Fund on time and that their contributions are collected monthly. Where there are salary adjustments, contributions are adjusted accordingly. In 2010/11, benefits were paid to 61 615 members valued at R72.9 million, against 54 386 members and R76.6 million 2009/10. 64 per cent of the payments were made within 60 days of the member's exit.

**Client relations management** increases the level of client satisfaction by reducing backlogs and being accessible to clients. The agency's footprint was increased to 13 provincial offices to improve its accessibility to members, employer departments and other stakeholders. Employer visits by client liaison officers increased, and 1 028 employer training sessions were conducted. The client relationship barometer indicated an improvement in the agency's responsiveness to client queries, requests and complaints. Incoming calls through the call centre increased by 19 per cent, and the service level average was 93 per cent. This was achieved at a cost of R90.4 million in 2009/10 and R117.7 million in 2010/11.

**Civil and military pensions, contributions to funds and other benefits** provides for the payment of benefits out of pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.

**Other objectives** provides support services such as operations, corporate, legal, finance, risk and audit, and ICT services.

## Expenditure estimates

Table 10.31 Government Pensions Administration Agency

Statement of financial performance				Revised estimate	Medium-term estimate		
R thousand	Audited outcome				2010/11	2011/12	2012/13
	2007/08	2008/09	2009/10				
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>279 788</b>	<b>339 499</b>	<b>385 010</b>	<b>487 162</b>	<b>604 002</b>	<b>650 689</b>	<b>700 873</b>
Sale of goods and services other than capital assets	279 788	339 499	384 906	487 162	604 002	650 689	700 873
<i>of which:</i>							
Admin fees	279 788	339 499	384 906	487 162	604 002	650 689	700 873
Other non-tax revenue	-	-	104	-	-	-	-
<b>Total revenue</b>	<b>279 788</b>	<b>339 499</b>	<b>385 010</b>	<b>487 162</b>	<b>604 002</b>	<b>650 689</b>	<b>700 873</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>279 788</b>	<b>339 499</b>	<b>385 010</b>	<b>487 162</b>	<b>604 002</b>	<b>650 689</b>	<b>700 873</b>
Compensation of employees	71 545	127 836	195 166	253 872	279 259	307 185	337 904
Goods and services	203 471	205 175	179 694	229 605	308 583	322 929	337 967
Depreciation	4 772	6 488	10 150	3 685	16 160	20 575	25 002
<b>Total expenses</b>	<b>279 788</b>	<b>339 499</b>	<b>385 010</b>	<b>487 162</b>	<b>604 002</b>	<b>650 689</b>	<b>700 873</b>
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Statement of financial position</b>							
Carrying value of assets	14 527	24 968	31 402	54 180	66 966	76 270	82 652
<i>of which: Acquisition of assets</i>	8 449	17 200	27 217	38 252	31 300	32 865	34 508
Inventory	940	1 263	1 109	1 109	1 109	1 109	1 109
<b>Total assets</b>	<b>15 467</b>	<b>26 231</b>	<b>32 511</b>	<b>55 289</b>	<b>68 075</b>	<b>77 379</b>	<b>83 761</b>
Capital and reserves	15 467	26 231	32 511	55 289	68 075	77 379	83 761
<b>Total equity and liabilities</b>	<b>15 467</b>	<b>26 231</b>	<b>32 511</b>	<b>55 289</b>	<b>68 075</b>	<b>77 379</b>	<b>83 761</b>

## Expenditure trends

The spending focus of the agency over the medium term will be on the provision of pension administration services to the Government Employees Pension Fund (GEPF).

Over the seven-year period, total revenue is expected to increase from R279.8 million in 2007/08 to R700.9 million in 2013/14 at an average annual rate of 35.8 per cent mainly due to increases in administration fees as approved by the GEPF Board of Trustees.

Between 2007/08 and 2010/11, expenditure increased from R279.8 million to R487.2 million at an average annual rate of 20.3 per cent mainly due to the implementation of the service delivery improvement programme. This growth was mainly in compensation of employees which grew at an average annual rate of 52.5 per cent from R71.5 million to R253.9 million.

Over the medium term, expenditure is expected to increase from R487.2 million in 2010/11 to R700.9 million in 2013/14 at an average annual rate of 12.9 per cent, mainly due to inflation as well as the continuation of the modernization programme to enhance the ICT infrastructure and network services.

## Personnel information

As at 30 September 2010, the agency had an approved establishment of 941, however 1160 had been funded leading to 219 additional funded posts on the approved establishment with the majority of posts existing at the semi-skilled and very low skilled levels. A total of 1033 posts had been filled leaving 127 vacancies. This anomaly results from the necessity to appoint personnel for addressing Special Pensions backlogs and the implementation of the 2008 Special Pensions Amendment Act, as well as a need to improve the turnaround times on the processing of exit benefits for civil pensions. As the GPAA is a newly formed government component as a result of the separation of pensions administration from the GEPF, modernising the processes,

systems and procedures has been prioritised and the establishment will be reviewed as part of the modernisation process.

Spending on compensation of employees grew from R71.5 million in 2007/08 to R253.9 million in 2010/11 at an average annual rate of 52.5 per cent mainly for capacitation of the agency. Over the medium term the establishment is expected to grow from 941 posts in 2010/11 to 1160 in 2013/14 and compensation of employees is projected to increase to R346, 484 million at an average annual rate of 10.8 per cent. The forecasted increase in the establishment will mainly be due to a renewed focus on improved service delivery reducing turnaround times for pension processing and payouts that forms part of the modernisation programme. Vacancies are expected to decrease from 127 to 100 at an average vacancy rate of 8.6 per cent due to capacity building initiatives that are being implemented.

Expenditure on compensation of employees over the four year period under review constitutes 33.6 per cent of total expenses and over the seven-years from 2007/08 to 2013/14 averages 45.6 per cent of total spending.

It is anticipated that spending on consultants will increase mainly due to the capacity improvement efforts that are being implemented under the modernisation programme. Consultancy expenditure over the seven-year period under review constitutes 9.9 per cent of total expenses with a consultancy to compensation spending ratio of 1:8.8 (28.7 per cent).

## **South African Revenue Service**

### **Strategic overview: 2007/08 – 2013/14**

The South African Revenue Service was established in terms of the South African Revenue Service Act (1997) to support government to meet its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. By administering an efficient tax system, the service is reducing the compliance burden, ensuring delivery on revenue targets and ensuring good governance and administration. The service is also responsible for ensuring maximum compliance with tax and customs legislation and providing a customs service that maximises revenue collection, protects South Africa's borders and facilitates trade.

2009/10 was an extremely challenging year for the service as the financial crisis and the ensuing global economic downturn were felt. GDP contracted by 1.2 per cent in 2009/10, and this had a significantly adverse effect on revenue collections: revenue of R598.7 billion was collected in 2009/10, R26.4 billion (4.5 per cent) less than in 2008/09. This was the first decline in revenue in the history of the service. The consumer price index declined from an average of 11.5 per cent in 2008 to 7.1 per cent in 2009.

The revenue estimate for 2009/10 was set at R659.3 billion in the 2009 Budget. At the end of the first half of 2009/10, corporate income tax collection was R11 billion (14 per cent) lower than in 2008/09, the collection of value added tax on imports was down by R12 billion and customs duty declined by R3.3 billion (29 per cent). While the 2010 revised expected deficit was estimated to increase to 7.3 per cent of GDP, the service collected R598.7 billion, more than the revenue estimate in the 2010 Budget, with the deficit being limited to 6.8 per cent.

In 2009/10, the service continued to focus on its core mandate of revenue collection by embarking on a countrywide internal campaign to promote the special revenue collection initiatives, which resulted in the collection of R25.5 billion.

The service has identified a number of strategic priorities for the medium term: to ensure sustainability; to drive productivity, service quality and cost efficiency; to fully deliver on its customs mandate in a way that is aligned with government's stated intentions; to streamline governance and strengthen leadership; to fully implement taxpayer and trader segmentation to strengthen the business model; to maximise value creation by enabling employees to perform optimally; and to deepen key external relationships to enhance the service's reputation. The South African Revenue Service is continuing with its modernisation strategy, in which core processes and systems are streamlined and routine tasks automated.

## Savings and cost effectiveness measures

Over the medium term, the entity has savings of R90 million in 2011/12 and R80 million in 2012/13 and 2013/14, realised through operational efficiency due to the shift to the automated system.

## Selected performance and indicators

Table 10.32 South African Revenue Service

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value of annual revenue collected	Tax collection and assessment	R572.8bn	R625.1bn	R589.0bn	R651.0bn	R751.0bn	R840.0bn	R944.0bn
Number of personal income tax returns per year	Tax collection and assessment	3 747 376	3 951 534	3 791 873	3 810 832	3 848 941	4 041 388	4 041 388
Number of corporate tax returns per year	Tax collection and assessment	442 391	587 719	638 026	641 216	647 628	680 009	680 009
Number of value added tax returns per year	Tax collection and assessment	3 794 204	4 272 620	3 821 856	3 840 965	3 879 375	4 073 343	4 073 343
Number of pay as you earn (PAYE) returns per year	Tax collection and assessment	3 977 234	4 273 038	4 029 279	4 049 425	4 089 920	4 294 416	4 294 416
Number of imports bill of entry per year	Tax collection and assessment	2 436 690	2 173 108	2 180 336	2 245 746	2 355 541	2 473 318	2 473 318
Number of exports per year	Tax collection and assessment	3 135 939	2 940 294	2 893 890	2 980 707	3 126 435	3 282 756	3 282 756
Percentage on time filing	Tax collection and assessment	–	–	78.6%	80%	83%	85%	87%
Percentage reduction in outstanding returns	Tax collection and assessment	–	–	5%	8%	5%	5%	5%
Revenue collected against staff cost incurred	Tax collection and assessment	–	–	134:1	133:1	136:1	141:1	156:1
Percentage first contact resolution via contact centres	Tax collection and assessment	–	–	44%	50%	87.5%	90%	90%
Uptake in electronic declaration (Southern African Customs Union)	Customs operations	–	–	36%	50%	75%	80%	85%
Percentage adherence to turnaround time for electronic declarations processing (2 hours)	Custom operations	–	–	72%	85%	95%	95%	95%

## Details of programme/activities/objectives

Table 10.33 South African Revenue Service

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Operations (Revenue Collection and Revenue Administration)	2 880 293	3 148 048	3 317 679	3 658 605	3 892 757	4 141 893	4 406 973
Customs Operations	548 738	689 435	800 825	966 310	1 028 154	1 093 956	1 163 969
Large Business Centre and Segmentation Management	170 288	197 631	228 418	267 542	284 665	302 884	322 268
Modernisation and Impactful Projects	420 861	413 805	305 056	644 837	699 199	747 291	747 291
Strategy Enablement and Enforcement	297 491	485 114	596 038	700 353	745 175	792 867	843 610
Other Objectives	1 297 584	1 582 840	1 756 358	1 918 824	2 008 384	2 161 923	2 308 193
<b>Total expense</b>	<b>5 615 254</b>	<b>6 516 873</b>	<b>7 004 374</b>	<b>8 156 472</b>	<b>8 658 335</b>	<b>9 240 814</b>	<b>9 792 305</b>

The South African Revenue Service has a total budget of R8.2 billion in 2010/11, of which 76 per cent is used in the following programmes: South African Revenue Service Operations, Strategy Enablement and Enforcement, Customs and Border Management, Legal and Policy Management, and Modernisation and Impactful Projects.

