



# Preface

In the course of the budget process, competing claims on scarce resources are evaluated and complex decisions are made about the allocation of funds to programmes and the mobilisation of revenue and borrowing to pay for government services. The Budget is a statement of policies and priorities in which there is no room for ambiguity.

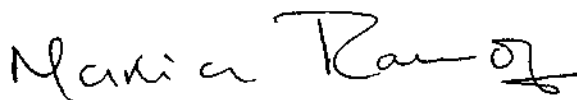
In the 1997/8 Budget a further step is taken towards aligning resources behind the Reconstruction and Development Programme. The RDP is now fully integrated into ordinary votes and the amounts allocated to the numerous activities initiated over the last three years are realistically programmed in relation to delivery capacity. Many of the capital programmes, including housing support, municipal infrastructure, community water, land settlement and school building are gathering momentum while the recurrent programmes such as free primary health and school feeding have reached a level of maturity where the benefits are becoming visible.

The Government's macroeconomic strategy recognises that the Budget has profound implications for growth, employment and redistribution. The expenditure side of the 1997/98 Budget supports redistribution through commitments to poverty relief and social development and underpins employment creation through investment in infrastructure and human resource development. The funding side of the budget is also conducive to growth and redistribution. There is tax relief for lower-income households and the deficit target of 4 per cent has been met without recourse to extraordinary revenues. An announcement on exchange controls bear testimony to the Government's confidence in and commitment to its macroeconomic strategy. Taken together, the policy choices made in this budget represent a substantial investment in implementing the Growth, Employment and Redistribution strategy (GEAR).

The Budget Review is both a detailed account of the public finances and a wide-ranging report on government activities. Its analysis is frank and forthright. Chapter 1 provides a brief survey of government policy. Chapters 2 and 3 evaluate economic conditions and prospects in the short-term and discuss longer run macroeconomic and fiscal policy issues. The management of the fiscal system, including intergovernmental relations, is described in chapter 4. A review of the 1996/97 outcome appears in chapter 5 and a synopsis of the 1997/98 Budget in Chapter 6. The Government's revenue and expenditure proposals are reported in chapters 7 and 8. The final chapter is devoted to the consolidated national and provincial expenditure.

The Budget Review is a demanding technical document. Many of its readers will use the information it contains as background material for their own evaluations of fiscal and economic developments. This secondary comment, often extending into public debate, makes the Review a part of the larger endeavour of making the budget process more transparent. As a further step in public accountability, this and subsequent Reviews will be placed on the Internet.

The Review relies on timely inputs from some 50 departments and agencies. These are greatly appreciated. On behalf of the Department of Finance I would also like to express my thanks for the tireless support received from the Department of State Expenditure and the South African Revenue Service in preparing this document. The Review is compiled by a team of professionals in the Department of Finance. I hold them in the highest regard and wish to express my thanks for their selfless dedication.



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Director-General: Finance

# **BUDGET REVIEW: 1997**

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**Conventions:**

Financial year	Year beginning on 1 April
1997/98	Refers to the national government's financial year from 1 April 1997 to 31 March 1998
Tax year	Year beginning on 1 March
1998 tax year	Year beginning on 1 March 1997 to 28 February 1998
Billion	Equal to 1 000 million
Decimal point	Indicated by a "comma"
Thousands separator	Indicated by a "space"

# **A STRATEGY FOR GROWTH, EMPLOYMENT AND REDISTRIBUTION**

*Against the background of South Africa's new Constitution and the Government's programme of reconstruction and development, a macroeconomic framework for growth, employment and redistribution has been adopted. Implementation of this strategy and key policy developments are summarised in this chapter. The main elements of the 1997/98 budget are noted.*

## **1.1 Adoption of the new Constitution**

The Constitution of the Republic of South Africa was adopted in December 1996 and took effect on 3 February 1997. It provides the framework within which budgetary policies are formulated, and it has legislative and other implications for fiscal management and the budget process.

The new Constitution contains a full schedule of human rights and a clear articulation of the rule of law. Discrimination is outlawed, basic rights and social entitlements are enunciated, trade and property are protected, the independence of the Reserve Bank and the Auditor-General is established, the competences of national, provincial and local governments are identified and a framework for inter-government fiscal arrangements is described.

The Constitution represents a commitment to social justice in public policies, democratic institutions of policy-making and public accountability, and a market-based economic system with a clear regulatory and public service delivery role for the state.

It establishes national, provincial and local spheres of Government and notes that these three tiers are "distinctive, interdependent and interrelated." The new intergovernmental system is one of cooperative governance, in which powers in several functional areas are allocated concurrently to the national and provincial authorities. The Constitution also identifies local government legislative competences and certain exclusive provincial powers. Both provinces and local authorities are entitled to equitable shares of revenue raised nationally, to provide for basic services and the performance of their assigned functions.

Legislation will be introduced to give effect to these precepts. Budgetary procedures and other institutional arrangements will need to be adapted. An account of the approach to be adopted in making these changes is provided in chapter 4 of this Review.

## **1.2 Reconstruction and development**

Within the enabling context of the new Constitution, the Government's social policies have a wide-ranging developmental and redistributive thrust. One of the first initiatives of the Government elected in April 1994 was the preparation of a White Paper on *Reconstruction and Development*, which serves as an economic and social policy framework and represents a commitment to the elimination of poverty in a rapidly growing and more equitable economy and in the context of an open, peaceful and democratic society.

The Reconstruction and Development Programme (RDP) provides an integrated vision for meeting basic needs, developing human resources and building the economy, together with the democratisation of society and effective implementation of RDP policies and initiatives. The White Paper set out a programme for orienting the activities of Government fully and effectively towards reconstruction and development goals, within a sound fiscal and macroeconomic framework.

The role of the RDP Office in initiating expenditure reprioritisation and progress with the implementation of RDP projects are discussed in chapter 4.

## **1.3 A macroeconomic framework**

In keeping with its commitment to sound fiscal and financial policies as a cornerstone of the implementation of the RDP, the Government has adopted a macroeconomic strategy which aims to strengthen growth to the year 2000 alongside a broadening of employment and the redistribution of economic opportunities. A framework setting out the elements of this strategy was published by the Minister of Finance in June 1996. Entitled *Growth, Employment and Redistribution (GEAR)*, this document details an economic reform programme directed towards:

- a competitive fast growing economy which creates sufficient jobs for all workseekers;
- a redistribution of income and opportunities in favour of the poor;
- a society in which sound health, education and other services are available to all; and
- an environment in which homes are secure and places of work are productive.

The framework takes as a point of departure the economic expansion and income growth which has occurred since 1994. It recognises, however, that growth of 3 per cent a year will not reverse the deteriorating unemployment problem and is inadequate to meet the reconstruction and development goals Government has set for itself.

In order to build an economy capable of realising its full growth potential, the strategy seeks to address the structural imbalances which constrain expansion currently and to create an environment conducive to accelerated investment and confident planning for the twenty-first century. Key elements include:

- a renewed focus on budget reform;
- a fiscal deficit reduction programme;
- maintenance of a competitive exchange rate;
- counter-inflationary monetary policy;
- a gradual relaxation of exchange controls;
- further tariff reforms;
- industrial tax incentives;
- state asset restructuring;
- expanded infrastructural investment;
- labour market reforms;
- a strengthened system for financing training;
- encouragement of trade and investment flows in Southern Africa; and
- a commitment to the implementation of stable and coordinated policies.

In addition to adopting this macroeconomic framework, the Government has made progress over the past year in refining policies in education, health care, welfare; strengthening the criminal justice system; and promoting small business development, land reform, roads financing, transport regulation and numerous other dimensions of social and economic policy. Drawing on extensive public consultation, national Ministries and provincial Governments have embarked on the overhaul of public service agencies and reorientation of priorities. These reform programmes will gather momentum over the years to come.

The *Growth, Employment and Redistribution* framework sets the broad parameters within which a stronger economy and a sound fiscal structure will make the attainment of RDP goals possible. A clear long-term perspective, focusing on the key initiatives of today which underpin improved living standards tomorrow, lies behind the priorities and programmes which have been adopted.

This represents the Government's commitment to securing a better future for all South Africans. It is a strategy which envisages a strong working relationship between government, the business sector, organised labour and other constituencies. In this regard, the National Economic Development and Labour Council (NEDLAC) plays a vital role in promoting cooperative dialogue and reaching collective agreement on questions of mutual concern.