**South African Revenue Service Operations (office of the chief financial officer)** provides core tax administration services and IT services that support operations. Activities include branch operations, tax payer audits, call centre operations, processing operations, debt management and IT support. In 2010/11, R3.7 billion

was budgeted for operations. In 2010/11, net revenue collected in April to December 2010 was R476 billion against the Medium Term Budget Policy Statement estimate of R484.5 billion, with a shortfall of R8.5 billion (-1.8 per cent). This represents an increase of R48.1 billion (11.2 per cent) for the same period in 2009/10. The ratio of staff to consultants was 1:0.2 in 2009/10, for implementing the modernisation programme.

**Strategy Enablement and Enforcement** is responsible for the entity's strategic and risk management, anti-corruption and security services, stakeholder management and national investigation services. In 2010/11, R700.4 million was budgeted for these activities. In September 2010, the service made a number of significant improvements to the operations audit and enforcement audit processes. In November 2010, a new voluntary disclosure programme application form was introduced, which dynamically adjusts to the nature of taxes involved in the disclosure. In December 2010, during the filing season, the contact centre received more than 680 000 calls and answered more than 645 000, achieving a service level of 73 per cent of calls answered in 30 seconds, and only a 5 per cent abandonment rate. For 2011/12, the programme has budgeted for a staff complement of 1 165 at a cost of R550 million.

**Customs and Border Management** protects and manages the borders of South Africa to promote legal trade and restrict illegal trade, facilitates trade, and maximises customs revenue collections. In 2010/11, R966.3 million was budgeted for this programme, of which 90 per cent was used for the modernisation of customs and the border control management project. The carbon emissions tax was introduced and went live in September 2010, precipitating the need to enhance the legacy systems to accept, validate and calculate the duties that were levied for imported vehicles that qualify for the tax. The Department of Home Affairs requested the South African Revenue Service to provide input on enhancing the current Zimbabwean permit process that was completed in December 2010 and the current departmental national identification solution. For 2011/12, the programme has budgeted for a staff complement of 3 080 at a cost of R828 million.

**Modernisation and Impactful Projects** provides innovative strategies to improve the operations of the organisation. This entails improving core processes and introducing systems that automate streamlined and routine tasks. In 2010/11, R644.8 million was budgeted for modernisation. Over the medium term, the modernisation budget will increase from R699.2 million in 2011/12 to R747.3 million in 2013/14. The South African Revenue Service introduced the use of electronic signature pads that enabled tax payers to digitally sign their ITR12 returns captured over the counter at SARS offices. The submission process of the first pay as you earn (PAYE) interim reconciliation declaration for March to August 2010 took place from September to October 2010. A strategic business agreement between the South African Revenue Service and IBM started in January 2011 and will expire in December 2013. It covers disaster recovery services, professional and operational services, maintenance services, and enterprise and software licenses and services.

## Expenditure estimates

Table 10.34 South African Revenue Service

Statement of financial performance	Audited outcome			Revised estimate 2010/11	Medium-term estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
R thousand							
<b>Revenue</b>							
<b>Non-tax revenue</b>	333 054	364 629	366 185	316 190	257 000	268 349	280 267
Sale of goods and services other than capital assets	212 883	-	29 076	-	-	-	-
<i>of which:</i>							
<i>Admin fees</i>	-	-	1 076	-	-	-	-
<i>Sales by market establishments</i>	-	-	28 000	-	-	-	-
<i>Other sales</i>	212 883	-	-	-	-	-	-
<i>Other non-tax revenue</i>	120 171	364 629	337 109	316 190	257 000	268 349	280 267
<b>Transfers received</b>	5 511 031	6 303 510	7 148 446	8 141 810	8 653 573	9 244 374	9 757 215
<b>Total revenue</b>	5 844 085	6 668 139	7 514 631	8 458 000	8 910 573	9 512 723	10 037 482
<b>Expenses</b>							

Table 10.34 South African Revenue Service (continued)

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Current expense	5 615 254	6 516 873	6 996 873	8 156 472	8 658 335	9 240 814	9 792 305
Compensation of employees	3 500 297	4 021 471	4 427 767	5 039 102	5 368 799	5 753 565	6 179 020
Goods and services	1 865 713	2 218 069	2 188 028	2 661 747	2 776 897	2 927 361	3 028 141
Depreciation	218 252	277 333	381 078	440 158	496 323	542 756	567 156
Interest, dividends and rent on land	30 992	-	-	15 466	16 316	17 132	17 989
<b>Total expenses</b>	<b>5 615 254</b>	<b>6 516 873</b>	<b>7 004 374</b>	<b>8 156 472</b>	<b>8 658 335</b>	<b>9 240 814</b>	<b>9 792 305</b>
<b>Surplus / (Deficit)</b>	<b>228 831</b>	<b>151 266</b>	<b>510 257</b>	<b>301 528</b>	<b>252 238</b>	<b>271 909</b>	<b>245 177</b>
<b>Statement of financial position</b>							
Carrying value of assets	818 249	1 123 844	1 335 210	1 636 738	1 938 976	2 245 887	2 521 064
<i>of which: Acquisition of assets</i>	442 459	647 212	631 982	741 686	798 562	849 666	842 333
Receivables and prepayments	81 411	94 361	84 539	86 921	89 573	92 518	95 778
Cash and cash equivalents	1 072 516	981 670	1 373 707	1 389 136	1 356 086	1 339 555	1 329 668
<b>Total assets</b>	<b>1 972 176</b>	<b>2 199 875</b>	<b>2 793 456</b>	<b>3 112 795</b>	<b>3 384 635</b>	<b>3 677 960</b>	<b>3 946 510</b>
Accumulated surplus/deficit	655 538	753 510	1 263 789	1 565 317	1 817 555	2 089 464	2 334 641
Capital and reserves	33 175	61 791	61 768	61 768	61 768	61 768	61 768
Trade and other payables	440 961	659 040	715 772	730 087	744 689	759 589	774 787
Provisions	334 907	355 633	346 105	368 601	392 601	418 117	445 292
Liabilities not classified elsewhere	507 595	369 902	406 022	406 022	406 022	406 022	406 022
<b>Total equity and liabilities</b>	<b>1 972 176</b>	<b>2 199 876</b>	<b>2 793 456</b>	<b>3 131 795</b>	<b>3 422 635</b>	<b>3 734 960</b>	<b>4 022 510</b>

## Expenditure trends

The spending focus over the medium term will be on divisions that have the greatest impact on service delivery, including continuing with the modernisation programme, which has played a significant part in the South African Revenue Service's achievements to date.

Total revenue increases from R5.8 billion in 2007/08 to R8.5 billion in 2010/11, at an average annual rate of 13.1 per cent. Transfers received over the medium term increase from R8.1 billion to R9.8 billion, at an average annual rate of 6.2 per cent. The growth is mainly to provide for enforcement initiatives and continued IT enhancements as part of the modernisation programme. Over the seven-year period, other non-tax revenue grew from R120.2 million in 2007/08 to R280.3 million in 2013/14, at an average annual rate of 32.6 per cent. This growth is due to revenue from value added tax, company income tax, customs and duties, and pay as you earn tax.

Between 2007/08 and 2010/11, spending grew from R5.6 billion to R8.2 billion, at an average annual rate of 13.3 per cent. The growth was driven by spending on compensation of employees and goods and services relating to improving revenue collection, additional auditors, border control and the modernisation project. Over the medium term, spending is projected to grow from R8.2 billion to R9.8 billion, at an average annual rate of 6.3 per cent. The growth is mainly due to spending on compensation of employees, which is expected to comprise 62.3 per cent of total spending over the MTEF period to provide for the additional capacity required to audit tax payers. In addition, the South African Revenue Service aims to progressively transform its skills base to become a more specialised and high level task team. Spending on goods and services grows at an average annual rate of 17.5 per cent over the seven-year period to provide for inflationary adjustments.

## Personnel information

SARS has an approved establishment of 16 232 posts which are all funded as at 30 September 2010, the entity had 15 048 filled positions with a vacancy rate of 7.3 per cent.

The filled establishment increased from 14 548 in 2007/08 to 15 048 in 2010/11 and compensation of employees increased from R3.5 billion to R5.0 billion over the period at an average annual rate of 12.9 per cent mainly due to the increase in capacity across regional offices, the introduction of the large business centres and

the expansion of the audit units within the entity. The bulk of the establishment is in semi-skilled labour which also accounts for approximately 50 per cent of the average vacancy rate of 9.0 per cent over this period.

Over the medium term the filled establishment is expected to grow by 473 mainly in semi-skilled levels from 15 048 in 2010/11 to 15 521 in 2013/14 and compensation of employees is projected to increase to R6.2 billion at an average annual rate of 7.0 per cent. The projected increase in the establishment is mainly for the capacitation of professionals in the forensic investigative units to combat the increasing sophistication in tax evasion and misdemeanors, as well as capacity increases in semi-skilled employees working across the regions and tax districts in efforts to increase tax-compliance across the country. The increase is also for branch operations in line with the border control, customs and modernisation projects, and the graduate recruitment programme. Vacancies are expected to decrease from 7.3 per cent to 4.4 per cent over the medium term as a result of the planned filling of critical professional and semi-skilled positions to achieve the entity's strategic objectives.

Expenditure on compensation of employees over the seven-year period under review constitutes 62.4 per cent of total spending. Administrative costs grow from R377.7 million in 2007/08 to R995.5 million in 2013/14 at an average annual rate of 38.1 per cent mainly in venues, stationery costs and repairs and maintenance and the ratio of administrative to line function spending is 16.2 per cent.

Spending on consultants grows from R61.8 million in 2007/08 to R231.8 million in 2010/11 at an average annual rate of 55.4 per cent mainly due to the modernization programme. Spending on consultants over the medium term is expected to increase to R264.1 million in 2013/14 at an average annual rate of 4.4 per cent in line with inflation mainly for finalising the modernisation programme as well as the customs projects. Consultancy expenditure over the seven-year period under review constitutes 2.3 per cent of total expenses.

## **Development Bank of Southern Africa**

### **Strategic overview: 2007/08 – 2013/14**

The Development Bank of Southern Africa is one of several finance development institutions in South Africa. Its primary purpose is to promote sustainable economic development and growth, and human resource development and institutional capacity building by mobilising financial and

other resources from the national and international private and public sectors. Given the scope of the development challenge, and limited financial, institutional and human capital in the SADC region, the bank aims to proactively broaden and deepen its development impact to support government in accelerating service delivery, job creation, integrated spatial development and regional integration. In this context, the bank is also redefining its role as a government delivery agent and focusing on: catalytic interventions to enhance national competitiveness and social equity; planning and designing programmes to boost changes in the structure of the economy; high impact, scalable infrastructure projects; supporting initiatives to plan and design infrastructure; and being a lead arranger for government.

Over the medium term, the bank's strategic goals are to: catalyse, expand and enable delivery of basic and social services; provide and build human and institutional capacity; promote broad based economic growth, job creation, efficiency, fixed capital formation and regional integration; and engender sustainability, internally and externally, in financial, environmental, institutional and social terms. The strategy still involves a strong focus on municipal support through the provision of infrastructure funding and capacity building support (especially to under resourced municipalities) to increase delivery capacity and reduce implementation risks in under developed regions. Key capacity building initiatives include Siyenza Manje (the project implementation task force), Sustainable Communities and the Vulindlela Academy.

### **Savings and cost effectiveness measures**

To effectively manage costs, the bank has a prudential cost to income ratio limit of 45 per cent. In 2009/10, the bank piloted an expense management strategy, which is an initiative that aims to manage costs at efficient levels.

Savings of 20 per cent were made on budgeted expenses for the year to 31 December 2010, which can be attributed to efficient spending, as well as the timing differences of actual versus budgeted expenses. These

expenses are expected to be within the budgeted amount at the end of the financial year, and the expense management strategy will also be implemented over the MTEF period.