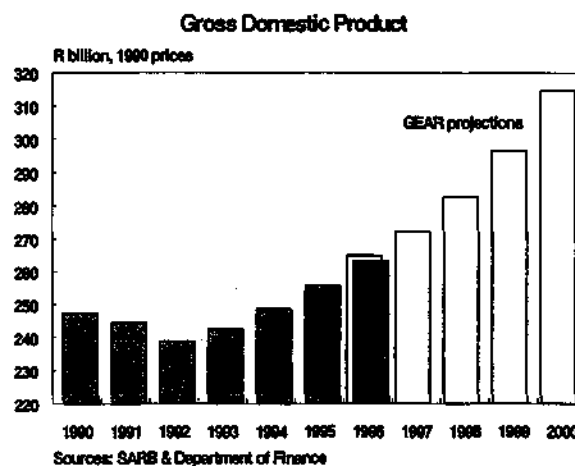
Progress in implementing this strategy is summarised below, together with an account of the challenges still before us. Further details of departmental policies and programmes are provided in chapter 8.

### 1.3.1 Growth and employment creation

Recent economic developments are summarised in chapter 2. Growth of about 3 per cent per year has been maintained since 1994, but over the past year this has largely been a consequence of strength in the agricultural sector and a moderate expansion of services. Manufacturing growth of about 7½ per cent was recorded in 1995, but this fell to 1 per cent in 1996.

Performance of non-gold exports has been robust, however, growing at over 10 per cent annually in 1995 and 1996. Domestic investment has also grown strongly, particularly in the private business sector.

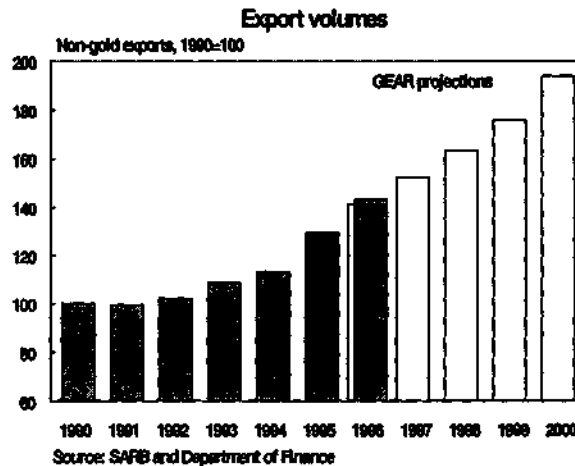
Average salaries and wages increased by 2,0 per cent in real terms in the year to September 1996, but measured formal employment fell. Job losses in mining, construction and manufacturing in 1996 were only partially offset by increased employment in services. Total employment, based on household survey data, was estimated at 10,2 million in October 1995. Some 4,7 million people, or 29 per cent of the





economically active population, are unemployed.

The macroeconomic strategy seeks to improve these trends over the remainder of the decade. To achieve this requires complementary industrial, labour market and infrastructural development strategies, consistent with both global pressures and the underlying strengths of the domestic economy. It also requires a sound fiscal and financial environment. Relevant policy considerations are discussed briefly below.



#### *Trade and industry promotion*

The tax incentives proposed in the *Growth, Employment and Redistribution* strategy were introduced in 1996, and will be available for a three-year period. Several supply-side programmes and export promotion schemes are already in place, and the general export incentive scheme, which is incompatible with World Trade Organisation agreements, will be phased out by the end of 1997.

Progress has also been made with investigations into certain industrial clusters and with the development of several coordinated industrial and infrastructural investment projects.

#### *Tariff reform*

Tariff reductions since early 1995 will bring the weighted average rate of duty on industrial products down from 15 per cent to about 9 per cent by mid-1997. In addition, a considerable rationalisation of tariffs has been achieved, simplifying the tariff structure and reducing distortions and inconsistencies.

Although the depreciation of the rand during 1996 has put upward pressure on some costs and prices it has improved the outlook for exporters considerably, while providing assistance to import-competing producers in the face of reduced tariff protection. Further tariff reductions during 1997 and 1998 will in part compensate for the effects of the depreciation on import prices.