## Selected performance indicators

Table 10.35 Development Bank of Southern Africa

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value of disbursements (loans and equity) to infrastructure related projects per year	Siyenza Manje	R3.9bn	R9.3bn	R5.8bn	R13.5bn	R15.7bn	R7.2bn	R7.2bn
Co-funding ratio (other funding as proportion of bank disbursements) <sup>1</sup>	Siyenza Manje	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3
Cost to income ratio	Siyenza Manje	37%	40%	41%	42%	43%	43%	43%
Total number of learners not employed by the bank trained at Vulindlela Academy	Vulindlela Academy	2 000	5 259	7 483	10 000	11 000	12 000	12 000
Number of municipal officials trained at Vulindlela Academy per year	Vulindlela Academy	–	4 500	3 856	7 500	8 250	9 075	9 075
Value of municipality infrastructure grant and other infrastructure expenditure grants implemented in projects per year	Vulindlela Academy	R3.8bn	R4bn	R5bn	R6bn	R6bn	R6bn	R6bn
Number of municipalities supported per year	Vulindlela Academy	155	172	186	172	172	172	172
Number of technical projects completed per year	Vulindlela Academy	200	769	840	770	847	932	932
Total number of non-technical projects completed per year	Vulindlela Academy	200	300	300	300	300	300	300

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

## Details of programmes/activities/objectives

Table 10.36 Development Bank of Southern Africa

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Development loans and grants	3 343 754	3 233 421	3 274 180	3 057 990	3 633 056	4 462 502	5 202 440
Siyenza Manje - Funded by DBSA portion only	36 300	94 000	137 000	143 000	157 300	173 030	190 333
Vulindlela Academy	9 000	1 000	35 300	46 500	51 150	56 265	61 892
Sustainable Communities	13 000	16 000	20 900	25 900	28 490	31 339	34 473
Local Economic Development	–	–	4 900	8 200	9 020	9 922	10 914
Other Objectives	–	101 000	112 000	164 100	180 510	198 561	218 417
<b>Total expense</b>	<b>3 402 054</b>	<b>3 445 421</b>	<b>3 584 280</b>	<b>3 445 690</b>	<b>4 059 526</b>	<b>4 931 619</b>	<b>5 718 469</b>

The bank has a total budget of R3.4 billion in 2010/11, which is used mainly in the Siyenza Manje and Vulindlela Academy programmes.

**Siyenza Manje** improves the capacity of municipalities to mitigate performance constraints that hamper sustained service delivery. This entails focusing on three main intervention areas: unlocking and implementing government grants, mainly municipal infrastructure grants; assisting municipalities to improve their financial management; and helping with the preparation of various sector plans as part of integrated development planning in low capacity and poorly resourced municipalities. In 2010/11, the programme deployed 189 engineers, 80 finance experts, 26 planners, 164 artisans and 156 specialists and young professionals in 2009/10. In 2010/11, the bank deployed 20 permanent bank employees, 261 specialists and 143 young professionals to the programme to focus on improving financial management.

**Vulindlela Academy** offers practical, customised capacity building and training to: the bank's intermediaries, including local municipalities in South Africa; SADC development finance institutions; government departments; state owned enterprises and public utilities; non-governmental organisations; and some private sector companies involved in development and finance. In 2009/10, the academy made 11 366 training interventions, trained 1 031 delegates from SADC countries and 2 974 delegates from other intermediaries, and created 64 869 job opportunities, at a total cost of R15 million. In 2010/11, the academy provided training to 9 505 delegates for the period ending 31 December 2010, including 8 139 municipal employees or officers,

1 146 representatives from the SADC region and 220 other delegates from the public and private sectors. The bank was supported by 30 external training services providers.

## Expenditure estimates

**Table 10.37 Development Bank of Southern Africa**

Statement of financial performance				Revised	Medium-term estimate		
R thousand	Audited outcome			estimate			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>4 667 943</b>	<b>4 871 737</b>	<b>4 206 575</b>	<b>4 230 109</b>	<b>4 829 982</b>	<b>5 803 472</b>	<b>6 825 716</b>
Sale of goods and services other than capital assets	48 973	84 144	88 644	145 343	111 642	69 440	75 235
<i>of which:</i>							
<i>Sales by market establishments</i>	48 973	84 144	88 644	145 343	111 642	69 440	75 235
<i>Other non-tax revenue</i>	4 618 970	4 787 593	4 117 931	4 084 766	4 718 340	5 734 032	6 750 481
<b>Total revenue</b>	<b>4 667 943</b>	<b>4 871 737</b>	<b>4 206 575</b>	<b>4 230 109</b>	<b>4 829 982</b>	<b>5 803 472</b>	<b>6 825 716</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>3 355 759</b>	<b>3 362 953</b>	<b>3 516 828</b>	<b>3 385 690</b>	<b>3 965 626</b>	<b>4 832 085</b>	<b>5 612 963</b>
Compensation of employees	376 045	424 545	483 585	514 155	569 666	603 846	640 077
Goods and services	1 635 822	1 235 232	1 044 939	785 919	818 790	909 601	971 725
Depreciation	5 777	6 921	16 990	14 108	21 898	28 095	28 397
Interest, dividends and rent on land	1 338 115	1 696 255	1 971 314	2 071 508	2 555 272	3 290 543	3 972 764
<b>Transfers and subsidies</b>	<b>46 295</b>	<b>82 468</b>	<b>67 452</b>	<b>60 000</b>	<b>93 900</b>	<b>99 534</b>	<b>105 506</b>
<b>Total expenses</b>	<b>3 402 054</b>	<b>3 445 421</b>	<b>3 584 280</b>	<b>3 445 690</b>	<b>4 059 526</b>	<b>4 931 619</b>	<b>5 718 469</b>
<b>Surplus / (Deficit)</b>	<b>1 265 889</b>	<b>1 426 316</b>	<b>622 295</b>	<b>784 419</b>	<b>770 456</b>	<b>871 853</b>	<b>1 107 247</b>
<b>Statement of financial position</b>							
Carrying value of assets	318 470	388 961	471 222	543 894	649 221	1 018 306	1 340 254
<i>of which: Acquisition of assets</i>	30 750	75 569	91 567	86 780	127 225	408 786	359 634
Investments	7 191 557	7 931 630	8 858 326	9 369 355	10 361 363	11 499 696	12 806 998
Loans	23 307 537	29 465 454	32 968 542	38 950 798	50 278 126	60 146 965	69 447 132
Receivables and prepayments	114 930	120 498	139 043	234 448	246 171	258 479	271 403
Cash and cash equivalents	2 313 804	2 475 095	2 706 788	3 178 602	2 884 637	2 871 189	2 841 915
<b>Total assets</b>	<b>33 246 298</b>	<b>40 381 638</b>	<b>45 143 921</b>	<b>52 277 097</b>	<b>64 419 518</b>	<b>75 794 635</b>	<b>86 707 702</b>
Capital and reserves	15 779 874	17 235 504	17 890 283	18 418 419	19 173 498	20 029 051	21 119 021
Borrowings	16 780 517	22 405 374	26 326 638	32 629 045	43 952 342	54 404 506	64 156 669
Post-retirement benefits	195 769	226 648	233 913	256 283	271 660	287 960	305 238
Trade and other payables	490 138	514 112	693 087	973 350	1 022 018	1 073 118	1 126 774
<b>Total equity and liabilities</b>	<b>33 246 298</b>	<b>40 381 638</b>	<b>45 143 921</b>	<b>52 277 097</b>	<b>64 419 518</b>	<b>75 794 635</b>	<b>86 707 702</b>

## Expenditure trends

The spending focus over the medium term will be on: expanding and enabling the delivery of basic and social services; providing and building human and institutional capacity; and promoting broad based economic growth, efficiency, fixed capital formation and regional integration.

Revenue is mainly generated from interest income from loans and borrowing. The interest income is largely derived from the development loan book. Between 2007/08 and 2010/11, total revenue decreased from R4.7 billion to R4.2 billion, at an average annual rate of 3.2 per cent. This decrease was mainly due to the economic downturn. Over the medium term, revenue increased from R4.2 billion in 2010/11 to R6.8 billion in 2013/14, at an average annual rate of 17.3 per cent. The increase is mainly due to improving the quality of the bank's loan portfolio, which generated interest and dividends, and which also accounts for the average annual growth of 18.2 per cent over the medium term on other non-tax revenue. Between 2007/08 and 2010/11, sales by market establishment grew at an average annual rate of 43.7 per cent due to net fee income earned from foreign exchange, and revaluations of financial instruments. The key drivers for these income streams are defined by lending activities to corporate clients, income generated through dividends income, account servicing fees, investment management fees, sales commission and syndication fees.

Spending between 2007/08 and 2010/11 remained at R3.4 billion. The slower spending on goods and services in 2010/11 was due to cost saving initiatives. Operating costs over the MTEF period are expected to increase from R3.4 billion in 2010/11 to R5.7 billion in 2013/14, at an average annual rate of 18.4 per cent. The increase is

mainly due to increased interest payment on the development loan book, which is due to increased payments on disbursement goals, funding for poorly resourced municipalities under the targeted infrastructure programme, research and advisory services, technical assistance grants, and grants to the development fund.

#### Personnel information

As at 30 September 2010, the entity had an approved and fully funded establishment of 808. The funded personnel establishment increased from 644 in 2007/08 to 808 in 2010/11 and compensation of employees increased from R376 million to R514.2 million over the period at an average annual rate of 11.0 per cent. The increase in the establishment is mainly for the professional employees and is due to advisory services in support of the government's infrastructure development objectives as well as an increase in risk capacity to sustain growth in the loan book. The bulk of the establishment is at the professional level and positions are filled as and when they become vacant.

Over the medium term the establishment is expected to grow from 808 funded posts in 2010/11 to 920 in 2013/14 and compensation of employees is projected to increase to R640.1 million at an average annual rate of 7.6 per cent. The projected increase in the establishment is for the professional employees and is mainly due to the strong focus on municipal support through the provision of infrastructure funding and capacity building support (especially under resourced municipalities) through the application of knowledge, skills and institutional resources, to increase delivery capacity and reduce implementation risks in under developed regions. The administration to line function cost ratio is 1:31 (3.5 per cent).

Spending on consultants decreased from R39.2 million in 2007/08 to R36.7 million in 2010/11 at an average annual rate of 2.2 per cent. This is mainly due to the implementation of the Expense Management Strategy (EMS) with the aim of managing costs to efficient levels. Spending on consultants over the medium term is expected to increase to R44.3 million in 2013/14 to expand and enable service delivery of basic and social services; to provide and build human and institutional capacity; to promote broad-based economic growth, job creation, efficiency, fixed capital formation and regional integration; and to engender sustainability, internally and externally, in financial, environmental, institutional and social terms. The ratio of consultancy to compensation spending over the seven-year period under review is 1:13.8 (8.1 per cent), and the average spending on consultants is 1 per cent of total spending.

### **Land and Agricultural Development Bank of South Africa**

#### **Strategic overview: 2007/08 - 2013/14**

The Land and Agricultural Development Bank of South Africa is a development finance institution with a mandate to address agricultural and rural development in South Africa. The bank operates in the agricultural and agri-business sectors and is regulated by the Land and Agricultural Development Bank Act (2002) and the Public Finance Management Act (1999). The bank is keen to resume the development component of its mandate, and this should be evident in the projects that are moving through the pipeline.

In 2008/09, the bank recorded a positive profit and received an unqualified audit report. This marked the beginning of the more stable period that is evidence of the turnaround strategy implemented by the incumbent board of directors and the new executive management. The turnaround strategy involved three phases: clean-up, stabilisation and sustainability.

The bank made a profit of R379 million in 2009/10 compared to R168 million in 2008/09, and also received an unqualified audit report. The bank is currently working on the sustainability phase of the turnaround strategy, which should see the bank entrench its strategic position in the agricultural finance sector and pursue its mandate more robustly. The bank is also reviewing its pricing and funding models.

A key recent achievement was the diversification of investors to fund the growing loan book. In 2010/11, the bank launched the domestic medium term note and secured additional loan capital of R1.1 billion, raised in bank bonds that are subscribed to by investors in the private sector.

In 2009, National Treasury increased the guarantee to the bank from R1.5 billion to R3.5 billion to put it in good standing with existing and potential creditors. This guarantee is being reduced progressively through periodic cash injections into the bank, which will continue until R3.5 billion has been transferred. In December 2009 and

October 2010, the bank received R1 billion and R746 million as part of the recapitalisation programme, reducing the government guarantee to R1.8 billion. As the bank's liquidity stabilises, it is in a position to embark on the next phase of its development plan, including: addressing IT deficiencies in procurement, payroll and banking; intensifying efforts to recover non-performing loans and improve the balance sheet; managing an acceptable cost to income ratio; and implementing a divesting strategy on the land for development finance unit's portfolio.

### Savings and cost effectiveness measures

Through the Fit for the Future project, the bank seeks to address operational efficiencies by reviewing the way its business is conducted. This will allow the bank to respond competitively and in good time to business demands as well as to optimise the use of its resources.

### Selected performance indicators

Table 10.38 Land and Agricultural Development Bank of South Africa

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value of funds set aside for agricultural development per year	Land Bank Finance	R432m	R586m	R1.2bn	R2.4bn	R4.8bn	R4.1bn	R4.1bn
Ratio of expenses to income	Land Bank Finance	74.2%	129%	59%	84%	74%	67%	66%
Loan book quality	Land Bank Finance	17.6%	16.2%	20%	20%	20%	20%	20%
Net interest margin	Land Bank Finance	3.6%	3.4%	5.4%	2.5%	3.2%	3.4%	3.5%
Capital adequacy ratio (including guarantee from National Treasury)	Land Bank Finance	24.5%	25.3%	42%	42%	44%	43%	44%

### Details of programme/activities/objectives

Table 10.39 Land and Agricultural Development Bank of South Africa

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Financing of development farmers	2 087 847	2 109 953	1 766 637	1 389 766	1 519 712	1 691 867	1 757 031
Total expense	2 087 847	2 109 953	1 766 637	1 389 766	1 519 712	1 691 867	1 757 031

The bank has one main programme, Land Bank Finance, which provides long term mortgage loans (fixed instalment loans for capital expenditure). The bank strives to be a provider of world class agricultural financial services. Part of its mandate also includes contributing to rural development and stability, social upliftment and job creation. In 2010/11, loans in arrears amounting to R348 million had been collected by the end of December 2010. The performing loan book grew by R1.4 billion, while the non-performing book decreased from R1.8 billion (13.1 per cent) in March 2010 to R1.4 billion (9.4 per cent) in December 2010. This was supported by a staff complement of 600. Personnel costs were R276.8 million and professional fees R14 million over the same period. Professional fees are expected to increase to about R35 million, mainly due to various IT projects currently under way.

## Expenditure estimates

Table 10.40 Land and Agricultural Development Bank of South Africa

Statement of financial performance				Revised estimate	Medium-term estimate		
	Audited outcome				2010/11	2011/12	2012/13
R thousand	2007/08	2008/09	2009/10				
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>2 105 388</b>	<b>2 278 088</b>	<b>2 145 726</b>	<b>1 517 367</b>	<b>1 701 179</b>	<b>1 951 482</b>	<b>2 079 997</b>
Sale of goods and services other than capital assets	33 414	78 366	81 371	31 459	37 687	40 887	43 698
<i>of which:</i>							
Admin fees	25 934	26 570	61 877	31 459	37 687	40 887	43 698
Sales by market establishments	7 480	51 796	19 494	–	–	–	–
Other non-tax revenue	2 071 974	2 199 722	2 064 355	1 485 908	1 663 492	1 910 594	2 036 299
<b>Total revenue</b>	<b>2 105 388</b>	<b>2 278 088</b>	<b>2 145 726</b>	<b>1 517 367</b>	<b>1 701 179</b>	<b>1 951 482</b>	<b>2 079 997</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>2 064 855</b>	<b>2 087 976</b>	<b>1 743 506</b>	<b>1 368 173</b>	<b>1 496 888</b>	<b>1 667 833</b>	<b>1 731 627</b>
Compensation of employees	214 494	204 675	263 822	276 820	292 599	308 107	325 668
Goods and services	483 400	442 365	399 438	215 642	186 916	208 356	225 144
Depreciation	12 258	8 653	10 021	2 775	8 319	5 687	8 883
Interest, dividends and rent on land	1 354 703	1 432 283	1 070 225	872 937	1 009 054	1 145 684	1 171 933
<b>Total expenses</b>	<b>2 087 847</b>	<b>2 109 953</b>	<b>1 766 637</b>	<b>1 389 766</b>	<b>1 519 712</b>	<b>1 691 867</b>	<b>1 757 031</b>
<b>Surplus / (Deficit)</b>	<b>17 541</b>	<b>168 135</b>	<b>379 089</b>	<b>127 601</b>	<b>181 467</b>	<b>259 615</b>	<b>322 966</b>
Carrying value of assets	244 717	239 005	231 668	251 720	265 216	279 897	295 716
<i>of which: Acquisition of assets</i>	4 280	1 319	20 518	12 859	12 772	7 953	11 775
Investments	945 619	868 617	1 073 879	124 370	131 459	138 426	146 317
Inventory	385 265	264 212	250 874	–	–	–	–
Receivables and prepayments	13 891 156	11 892 554	12 294 424	14 072 895	14 582 484	15 852 452	16 957 071
Cash and cash equivalents	1 443 684	4 023 284	2 857 916	2 500 457	2 726 294	3 103 716	3 205 975
Assets not classified elsewhere	231 670	276 252	169 047	266 073	196 337	202 041	132 394
<b>Total assets</b>	<b>17 142 111</b>	<b>17 563 924</b>	<b>16 877 808</b>	<b>17 215 515</b>	<b>17 901 790</b>	<b>19 576 533</b>	<b>20 737 473</b>
Accumulated surplus/deficit	2 332 205	2 221 244	3 585 243	3 817 126	4 743 592	5 503 208	6 335 174
Capital and reserves	96 987	106 623	121 713	127 799	131 450	132 460	133 360
Borrowings	12 965 510	13 161 022	10 661 930	11 798 792	11 694 083	12 526 658	12 888 114
Post-retirement benefits	201 940	191 436	190 149	207 539	211 690	215 924	220 242
Trade and other payables	250 110	165 410	273 947	71 331	75 397	79 393	83 918
Provisions	23 114	367 444	416 227	283 446	299 603	284 586	299 991
Managed funds	752 149	679 012	923 093	873 075	720 221	819 913	772 289
Liabilities not classified elsewhere	520 096	671 733	705 506	36 408	25 754	14 392	4 385
<b>Total equity and liabilities</b>	<b>17 142 111</b>	<b>17 563 924</b>	<b>16 877 808</b>	<b>17 215 515</b>	<b>17 901 790</b>	<b>19 576 533</b>	<b>20 737 473</b>

## Expenditure trends

The spending focus over the medium term will be on financing development farmers.

Revenue generated decreased from R2.1 billion in 2007/08 to R1.5 billion in 2010/11, at an average annual rate of 10.3 per cent. This decrease is attributed to interest rate cuts, which reduced interest income. Revenue is expected to recover and grow at an average annual rate of 11.1 per cent over the MTEF period to reach R2.1 billion.

Between 2007/08 and 2010/11, expenditure decreased from R2.1 billion to R1.4 billion, at an average annual rate of 12.7 per cent. The decrease is due to the interest rate cuts, which have reduced the amount of interest paid over the period. Over the MTEF period, expenditure is expected to increase from R1.4 billion in 2010/11 to R1.8 billion in 2013/14, at an average annual rate of 8.1 per cent. The increase is mainly driven by interest paid on funding liabilities.

## Personnel information

As at 30 September 2010, the entity had an approved establishment of 619 posts of which 600 posts are funded. The filled establishment increased from 464 in 2007/08 to 600 in 2010/11 and compensation of employees increased from R214.5 million to R276.8 million over the period at an average annual rate of 8.9 per cent. The increase in the establishment is mainly for professional employees and is for improving the service delivery of the bank. The establishment mainly consists of 90 management personnel, 319 professionals, 139 semi-skilled and 52 very low-skilled personnel. Vacancies decreased from 123 to 19 over the period and the reason for the high vacancy rate in 2007/08 was due to legal proceedings against senior managers and executives who opted to resign. The increase in the vacancy rate in 2010/11 is due to the creation of development unit within the Land and Agricultural Development Bank of South Africa. The development unit is being crafted to ensure more emphasis is channeled towards the bank's mandate. The majority of vacancies are in middle management as well as in the semi-skilled levels.

Over the medium term the establishment is expected remain at 619 and compensation of employees is projected to increase to R325.7 million at an average annual rate of 5.6 per cent. The projected increase is in line with general inflation projections. Expenditure on compensation of employees over the seven-year period under review constitutes 15.3 per cent of total expenses and the ratio of administrative to line function spending decreases from 1:47 (3.3 per cent) in 2011/12 to 1:56 (1.8 per cent) in 2013/14. The ratio of admin to line function employees is 1:10.

The Land and Agricultural Development Bank of South Africa is utilising consultants for Information and Communication Technology (ICT), external research, legal expenditure and credit risk assessment. Spending on consultants decreases from R29.7 million in 2007/08 to R22.2 million in 2010/11 for at an average annual rate of 9.2 per cent. This is mainly due to the bank having improved its internal capacity. Spending on consultants over the medium term is expected to increase to R26.1 million in 2013/14 at an average annual rate of 5.6 per cent due to general inflation adjustments. Consultancy expenditure over the seven-year period under review constitutes 1.7 per cent of total expenses and the ratio of consultant spending to compensation of employees is 1:10 (11.4 per cent).

## Financial and Fiscal Commission

### Strategic overview: 2007/08 - 2013/14

The Financial and Fiscal Commission was established in terms of the Financial and Fiscal Commission Act (1997). The commission plays a key role in the evolution of the intergovernmental fiscal relations system. It is also strategically positioned to take cognisance of the financial needs of local, provincial and national government.

The execution of the commission's mandate is primarily driven through a research and recommendations programme. This programme requires significant human capital, and in recent years the commission has been plagued by a flight of skills, which has been a constraint to its plans to expand the scope of its work. The commission has revised its delivery model to match stakeholder demands. The focus over the medium term will be to establish a pool of technical advisors who will work with a focused research team on multiple research projects as required by stakeholders. This model will ensure business continuity in the context of the skills shortage. While this model will initially increase research costs by 70 per cent, it will be offset by diminishing remuneration costs in the medium to longer term.

Past research has emphasised first generation issues of equitable division of revenue between and among the spheres of government, expenditure assignments and the development of models. The focus over the medium term will be on second generation issues of how much the quantum of public funds and its allocation can be translated into service delivery outputs and outcomes that actually have an impact on communities. The emphasis will be on outcomes and the impact of government interventions. In particular, intergovernmental allocations need to be converted into budgets, which then produce outputs, and which then achieve the desired outcomes and impacts.