#### *Empowerment and small business promotion*

The National Small Business Act was passed in November 1996, providing for the establishment of Ntsika Enterprise Promotion Agency and a National Small Business Council and for a mechanism to review the impact of training and proposed legislation on small businesses. In addition, the Khula Enterprise Finance company is operational, and has initiated a credit guarantee scheme and a capacity building project aimed at supporting targeted retail financial intermediaries. A loans programme will get underway in 1997.

#### *Infrastructural investment*

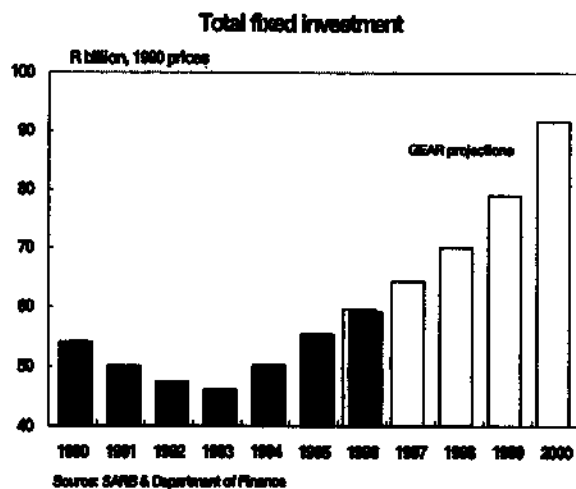
Investment in social infrastructure including clinic and school building programmes amounts to about R1,5 billion annually. Investment in hospitals and further education colleges is also expected to accelerate over the next decade, together with continued improvements in university and technikon facilities.

Electrification is proceeding at a rate of some 300 000 household connections annually. The community water supply and sanitation programme is also well underway, together with an expansion of spending on several major water resource development projects.

Expenditure on municipal infrastructure and amenities has increased during 1996, supported in part by a national grants programme which assists with the provision of basic services to low-income communities.

Some R4 billion was spent on national and provincial roads in 1996, including some R900 million of private sector funding. Construction of the N4 toll highway to Maputo will begin in 1997, to be undertaken through a "build, operate and transfer" private sector concession. As in other areas of public investment, increasing use is made of small and medium-sized

contractors and more labour-intensive construction methods, facilitating both enterprise development and job creation. Government investment and capital formation by public corporations increased by about 8 per cent in 1996.



#### *Agricultural development*

Significant impetus was given to the deregulation of agricultural marketing during 1996. All existing marketing schemes and control boards are under revision and being phased out. An overhaul of financial support schemes is in progress, together with the restructuring of the Land Bank, the Agricultural Credit Board and various regional development agencies. A special assistance scheme for small farmers has been introduced.

#### *Restructuring of state enterprises*

The first privatisation initiative was completed in 1996, comprising the sale of six radio stations for a total amount of R516 million. A strategic equity partnership investment in Telkom will be made during 1997 and restructuring programmes for several other enterprises are expected to be finalised.

#### *Labour market policies*

A thorough review of labour market policies has been conducted over the past year, including the publication of a comprehensive Commission Report and the preparation of Green Papers on employment and occupational equity, human resource development and employment standards. A new Labour Relations Act came into effect in November 1996, establishing a firm foundation for collective bargaining and encouraging greater use of conciliation, mediation and arbitration in resolving industrial disputes.

The establishment of the South African Qualifications Authority has laid the basis for an integrated approach to education and training, a new quality assurance system and improved mobility of workseekers and portability of qualifications. Proposals for a new training strategy will come before the trade and industry chamber of NEDLAC during 1997.

Labour market policy seeks to strike an appropriate balance between enhancing job security and efficiency in the labour market, in the context of high levels of unemployment, under-employment and poverty. Issues under review include reform of public sector employment rules, reducing indirect labour costs, wage flexibility for new businesses, trainees and depressed regions, extension of basic standards to all employees and the elimination of discrimination at work.

### *Fiscal and financial stability*

The Government has met its target budget deficit of 5,1 per cent of GDP in 1996/97. The 1997/98 deficit will be 4 per cent of GDP, before taking into account extraordinary receipts. The macroeconomic framework requires the budget deficit to be reduced to 3½ per cent in 1998/99 and 3 per cent in the following year.

Several further steps in the gradual removal of controls on foreign exchange flows are to be taken in 1997. Details are set out in chapter 3 of this Review. In addition, the Government has decided that parastatals and other

borrowers who have in the past had access to long-term forward cover from the Reserve Bank should in the future cover their exchange rate and other risks through normal commercial channels. The Reserve Bank will proceed with its phased withdrawal from the short-term forward cover market. The Bank will enable authorised dealers in foreign exchange to play a more active role in this market.

Aspects of debt management, the incorporation of a medium-term expenditure framework into the budget process, developments in the financing of provinces and local authorities and the rationalisation of the public service are discussed in chapter 4.

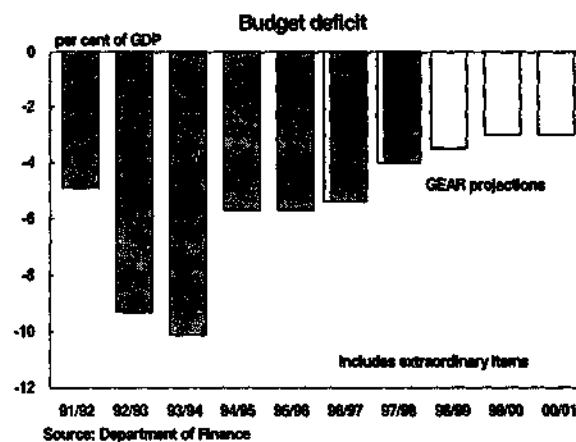
#### **1.3.2 Redistributing income and attacking poverty**

In October 1995 the RDP Office published a report on poverty in South Africa. This study indicated that 53 per cent of the population live in the poorest 40 per cent of households, and spend less than R385 per adult per month (in 1996 prices). The poorest 20 per cent of households spend less than R225 per adult per month. The report also provides important insights into the potential for improving the quality of life of the poorest South Africans and sets a base-line for assessing the impact of social and economic policies in raising living standards.

Based on an estimated life expectancy of 63 years, adult literacy of 81 per cent and mean years of schooling of 6,9 years, South Africa's human development index was estimated as 0,65, ranked 100th out of 174 countries in the *Human Development Report* published by the United Nations Development Programme. South Africa also has a severely skewed distribution of wealth and income.

With a view to establishing a firm analytical foundation for policy development, a study of poverty and inequality has been initiated under the auspices of the Office of the Deputy President, with assistance from both the World Bank and the United Nations Development Programme. A Report is expected by the end of 1997.

Growth and employment creation are themselves critical determinants of progress in redistributing income and reducing poverty. Several studies have shown the importance of work opportunities in reducing the vulnerability of the poor. In the longer term, progress in the quality and availability of educational opportunities underpins growth and redistribution. The elements of social policy which are most strongly focused on poverty alleviation and income security are the Government's social security grants and social insurance, the national housing strategy, land reform, the community water and sanitation programme and the community-based public works programme, discussed briefly below.



### *Social security*

Provincial budgets provide for several social grants, including the grant for elderly persons which is an important source of income for many poor households. Including grants to disabled persons and family and child care grants, some 2,7 million people receive social transfers.

Recommendations for a more cost-effective, nationally organised social security system have recently been presented, aimed in part at reducing the incidence of fraud. A review of policies relating to child maintenance and family support has also recently been completed. Measures to improve communication, out-source the payment of pensions and streamline the processing of grant applications are also in progress.

### *Women, children and young people at risk*

Gender equity and the rights of children are protected in the Constitution. Government has initiated a range of projects aimed at redressing injustices against women and children. These include:

- establishment of a Gender Commission and the Office on the Status of Women to promote gender equity and review relevant public policies and programmes;
- a National Programme of Action for children (NPA), with a broad mandate to implement child-focused reforms across various government departments;
- a review of the suitability of places of safety, schools of industry and reform schools by an inter-Ministerial committee on Young People at Risk which has submitted recommendations for the transformation of the child and youth care system.

### *Unemployment insurance and compensation*

The Unemployment Insurance Fund provides unemployment benefits to about 800 000 persons annually. The fund also provides maternity leave, illness and death benefits. Compensation for victims of accidents at work or occupational diseases is financed through statutory assessments collected by the Compensation Commissioner.