The commission has identified the following strategic areas of focus for the medium term: provide advice and report to Parliament, provincial legislatures and to organised local government, in compliance with the commission's legislative mandate; undertake cutting edge research; manage talent; enhance stakeholder relationships; and focus on leadership and the development of a positive organisational culture.

### Savings and cost effectiveness measures

R1.4 million per year in savings has been identified over the medium term following the decision to reduce office space. In addition, a procurement office has been set up, which has resulted in savings through a competitive bidding process. The procurement office will, on a continuous basis, undertake a comprehensive review of areas where costs can be reduced either by introducing alternatives or the complete termination of services.

### Selected performance indicators

Table 10.41 Financial and Fiscal Commission

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of public hearings on local government per year	Research and strategy	5	9	5	5	5	5	5
Number of reports to Parliament to advise on legislation per year	Research and strategy	5	4	3	3	3	3	3

### Details of programmes/activities/objectives

Table 10.42 The Financial and Fiscal Commission

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Intergovernmental, legislative and intellectual research	11 935	12 672	13 033	12 911	15 764	16 124	16 718
Governance against institutions research	150	74	123	589	566	588	620
Compliance with legislation and corporate government practice	4 326	4 588	3 731	4 546	5 815	6 400	7 044
Financial resources management	2 872	3 043	3 239	3 730	3 639	3 785	3 993
Human resource management	881	947	958	1 960	2 383	2 478	2 614
Other Objectives	6 346	5 893	6 105	5 656	4 989	5 188	5 473
<b>Total expense</b>	<b>26 510</b>	<b>27 217</b>	<b>27 189</b>	<b>29 392</b>	<b>33 156</b>	<b>34 563</b>	<b>36 462</b>

The commission has a total budget of R29.4 million in 2010/11, of which 43.9 per cent is used for the research and strategy objective.

**Research and strategy** provides analysis of the public expenditure management system, which includes the budget process, policy process and institutional arrangements. In 2009/10, the annual division of revenue was submitted and organs of state responded to in terms of the Financial and Fiscal Commission Act (1997), using 60 per cent of the commission's total budget and supported by a total staff complement of 14. In 2010/11, the entity employed 6 consultants, which translates into a 17 per cent ratio of consulting personnel to the total personnel establishment. Research conducted by these consultants culminates in the division of revenue submission, which is submitted each year in line with the commission's constitutional mandate.

## Expenditure estimates

Table 10.43 The Financial and Fiscal Commission

Statement of financial performance				Revised estimate	Medium-term estimate		
R thousand	Audited outcome			2010/11	2011/12	2012/13	2013/14
	2007/08	2008/09	2009/10				
<b>Revenue</b>							
Non-tax revenue	144	241	97	175	120	125	130
<i>Other non-tax revenue</i>	144	241	97	175	120	125	130
Transfers received	27 851	26 125	26 580	31 391	33 036	34 438	36 332
<b>Total revenue</b>	<b>27 995</b>	<b>26 366</b>	<b>26 677</b>	<b>31 566</b>	<b>33 156</b>	<b>34 563</b>	<b>36 462</b>
<b>Expenses</b>							
Current expense	26 510	27 217	27 189	29 392	33 156	34 563	36 462
Compensation of employees	16 123	15 189	17 158	18 797	19 378	19 232	19 682
Goods and services	9 251	10 911	9 093	10 001	13 193	14 831	16 293
Depreciation	1 079	976	780	594	585	500	487
Interest, dividends and rent on land	57	141	158	-	-	-	-
<b>Total expenses</b>	<b>26 510</b>	<b>27 217</b>	<b>27 189</b>	<b>29 392</b>	<b>33 156</b>	<b>34 563</b>	<b>36 462</b>
<b>Surplus / (Deficit)</b>	<b>1 485</b>	<b>(851)</b>	<b>(512)</b>	<b>2 174</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Statement of financial position</b>							
Carrying value of assets	2 364	1 475	920	898	938	743	517
<i>of which: Acquisition of assets</i>	335	94	225	572	625	305	261
Receivables and prepayments	151	117	52	52	52	52	52
Cash and cash equivalents	171	588	130	375	294	429	685
<b>Total assets</b>	<b>2 686</b>	<b>2 180</b>	<b>1 102</b>	<b>1 325</b>	<b>1 284</b>	<b>1 224</b>	<b>1 254</b>
Accumulated surplus/deficit	(268)	(1 119)	(2 173)	-	-	-	-
Capital and reserves	919	919	919	919	919	919	919
Trade and other payables	1 716	1 843	1 807	-	-	-	-
Provisions	204	334	360	252	277	305	335
Liabilities not classified elsewhere	115	203	189	154	88	-	-
<b>Total equity and liabilities</b>	<b>2 686</b>	<b>2 180</b>	<b>1 102</b>	<b>1 325</b>	<b>1 284</b>	<b>1 224</b>	<b>1 254</b>

## Expenditure trends

The spending focus over the medium term will be on establishing a pool of specialised technical advisors to work with a focused research team on multiple research projects.

The commission receives 99.5 per cent of its total revenue from the transfer from National Treasury. The transfer increased from R27.9 million in 2007/08 to R31.4 million in 2010/11, at an average annual rate of 4.1 per cent. Over the medium term, the transfer is expected to increase from R31.4 million in 2010/11 to R36.3 million in 2013/14, at an average annual rate of 5 per cent. The increase in both periods is due to statutory inflation increases in salaries and operational expenditure.

Between 2007/08 and 2010/11, expenditure increased from R26.5 million to R29.4 million, at an average annual rate of 3.5 per cent and will increase to R365 million over the medium term at an average annual rate of 7.4 per cent. The increase was driven mainly by office rental, audit fees, staff training and printing costs. Spending on consultants increased from R1.6 million in 2010/11 to R4.5 million in 2013/14, at a ratio of 1:0.2, mainly due to the establishment of a technical advisor pool, following the scarcity of research skills. The council contracts 7 to 10 professors from different universities to do research as technical advisors every year.

## Personnel information

As at 30 September 2010, the entity had 39 employees on an approved funded establishment of 42 posts with 1 additional post to the structure.

The funded personnel establishment increased from 37 in 2007/08 to 39 in 2010/11 and compensation of employees increased from R16.1 million to R18.8 million over the period at an average annual rate of

5.2 per cent. The increase in the establishment is for two middle management vacant posts in the core business of the research programme.

Over the medium term the establishment is expected to decline from 39 in 2010/11 to 33 in 2013/14 whereas the compensation of employees is projected to increase to R19.7 million at an average annual rate of 1.5 per cent. The projected increase in compensation of employees is mainly due to the Commission's revised structure in the *Research and Recommendations* programme in line with the revised strategic focus and the new delivery model over the medium term, whilst the decrease in the establishment is due to natural attrition and the non-replacement of support staff in an effort to increase line function personnel (mainly for research purposes). This also explains the increase in vacancies from 3 to 9 over the medium term mainly in support personnel. Expenditure on compensation of employees over the seven-year period under review constitutes 58.5 per cent of total expenses. The ratio of admin to line function employees is 7.7 per cent.

Spending on consultants remains constant at R2.3 million from 13 consultants in 2007/08 to 14 consultants in 2010/11 at an average annual growth rate of 0.9 per cent. Spending on consultants over the medium term is expected to increase to R4.5 million in 2013/14 for 22 consultants due to the Commission's change in strategic focus as a result of the benefits of outsourced research as opposed to in-house research. The focus over the MTEF will be to establish a pool of technical advisors with various specialised skills and expertise to work with a focused research team on multiple research projects as required by stakeholders and at the same time deliver high quality work. The commission's consultancy expenditure over the seven-year period under review constitutes 8.8 per cent of total expenses. The ratio of consultants to employees is 1:2.2 (45.0 per cent) and the ratio of consultant to compensation of employees expenditure is 1:7.7 (14.9 per cent).

## **Financial Services Board**

### **Strategic overview: 2007/08 – 2013/14**

The Financial Services Board is a statutory body established in terms of the Financial Services Board Act (1990) to supervise and regulate the non-banking financial services industry in the following areas: long term and short term insurance, retirement funds and friendly societies, financial service providers, collective investment schemes and capital markets. The board is responsible for ensuring that the regulated entities comply with the relevant legislation as well as capital adequacy requirements to promote their financial soundness and thus protect the investment community. The board also advises the Minister of Finance through various advisory committees comprising industry experts.

2009/10 saw the risks to global financial stability easing and systematic risks subsiding as global recovery began. The board continued with its aim of contributing to a robust financial system in line with the G20 recommendations of enhancing sound regulation and strengthening transparency to reduce the risks associated with trading, clearing and settling the counter derivative securities.

The board is pursuing a campaign that encourages companies to treat customers fairly.

Over the medium term, the board has identified the following strategic activities: to facilitate a communication process with clients and partners to enhance performance, accountability and public confidence; to protect all investors by ensuring integrity and confidence in financial services; to implement organisational development strategies; and to ensure long term sustainability by improving revenue collection and investment in organisations.

## Selected performance indicators

Table 10.44 Financial Services Board

Indicator	Programme/Activity	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Value of revenue from financial service industry per year	Financial Advisory and Intermediary	R255.3m	R261.8m	R285m	R336m	R457m	R495m	R527m
Number of entities supervised per year:								
- financial advisory and intermediary	Financial Advisory and Intermediary	28 338	26 339	33 309	15 691	16 476	16 804	17 145
- long-term insurance	Long Term Insurance Industry	14 529	14 500	14 500	11 868	12 461	12 710	12 965
- short-term insurance	Short Term Insurance Industry	82	82	82	90	95	97	100
- retirement benefits	Retirement Benefits	106	107	107	109	115	117	120
- collective investment schemes	Collective Investment Schemes	13 500	11 500	8 500	3 446	3 618	3 690	3 765
		121	118	118	178	187	190	195

## Details of programmes/activities/objectives

Table 10.45 Financial Services Board

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Supervise the financial advisory and intermediary activities in the financial services sector	89 259	111 614	127 826	132 868	166 075	179 678	191 442
Supervise the long term and short term insurance industries	49 779	66 983	77 429	82 065	102 576	110 978	118 244
Supervise Retirement funds and friendly societies	74 207	96 160	108 524	117 236	146 537	158 540	168 920
Supervise the South African licensed exchanges, central securities depositories and clearing houses	10 980	13 789	13 969	15 631	19 538	21 139	22 523
Supervise collective investment schemes in securities, in property and in participation bonds	24 837	29 972	33 594	35 171	43 961	47 561	50 676
Other Objectives	4 908	6 160	5 790	7 816	9 769	10 569	11 261
<b>Total expense</b>	<b>253 969</b>	<b>324 678</b>	<b>367 132</b>	<b>390 787</b>	<b>488 456</b>	<b>528 465</b>	<b>563 066</b>

The board has a total budget of R390.8 million in 2010/11, of which 85 per cent is used in the Financial Advisory and Intermediary, Long Term Insurance, Short Term Insurance and Retirement Benefits programmes.

**Long Term Insurance Industry** registers long and short term insurers. In 2010/11, the total number of long term insurers registered was 92. The enforcement committee will continue to prosecute and expose illegal long term insurers. In 2010/11, it is expected that more cases of irregularities with the long term insurance industry will be dealt with and more unregistered businesses will be identified. In the same period 2010/11, the total number of short term insurers registered was 113. Short term insurers will continue to be monitored to ensure compliance and the protection of policy holders.