Shortcomings of the present arrangements have been examined and will need to be reviewed by employers and organised labour during 1997.

### *Housing and related services*

A national housing strategy and a range of key initiatives aimed at stabilising the housing environment and accelerating the construction of housing and related infrastructure were set out in a White Paper released in late 1994.

Some 115 600 individual ownership subsidies had been approved and 44 600 houses built by the end of 1996 in terms of the new housing strategy. An acceleration of construction of subsidised housing units in the years to 2000 is expected.

### *Land reform*

Restitution and land redistribution are underway and a number of land transfers have been effected. Some 25 restitution cases are expected to be finalised during 1997, involving about 50 000 people. Planning grants have been given to 240 communities expected to acquire land through the land reform programme.

### *Food security and nutrition*

Programmes aimed at improving household food security include the National Nutrition and Social Development programme, which disburses R400 million annually to small-scale agricultural and income-generating projects and provides food assistance to pregnant women and small children; and the R500 million Primary School Nutrition Programme, which reached 12 300 schools and 3,2 million children in 1996.

### *Water supply, sanitation and forestry*

By the end of 1996, some 700 water projects with a capital cost of R1 585 million had been committed which will benefit over 6 million people. Implementation of water and sanitation projects is accelerating, complemented by several community forestry initiatives aimed at providing rural communities with sustainable sources of fuel wood and building timber.

### *Public works programmes*

Two campaigns are in progress aimed at creating job opportunities for the unemployed. The National Public Works Programme is an enabling framework for encouraging more labour-intensive technologies in public building and construction contracts. Approximately R140 million was assigned to pilot projects in 1996/97. A Community Based Public Works Programme is also underway, mainly located in rural areas and drawing on the management capacity of non-governmental organisations. These projects created about 70 000 jobs in 1996/97 at a cost to the fiscus of R130 million.

### **1.3.3 Restructuring the social services**

In keeping with the priority attached to meeting basic needs in the RDP, the Government's social development strategy seeks to ensure that public services are equitably provided and financed and that improvements in the quality of historically neglected facilities are realised.

Education, health and social welfare services (excluding grants) account for one-third of government expenditure. Against a background of marked racial, regional and other imbalances, an equitable framework for the financing of services requires substantial organisational and fiscal restructuring. Critical aspects include:

- the role of demographic and other social indices in determining shares of revenue to enable provinces to provide services for which they are responsible;
- encouragement of private and non-governmental provision of services;
- the contribution of fees and other charges to meeting costs;
- norms and standards for service provision; and
- improved governance of education and health institutions.

In setting priorities for public expenditure, the RDP's social and developmental goals provide the fundamental point of departure. These include enhancing the quality of basic schooling, extending the range of further education and training opportunities available to school-leavers, ensuring universal access to primary health care and broadening access to welfare services. These challenges imply increases in Government spending in several areas, which in turn requires reductions elsewhere and greater use of private expenditure flows. New governance arrangements and decentralised management of education, health and welfare services facilitate this diversification of financing.

### *Social welfare services*

A Social Welfare Action Plan has been developed to guide the reorientation and strengthening of welfare services. A programme addressing the needs of unemployed women with children under 5 years is pioneering the development approach to social welfare which Government has endorsed. A second "flagship programme", aimed at transforming the child and youth care system, has also been initiated.

### *Health services*

Primary health care is the cornerstone of sustainable health development. Some 270 new clinics are under construction or planned, 326 clinics are to be upgraded in 1997 and a further 150 mobile clinics to serve rural areas are planned. Polio and measles immunisation campaigns will be conducted in 1997, and strategies to deal with the escalating HIV/AIDS epidemic and a rising incidence of tuberculosis have also been prioritised. Programmes for the provision of wheelchairs and hearing aids are to be extended and a campaign to restore sight through

cataract surgery is being expanded, in cooperation with the private sector and non-governmental organisations. Primary health services are now free of charge.

The Department of Health has released several policy documents dealing with medical scheme reform and social health insurance, personnel issues, the structure and functions of district health authorities, clinic building requirements, the physical facilities of hospitals, an essential drugs list and a national drug policy and national health research needs. Initial steps have been taken in several provinces to devolve the administration of the publicly funded health system to District Health Authorities with responsibility for a unified, integrated health management structure at local level.