**Retirement Funds and Friendly Societies** supervises retirement funds and friendly societies. By the end of 2010/11, 10 710 retirement funds would have been registered and supervised by the board, costing R132.9 million (30 per cent of the total budget). In the same year, 50 new funds were registered. The pension division facilitates communication with clients and partners to enhance performance, accountability and public confidence, and ensures that the board is trusted, respected and competent by compiling and implementing a regulatory and supervisory plan.

**Capital Markets** supervises the South African licensed exchanges, central securities depositories and clearing houses in terms of the Securities Services Act (2004). The division strives to ensure sound, efficient and fair capital markets and related services for the trading, clearing and settlement of securities, including appropriate mechanisms for investor protection. In 2009/10, 533 individuals were members of the South African Institute of Stockbrokers, and 317 were practising members in 60 equity member firms, costing R15.6 million, which is 4 per cent of the total budget. The JSE Securities Exchange is the only licensed exchange in South Africa that trades in equities. The JSE Securities Exchange had 60 equities members and 127 equity derivatives members in

2009/10. In 2009/10, R8 million was allocated to the capital markets division for the supervision of JSE Security Exchange activities.

**Collective Investment Schemes** supervises collective investment schemes in securities, including in property and in participation bonds, in terms of the Collective Investment Schemes Control Act (2002). In 2009/10, R33.6 million was spent, which is 9.2 per cent of the total budget, to provide research, review and recommend changes to legislation. In 2010/11, the division estimates costs of R35.2 million for the supervision of collective investment schemes.

## Expenditure estimates

Table 10.46 Financial Services Board

Statement of financial performance				Revised estimate 2010/11	Medium-term estimate		
R thousand	Audited outcome				2011/12	2012/13	2013/14
	2007/08	2008/09	2009/10				
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>289 122</b>	<b>307 372</b>	<b>352 490</b>	<b>372 121</b>	<b>490 956</b>	<b>531 915</b>	<b>565 180</b>
Sale of goods and services other than capital assets	234 491	250 696	316 791	336 268	457 202	495 445	526 712
<i>of which:</i>							
<i>Sales by market establishments</i>	234 491	250 696	316 791	336 268	457 202	495 445	526 712
<i>Other non-tax revenue</i>	54 631	56 676	35 699	35 853	33 754	36 470	38 468
<b>Total revenue</b>	<b>289 122</b>	<b>307 372</b>	<b>352 490</b>	<b>372 121</b>	<b>490 956</b>	<b>531 915</b>	<b>565 180</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>253 969</b>	<b>324 678</b>	<b>367 132</b>	<b>390 787</b>	<b>488 456</b>	<b>528 465</b>	<b>563 066</b>
Compensation of employees	138 662	173 066	195 274	214 275	261 189	282 084	304 650
Goods and services	110 050	145 976	165 439	169 395	209 160	227 112	246 737
Depreciation	5 256	5 635	6 412	7 115	18 106	19 268	11 678
Interest, dividends and rent on land	1	1	7	2	1	1	1
<b>Total expenses</b>	<b>253 969</b>	<b>324 678</b>	<b>367 132</b>	<b>390 787</b>	<b>488 456</b>	<b>528 465</b>	<b>563 066</b>
<b>Surplus / (Deficit)</b>	<b>35 153</b>	<b>(17 306)</b>	<b>(14 642)</b>	<b>(18 666)</b>	<b>2 500</b>	<b>3 450</b>	<b>2 114</b>
<b>Statement of financial position</b>							
Carrying value of assets	9 052	9 015	28 495	38 489	27 911	19 758	27 241
<i>of which: Acquisition of assets</i>	5 202	5 727	26 806	17 289	7 728	11 335	19 411
Investments	31 075	22 525	29 954	36 183	52 099	57 215	65 637
Inventory	395	355	163	102	85	65	30
Receivables and prepayments	20 148	38 733	29 822	30 418	31 814	31 144	30 521
Cash and cash equivalents	154 587	136 321	133 310	86 451	96 521	110 311	107 120
<b>Total assets</b>	<b>215 257</b>	<b>206 949</b>	<b>221 744</b>	<b>191 643</b>	<b>208 430</b>	<b>218 493</b>	<b>230 549</b>
Accumulated surplus/deficit	124 926	104 130	83 659	64 993	67 493	70 943	73 057
Capital and reserves	46 044	42 139	54 816	61 013	75 049	78 846	85 111
Post-retirement benefits	15 568	21 937	20 675	22 330	26 800	29 480	32 428
Trade and other payables	16 601	26 932	52 271	33 906	30 858	31 784	32 738
Provisions	1 400	1 200	1 200	701	400	-	-
Liabilities not classified elsewhere	10 718	10 611	9 123	8 700	7 830	7 440	7 215
<b>Total equity and liabilities</b>	<b>215 257</b>	<b>206 949</b>	<b>221 744</b>	<b>191 643</b>	<b>208 430</b>	<b>218 493</b>	<b>230 549</b>

## Expenditure trends

The spending focus over the medium term will be to facilitate communication processes with clients and partners, enhance performance, implement organisational development strategies, and ensure long term sustainability by improving revenue collection and investment in financial institutions. The board does not receive any transfers.

Total revenue increased from R289.1 million in 2007/08 to R372.1 million in 2010/11, at an average annual rate of 8.8 per cent, mainly due to the Financial Service Laws General Amendment Act (2008), which aims to strengthen the enforcement of the registrar. Over the medium term, revenue is projected to increase from R372.1 million in 2010/11 to R565.2 million in 2013/14, at an average annual rate of 14.9 per cent, mainly as a result of increasing sales by market establishment, which grows at an average annual rate of 16.1 per cent due to increasing levies received from financial institutions.

Compensation of employees comprises approximately 53.8 per cent of the board's expenditure. Total expenditure increased from R254 million in 2007/08 to R390.8 million in 2010/11, at an average annual rate of 15.4 per cent, mainly due to increased spending on personnel, rentals, ICT enhancement at the board's new offices, and the hosting of the International Organisation of Securities Commissions conference. Over the past four years, the board has also increased its capacity for registering and supervising financial institutions.

Over the medium term, expenditure is expected to increase from R390.8 million in 2010/11 to R563.1 million in 2013/14, at an average annual rate of 12.9 per cent. This is mainly due to improvements in the functions of the financial regulatory systems. The board has also budgeted for the operations of the ombudsman for financial services at that office, and for the pension funds adjudicator, which is independent of the board.

### **Personnel information**

As at 30 September 2010 the board had an approved establishment of 475 all of which were funded. Of these, 428 were filled resulting in 47 vacancies mainly at middle management and in professional levels.

The filled establishment increased from 360 in 2007/08 to 428 in 2010/11 and compensation of employees increased from R138.7 million to R214.3 million over the period at an average annual rate of 15.6 per cent. The expansion was mainly on highly skilled professionals due to implementation of improved regulations on the Financial Services industry.

Over the medium term the filled establishment is expected to grow from 428 in 2010/11 to 500 in 2013/14 and compensation of employees is projected to increase from R214.3 million to R304.7 million at an average annual rate of 12.4 per cent. The collapse of major banks internationally leading to an economic slump has led to intensified supervision and oversight on the financial sector necessitating capacity increases in the organisation. As a result, vacancies are expected to decrease from 47 to 20. Expenditure on compensation of employees over the seven-year period under review constitutes 53.8 per cent of total expenses. The ratio of administration to line function spending is 1:4.7 (21 per cent).

The board uses consultants for ICT and legal purposes, as well as for special services to research pensions. Spending on consultants increases from R4.4 million in 2007/08 for 21 consultants to R6.8 million in 2010/11 for 14 consultants at an average annual rate of 22 per cent. This is mainly due to the intensification of consumer education, outreach programmes and increased risk based supervision of Financial Services Providers. Spending on consultants over the medium term is expected to increase to R12.3 million in 2013/14 at an average annual rate of 30.1 per cent. This is mainly due to the capacity that is required to intensify supervision of financial services intermediaries, and to target consumer education and improve visibility of enforcement. Consultancy expenditure over the seven-year period under review constitutes 2.1 per cent of total expenses, and the ratio of consultancy spending to compensation of employees is 1:31.5 (3.3 per cent).

## **The South African Special Risk Insurance Association**

### **Strategic Overview: 2007/08 - 2013/14**

The South African Special Risks Insurance Association was established in 1979 and was registered in terms of section 21 of the Companies Act (1973). In 1998, the conversion of the South African Special Risk Insurance Association Act (1998) made government the sole shareholder. The association's aim is to support the insurance industry by providing cover for special risks such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances.

The South African Special Risk Insurance Association's strategy for the next five years is focused on ensuring that the association is sustainable beyond the current business model of its monopoly and organic growth. It has four key strategic objectives: optimising shareholder value by providing relevant products and covers; maximising brand and product awareness; optimising customer value through the alignment of processes; and developing human capital and focusing on knowledge retention. The association will also explore new markets in other African countries. Specifically, the association will: optimise shareholder value by providing relevant products and covers; maximise brand and product awareness; optimise customer value through the alignment of processes; develop human capital and focus on knowledge retention; and explore new business opportunities.

## Selected performance indicators

Table 10.47 The South African Special Risk Insurance Association

Indicator	Past			Current	Projections		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
Value of premium income per year	R212.5m	R248.6m	R259.5m	R162.6m	R281.9m	R362.3m	R413m
Value of investment income per year	R134m	R134.4m	R145.4m	R128.7m	R194m	R215.3m	R245.4m
Number of awareness campaigns per year	333	367	397	333	504	559	637
Number of staff members trained per year	78	117	126	107	162	180	206
Number of social responsibility education programmes per year	964	1 000	1 082	903	1 368	1 522	1 735

## Details of programmes/activities/objectives

Table 10.48 The South African Special Risk Insurance Association

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
Increased Premium Income	212 454	248 556	268 822	162 616	281 890	361 987	413 059
Increased Investment income	133 977	134 436	145 397	128 694	193 957	215 292	245 429
Controlled costs	38 972	40 538	34 555	291 164	51 980	57 698	65 775
Improved awareness of the organisation	333	367	397	333	504	559	637
Improved staff skills through training	78	117	126	107	162	180	206
Other Objectives	964	1 000	1 082	903	1 368	1 522	1 735
<b>Total expense</b>	<b>386 779</b>	<b>425 013</b>	<b>450 379</b>	<b>583 817</b>	<b>529 861</b>	<b>637 238</b>	<b>726 841</b>

In 2010/11, the South African Special Risk Insurance Association experienced a significant increase in claims mainly due to strike related activities. This has resulted in an estimated loss ratio of 25 per cent for the year ending 31 March 2011, compared to a loss ratio of around 1 per cent in 2009/10. In 2009/10 there was an increase in investment income.

**Increased Premium Income** improves the premium income on existing products. To achieve this objective the budget increased from R162.6 million in 2010/11 to R281.9 million in 2011/12, at year on year rate of 73.3 per cent. Over the medium term, the budget continues to grow from R281.9 million in 2011/12 to R413.1 million in 2013/14.

**Increase investment income** takes advantage of market opportunities, whilst at the same time providing relevant solutions to government initiatives in South Africa and across Africa as an initiative to increase investment income.

**Improve awareness of the organisation** – as the professional provider in special risk insurance and facilitate events and strategic memberships of agents and brokers' sales support.

## Expenditure estimates

Table 10.49 The South African Special Risk Insurance Association

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>676 891</b>	<b>777 231</b>	<b>961 377</b>	<b>914 723</b>	<b>1 112 899</b>	<b>1 359 462</b>	<b>1 173 921</b>
Sale of goods and services other than capital assets	437 840	485 497	582 023	697 087	880 886	1 057 063	852 027
<i>of which:</i>							
<i>Sales by market establishments</i>	437 840	485 497	582 023	697 087	880 886	1 057 063	852 027
<i>Other non-tax revenue</i>	239 051	291 734	379 354	217 636	232 013	302 399	321 894
<b>Total revenue</b>	<b>676 891</b>	<b>777 231</b>	<b>961 377</b>	<b>914 723</b>	<b>1 112 899</b>	<b>1 359 462</b>	<b>1 173 921</b>

Table 10.49 The South African Special Risk Insurance Association (continued)

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
<b>Expenses</b>							
<b>Current expense</b>	<b>290 803</b>	<b>283 635</b>	<b>234 860</b>	<b>423 390</b>	<b>323 638</b>	<b>398 985</b>	<b>450 466</b>
Compensation of employees	10 945	20 072	30 074	33 080	44 468	48 914	56 741
Goods and services	276 604	258 729	200 987	386 382	259 859	327 300	368 733
Depreciation	3 254	4 834	3 799	3 928	19 312	22 770	24 992
Transfers and subsidies	3 131	–	–	–	7 322	9 517	11 040
<b>Total expenses</b>	<b>386 779</b>	<b>425 013</b>	<b>450 379</b>	<b>583 817</b>	<b>529 861</b>	<b>637 238</b>	<b>726 841</b>
<b>Surplus / (Deficit)</b>	<b>290 112</b>	<b>352 218</b>	<b>510 998</b>	<b>330 906</b>	<b>583 037</b>	<b>722 223</b>	<b>447 080</b>
<b>Statement of financial position</b>							
Carrying value of assets	64 379	70 552	80 546	77 597	78 167	77 505	59 495
<i>of which: Acquisition of assets</i>	38 032	7 114	6 746	1 005	14 701	16 410	712
Investments	768 966	1 061 661	2 293 165	1 746 881	1 413 071	1 554 378	1 803 078
Receivables and prepayments	201 017	262 716	265 526	143 351	349 675	384 642	446 185
Cash and cash equivalents	1 783 523	1 792 085	1 052 756	1 922 165	2 385 265	2 623 792	3 043 599
<b>Total assets</b>	<b>2 817 885</b>	<b>3 187 014</b>	<b>3 691 993</b>	<b>3 889 994</b>	<b>4 226 178</b>	<b>4 640 317</b>	<b>5 352 357</b>
Accumulated surplus/deficit	2 338 903	2 691 122	3 202 120	3 533 026	3 568 366	3 916 154	4 604 106
Trade and other payables	478 982	495 892	489 873	356 968	660 032	726 035	750 123
<b>Total equity and liabilities</b>	<b>2 817 885</b>	<b>3 187 014</b>	<b>3 691 993</b>	<b>3 889 994</b>	<b>4 228 398</b>	<b>4 642 189</b>	<b>5 354 229</b>

## Expenditure trends

The spending focus over the medium term will be on ensuring that the association is sustainable beyond the current business model. The spending focus will also be on operating costs, such as employee costs, advertising and other operating costs.

The association generates revenue from group schemes, individual cover and large clients. The association's group scheme cover is usually sold as a coupon attached to another insurance policy, while the other cover is generally sold directly through brokers. Between 2007/08 and 2010/11, total revenue increased from R676.9 million to R914.7 million, at an average annual rate of 10.6 per cent. The association's investments continued to perform satisfactorily, with an increase from R153.2 million in 2008/09 to R366.9 million in 2009/10, at a year-on-year growth of 139.5 per cent. The association experienced a net premium growth of 19 per cent for the year ended 31 March 2010 and complemented this with a reduction in claims incurred, leading to the underwriting profit of R278 million.

Expenditure increased from R386.8 million in 2007/08 to R583.8 million in 2010/11, at an average annual rate of 14.7 per cent. This increase was due to an increase in spending on compensation of employees and operational expenses. Expenditure over the MTEF period is expected to increase from R583.8 million in 2010/11 to R726.8 million in 2013/14, at an average annual rate of 7.6 per cent. This expenditure is mainly in advertising and employee costs and is related to the association's strategy to extend its sustainability.

## Personnel information

As at 30 September 2010, the entity had an approved, fully funded and filled establishment of 58 posts. The funded personnel establishment increased from 45 in 2007/08 to 58 in 2010/11 and compensation of employees increased from R10.9 million to R33.1 million over the period at an average annual rate of 44.6 per cent. The increase in the establishment is for the professional and semi-skilled employees and is mainly to capacitate the entity to be able to deliver on its mandate.

Over the medium term the establishment is expected to grow from 58 in 2010/11 to 59 in 2013/14 and compensation of employees is projected to increase to R56.7 million at an average annual rate of 19.7 per cent. The projected increase in the establishment is in the professional employees.

Expenditure on compensation of employees over the seven-year period under review constitutes 6.5 per cent of total expenses and the ratio of administrative to line function spending is 1:59.4 (1.7 per cent).

Spending on consultants decreases from R6.3 million in 2007/08 to R3 million in 2010/11 at an average annual rate of 22.2 per cent. Spending on consultants over the medium term is expected to increase marginally to R3.2 million in 2013/14 at an average annual rate of 2.4 per cent mainly due to the strategy to in source the skills required. Consultancy expenditure over the seven-year period under review constitutes 0.7 per cent of total expenses and the ratio of consultant spending to compensation of employees is 1:11.3 (10.4 per cent).

## Additional tables

Table 10.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2009/10		2009/10	2010/11			2010/11
Administration	188 769	238 339	242 790	243 734	35 324	279 058	248 710
Economic Policy, Tax, Financial Regulation and Research	64 899	87 799	71 893	104 674	(429)	104 245	91 543
Public Finance and Budget Management	126 321	151 415	141 884	179 725	7 392	187 117	170 532
Asset and Liability Management	30 064 405	31 066 174	31 053 174	20 817 106	5 346	20 822 452	20 817 932
Financial Systems and Accounting	742 302	649 187	542 742	727 088	(33 261)	693 827	608 843
International Financial Relations	602 461	566 945	576 398	591 138	5 670	596 808	593 966
Civil and Military Pensions, Contributions to Funds and Other Benefits	4 920 302	4 920 302	4 955 140	2 590 949	1 888	2 592 837	2 672 075
Technical Support and Development Finance	14 777 555	14 806 853	5 314 254	1 806 025	(7 830)	1 798 195	1 541 437
Revenue Administration	7 035 548	7 148 446	7 148 446	8 066 810	75 398	8 142 208	8 142 208
Financial Intelligence and State Security	3 153 668	3 210 110	3 193 871	3 588 166	(100 000)	3 488 166	3 488 166
<b>Subtotal</b>	<b>61 676 230</b>	<b>62 845 570</b>	<b>53 240 592</b>	<b>38 715 415</b>	<b>(10 502)</b>	<b>38 704 913</b>	<b>38 375 412</b>
<b>Direct charge against the National Revenue Fund</b>	<b>293 118 985</b>	<b>303 672 821</b>	<b>300 820 147</b>	<b>339 873 684</b>	<b>415 004</b>	<b>340 288 688</b>	<b>339 252 211</b>
Provincial Equitable Share	231 050 881	236 877 763	236 890 827	260 973 745	4 165 703	265 139 448	265 139 448
State Debt Costs	55 268 000	59 994 954	57 129 216	71 357 578	(3 750 699)	67 606 879	66 570 402
General fuel levy sharing with metros	6 800 104	6 800 104	6 800 104	7 542 361	-	7 542 361	7 542 361
<b>Total</b>	<b>354 795 215</b>	<b>366 518 391</b>	<b>354 060 739</b>	<b>378 589 099</b>	<b>404 502</b>	<b>378 993 601</b>	<b>377 627 623</b>
<b>Economic classification</b>							
Current payments	56 513 712	61 249 077	58 259 449	72 806 895	(3 751 299)	69 055 596	67 825 728
Compensation of employees	334 221	438 472	402 073	538 467	14 100	552 567	511 162
Goods and services	911 491	815 651	728 160	910 850	(14 700)	896 150	744 164
Interest and rent on land	55 268 000	59 994 954	57 129 216	71 357 578	(3 750 699)	67 606 879	66 570 402
<b>Transfers and subsidies</b>	<b>268 270 875</b>	<b>274 253 027</b>	<b>264 789 220</b>	<b>285 017 668</b>	<b>4 154 119</b>	<b>289 171 787</b>	<b>289 043 289</b>
Provinces and municipalities	252 182 222	257 978 498	248 699 056	269 910 695	4 165 703	274 076 398	273 868 398
Departmental agencies and accounts	10 352 679	10 568 722	10 510 985	11 891 399	(15 462)	11 875 937	11 875 943
Universities and technikons	5 456	5 456	5 456	5 500	-	5 500	500
Foreign governments and international organisations	579 492	549 045	555 186	566 764	(1 873)	564 891	564 891
Public corporations and private enterprises	267 407	267 407	88 517	93 005	-	93 005	98 005
Non-profit institutions	71	71	68	75	-	75	75
Households	4 883 548	4 883 828	4 929 952	2 550 230	5 751	2 555 981	2 635 477
<b>Payments for capital assets</b>	<b>10 628</b>	<b>16 287</b>	<b>11 652</b>	<b>14 536</b>	<b>1 682</b>	<b>16 218</b>	<b>8 606</b>
Machinery and equipment	10 628	16 287	11 652	14 536	1 682	16 218	8 606
<b>Payments for financial assets</b>	<b>30 000 000</b>	<b>31 000 000</b>	<b>31 000 418</b>	<b>20 750 000</b>	<b>-</b>	<b>20 750 000</b>	<b>20 750 000</b>
<b>Total</b>	<b>354 795 215</b>	<b>366 518 391</b>	<b>354 060 739</b>	<b>378 589 099</b>	<b>404 502</b>	<b>378 993 601</b>	<b>377 627 623</b>

Table 10.B Detail of approved establishment and personnel numbers according to salary level <sup>1</sup>

	Personnel post status as at 30 September 2010			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid-year <sup>2</sup>	Medium-term estimate		
				2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Department</b>	<b>1 446</b>	<b>1 245</b>	<b>52</b>	<b>860</b>	<b>1 018</b>	<b>1 073</b>	<b>1 090</b>	<b>1 289</b>	<b>1 289</b>	<b>1 289</b>
Salary level 1 – 6	71	77	9	129	150	72	74	79	79	79
Salary level 7 – 10	603	507	9	301	399	458	482	545	545	545
Salary level 11 – 12	440	360	12	196	224	285	261	351	351	351
Salary level 13 – 16	332	301	22	234	245	258	273	314	314	314
<b>Administration</b>	<b>419</b>	<b>379</b>	<b>13</b>	<b>258</b>	<b>313</b>	<b>334</b>	<b>329</b>	<b>395</b>	<b>395</b>	<b>395</b>
Salary level 1 – 6	49	55	7	92	119	51	52	57	57	57
Salary level 7 – 10	248	218	2	106	113	200	190	224	224	224
Salary level 11 – 12	68	55	1	30	36	44	44	59	59	59
Salary level 13 – 16	54	51	3	30	45	39	43	55	55	55
<b>Economic Policy, Tax, Financial Regulation and Research</b>	<b>162</b>	<b>123</b>	<b>3</b>	<b>84</b>	<b>94</b>	<b>100</b>	<b>103</b>	<b>129</b>	<b>129</b>	<b>129</b>
Salary level 1 – 6	1	1	–	3	2	–	1	1	1	1
Salary level 7 – 10	35	21	–	25	32	17	36	32	32	32
Salary level 11 – 12	70	57	1	28	24	47	30	51	51	51
Salary level 13 – 16	56	44	2	28	36	36	36	45	45	45
<b>Public Finance and Budget Management</b>	<b>288</b>	<b>249</b>	<b>9</b>	<b>199</b>	<b>215</b>	<b>212</b>	<b>220</b>	<b>251</b>	<b>251</b>	<b>251</b>
Salary level 1 – 6	2	2	–	6	2	2	2	2	2	2
Salary level 7 – 10	100	83	1	64	96	72	79	88	88	88
Salary level 11 – 12	103	87	3	51	54	73	69	83	83	83
Salary level 13 – 16	83	77	5	78	63	65	70	78	78	78
<b>Asset and Liability Management</b>	<b>123</b>	<b>110</b>	<b>–</b>	<b>102</b>	<b>85</b>	<b>88</b>	<b>100</b>	<b>109</b>	<b>109</b>	<b>109</b>
Salary level 1 – 6	6	5	–	5	5	5	5	5	5	5
Salary level 7 – 10	50	42	–	36	36	34	38	38	38	38
Salary level 11 – 12	42	39	–	37	30	28	34	43	43	43
Salary level 13 – 16	25	24	–	24	14	21	23	23	23	23
<b>Financial Systems and Accounting</b>	<b>329</b>	<b>263</b>	<b>5</b>	<b>145</b>	<b>215</b>	<b>238</b>	<b>231</b>	<b>280</b>	<b>280</b>	<b>280</b>
Salary level 1 – 6	9	10	2	19	19	10	10	10	10	10
Salary level 7 – 10	129	110	1	53	91	105	106	125	125	125
Salary level 11 – 12	112	79	1	30	50	62	53	77	77	77
Salary level 13 – 16	79	64	1	43	55	61	62	68	68	68
<b>International Financial Relations</b>	<b>49</b>	<b>40</b>	<b>5</b>	<b>26</b>	<b>31</b>	<b>34</b>	<b>33</b>	<b>42</b>	<b>42</b>	<b>42</b>
Salary level 1 – 6	2	2	–	2	2	2	2	2	2	2
Salary level 7 – 10	17	9	1	6	6	7	9	11	11	11
Salary level 11 – 12	19	15	–	9	14	14	9	14	14	14
Salary level 13 – 16	11	14	4	9	9	11	13	15	15	15
<b>Civil and Military Pensions, Contributions to Funds and Other Benefits</b>	<b>8</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>3</b>
Salary level 7 – 10	2	2	–	–	–	–	–	1	1	1
Salary level 11 – 12	3	3	–	–	–	–	1	1	1	1
Salary level 13 – 16	3	3	–	–	–	–	–	1	1	1
<b>Technical Support and Development Finance</b>	<b>68</b>	<b>73</b>	<b>17</b>	<b>46</b>	<b>65</b>	<b>67</b>	<b>73</b>	<b>80</b>	<b>80</b>	<b>80</b>
Salary level 1 – 6	2	2	–	2	1	2	2	2	2	2
Salary level 7 – 10	22	22	4	11	25	23	24	26	26	26
Salary level 11 – 12	23	25	6	11	16	17	21	23	23	23
Salary level 13 – 16	21	24	7	22	23	25	26	29	29	29

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. As at 30 September 2010.

Table 10.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation 2010/11	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Compensation of employees (R thousand)	272 740	314 346	402 073	552 567	605 240	634 472	666 462
Training expenditure (R thousand)	16 104	16 913	9 957	19 978	10 834	11 590	12 184
Training as percentage of compensation of employees	5.9%	5.4%	2.5%	3.6%	1.8%	1.8%	1.8%
Total number trained in department (head count)	993	792	-	-			
<i>of which:</i>							
Employees receiving bursaries (head count)	70	46	-	-			
Internships trained (head count)	435	46	-	-			
Households receiving bursaries (R thousand)	600	800	1 000	1 600	1 600	1 600	1 600
Households receiving bursaries (head count)	20	20	-	-			

Table 10.D Summary of conditional grants to provinces and municipalities<sup>1</sup>

R thousand	Audited outcome			Adjusted appropriation 2010/11	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
<b>Conditional grants to provinces</b>							
<b>Technical Development and Support</b>							
Gautrain loan	-	-	4 200 000	-	-	-	-
<b>Total</b>	-	-	<b>4 200 000</b>	-	-	-	-
<b>Technical Development and Support</b>							
Local government restructuring grant	530 000	-	-	-	-	-	-
Financial management grant-municipalities	145 250	180 000	299 990	364 589	434 641	479 333	526 086
Neighbourhood development partnership grant	41 242	181 457	508 135	1 030 000	750 000	800 000	800 000
<b>Total</b>	<b>716 492</b>	<b>361 457</b>	<b>808 125</b>	<b>1 394 589</b>	<b>1 184 641</b>	<b>1 279 333</b>	<b>1 326 086</b>

1. Detail provided in the Division of Revenue Act (2011).

Table 10.E Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand												
<b>Foreign In cash</b>												
European Union	Technical assistance team phase I	Technical Development and Support	3 054	Goods and services	Provide technical and management support to programmes	28	-	-	-	-	-	-
Japan	Establish and operationalise a management information system	Public Finance and Budget Management	302	Goods and services	Development Cooperation Information System upgrade	22	-	-	80	10	-	-
European Union	Technical assistance team phase II	Technical Development and Support	6 834	Goods and services	Provide technical and management support to various donor funded programmes	-	-	-	-	-	-	-
Sweden	Collaborative African Budget Reform Initiative	International Financial Relations	2 428	Goods and services	Organise and participate in annual Africa Budget Reform workshops	570	-	-	-	-	-	-
Norway	Capacity building for aid effectiveness	Public Finance and Budget Management	4 852	Goods and services	Capacity building of officials on management of aid	-	-	-	-	-	-	-
Canada	Capacity building technical assistance facility	Public Finance and Budget Management	67 349	Goods and services	Provide capacity building to all spheres of government to achieve timely, adequate, gender sensitive, pro-poor service delivery	8 638	35 762	21 210	1 380	-	-	-
European Union	Official development assistance programme	Public Finance and Budget Management	110 000	Goods and services	Leveraging the official development assistance programme to improve outcome orientated delivery systems	-	-	7 842	4 678	7 900	-	-
European Union	Strengthening the secretariat of the Collaborative Africa Budget Reform Initiative	International Financial Relations	2 390	Goods and services	Technical and logistical support personnel recruited	-	-	-	-	-	-	-
African Development Bank	Strengthening budget practices and procedures in Africa	International Financial Relations	1 007	Goods and services	Establish budget resource centre, conduct research on regional public goods, and publish report on budget practices and procedures	-	215	328	1 786	-	-	-
Ireland	Support of the 5th annual Collaborative Africa Budget Reform Initiative Seminar	International Financial Relations	896	Goods and services	Seminar held April 2009	-	-	-	1 687	-	-	-
European Union	Financial management improvement programme (II)	Financial Systems and Accounting	9 266	Compensation of employees	Salary for project management of the programme	-	-	9 077	979	-	-	-

Table 10.E Summary of donor funding (continued)

Donor R thousand	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Foreign In cash</b>												
European Union	Financial management improvement programme (II)	Financial Systems and Accounting	786	Goods and services	Operational costs to support the rollout of the implementation of the programme	-	-	-	-	-	-	-
United States Agency for International Development	Economic advice	Public Finance and Budget Management	365	Goods and services	Increased capacity in microeconomic policy analysis	365	-	-	-	-	-	-
<b>In kind</b>												
Department for International Development	Consolidation of municipal transformation programmes	Financial Systems and Accounting	8 038	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	3 519	-	-	-	-	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening local government programme	Financial Systems and Accounting	10 810	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	3 355	-	-	1 500	375	-	-
United Nations Development Programme	Sustainable urban development programme	Public Finance and Budget Management	1 800	Goods and services	Technical assistance in developing guidelines for the management of official development assistance	360	-	-	-	-	-	-
United States Agency for International Development	Black economic empowerment review	Public Finance and Budget Management	130	Goods and services	Compiled report on the black economic empowerment review	130	-	-	-	-	-	-
United States Agency for International Development	Housing tax incentives	Public Finance and Budget Management	185	Goods and services	Provide housing tax incentives	185	-	-	-	-	-	-
United States Agency for International Development	Commission for Gender Equality workshop with University of Cape Town	Public Finance and Budget Management	113	Goods and services	Increased capacity and improved Commission for Gender Equality analysis	113	-	-	-	-	-	-
United States Agency for International Development	Labour market vulnerability and social protection	Public Finance and Budget Management	525	Goods and services	Workshops on labour, market vulnerability and social protection	525	-	-	-	-	-	-

Table 10.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand												
<b>Foreign</b>												
<b>In cash</b>												
United States Agency for International Development	Funding of guidelines on consultants and collaboration (public private partnership unit)	Technical Support and Development Finance	10 839	Goods and services	published guidelines on consultants and collaboration on the public private partnership unit's website	2 839	-	-	-	-	-	-
United States Agency for International Development	Support for economic growth and analysis	Public Finance and Budget Management	300	Goods and services	Conducted research	300	-	-	-	-	-	-
United States Agency for International Development	Support for economic growth and analysis	Public Finance and Budget Management	1 262	Goods and services	Research on rural land studies conducted	1 262	-	-	-	-	-	-
United States Agency for International Development	Support for economic growth and analysis	Public Finance and Budget Management	988	Goods and services	Conducted primary nutrition survey	988	-	-	-	-	-	-
United States Agency for International Development	Limited scope grant agreement	Public Finance and Budget Management	-	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	377	-	5 076	-	-	-	-
United States Agency for International Development	Limited scope grant agreement	Public Finance and Budget Management	1 035	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	2 473	5 527	-	-	-
United States Agency for International Development	Limited scope grant agreement	Public Finance and Budget Management	10 000	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	5 721	9 654	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening support to the Collaborative Africa Budget Reform Initiative secretariat	International Financial Relations	4 482	Goods and services	Hold regular dialogues, develop common African positions and established decision making structures and rules and procedures	-	-	1 632	3 802	3 606	3 550	-

Table 10.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand												
<b>Foreign</b>												
<b>In cash</b>												
European Union	Financial management improvement programme (II)	Financial Systems and Accounting	38 833	Compensation of employees	Salaries for advisors to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objectives of the financial management improvement programme II	-	-	-	-	-	-	-
European Union	Financial management improvement programme (II)	Financial Systems and Accounting	3 178	Goods and services	Operational costs to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objective of the financial management improvement programme II	-	-	-	-	-	-	-
<b>Total</b>			<b>302 047</b>			<b>23 576</b>	<b>35 977</b>	<b>47 638</b>	<b>27 140</b>	<b>21 545</b>	<b>3 550</b>	<b>-</b>

Table 10.F Summary of expenditure on infrastructure

Project name	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
				2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand										
<b>Departmental infrastructure</b>										
32 Church Square	Refurbishment of office accomodation to create a better working environment	Various	-	-	-	-	-	3 600	-	-
<b>Infrastructure transfers to other spheres, agencies and departments</b>										
Neighbourhood Development Partnership Grant	Construction of new and better community facilities (e.g. Pedestrian bridges, community centres, etc)	Various	-	41 242	373 540	578 135	1 155 000	850 000	880 000	855 000
<b>Total</b>			<b>-</b>	<b>41 242</b>	<b>373 540</b>	<b>578 135</b>	<b>1 155 000</b>	<b>853 600</b>	<b>880 000</b>	<b>855 000</b>



**ESTIMATES  
OF NATIONAL  
EXPENDITURE** **2011**

Private Bag X115, Pretoria, 0001, **Tel:** +27 12 395 6697, **Fax:** +27 12 315 5126