### *Education*

The South African Schools Act was passed in 1996, establishing a uniform framework for the organisation, governance and funding of schools. In addition, the South African Qualifications Authority has been established, new curriculum proposals and policies regarding early childhood learning have been formulated, a programme to promote the quality of learning and teaching is underway and a register of schools' needs is being compiled, which will place the capacity for systematic planning of school renovations, rebuilding or extensions in the hands of provincial departments.

Enrolment in higher education now exceeds 850 000, with 44 per cent accounted for by universities. The National Commission on Higher Education completed its work in 1996 and a Green Paper on Higher Education Transformation has since been published for comment. A review of the further education sector, comprising senior secondary schooling and a wide range of public and private colleges and adult education activities, is in progress.

### *Sport and recreation*

Several training programmes to contribute to improved sports development and administration have been initiated. Government support has also been earmarked for the construction of multipurpose sports facilities in areas which presently have limited recreational infrastructure.

### **1.3.4 Security and stability**

High levels of crime and social instability threaten South Africa's economic growth and undermine the developmental thrust of public policies. The recorded crime rate is some 5 650 per 100 000 persons, which is double the international average. The incidence of serious offences increased sharply during the first half of the 1990s.

The Government has adopted a National Crime Prevention Strategy, aimed at aligning the activities of the component parts of the criminal justice system to improve effectiveness and shift the focus from controlling to preventing crime. Implementation has begun in three areas:

- re-engineering of the criminal justice system to provide an effective deterrent to crime, involving fourteen key projects and drawing on the support of the private sector Business Against Crime initiative;
- focusing on priority crime areas, including enhanced border control, control of firearms, combating violence against women and children, anti-corruption investigations and combating vehicle crime and commercial crime;
- crime prevention measures, including visible policing, community support, improved environmental design and changing public values.

### *Unblocking the criminal justice system*

A total of R502 million is earmarked for addressing various blockages in the criminal justice system over a four-year period. Greater independence of magistrates has been established and attention has been given to the upgrading of facilities and infrastructure of courts and enhanced training for magistrates, prosecutors and other justice personnel. Information management is

under review, aimed at systems integration across departments. These projects will in due course contribute to more streamlined administration of justice.

#### *Community policing*

The SA Police Service of some 138 000 members has committed itself to a mission and statement of policy which envisages an accountable service, involved in local development forums, actively pursuing improved service quality and cost-effectiveness and supported by firm public trust. An Annual Policing Plan has been launched and a personnel utilisation plan is being finalised. An automated fingerprint information system is being implemented. In order to bring policing closer to communities, RDP funds have been used for improving access to police stations and investment in community safety centres and victim support programmes.

#### *Correctional services*

Prisons currently accommodate some 125 000 inmates and about 55 000 probationers and parolees are supervised. Capital expenditure of some R422 million is anticipated in 1997/98 for the expansion and modernisation of facilities.

In order to provide for separate accommodation of young offenders, the Ekuseni Youth Development Centre was commissioned in July 1996 and a centre is being established at Baviaanspoort. This focus on the rehabilitation of young offenders will gather momentum in forthcoming years.

#### *National defence*

Defence expenditure has been reduced from some 4½ per cent of GDP in 1989/90 to a projected 1,6 per cent in 1997/98. The Defence Review has submitted a report on the functions and design of the new SANDF and further work is in progress.

Current initiatives include border protection and maintenance of law and order in support of the national crime prevention strategy, participation in regional security structures within the Southern African Development Community context, and establishment of a Service Corps to prepare ex-service personnel for integration into civil society.

## **1.4 The 1997/98 budget in perspective**

### **1.4.1 The budget framework**

Real incomes have begun to increase and a new vigour is apparent in South African industry and trade. Investments are being made with growing confidence and international opportunities are widening.

The 1997/98 Budget seeks to reinforce these trends, while continuing the expenditure reprioritisation and public service revitalisation which were initiated by the Reconstruction and Development Programme. The Government's tax and revenue proposals have been framed within a clear fiscal framework:

- a sound macroeconomic and financial environment;
- a medium term approach to expenditure planning;
- a cooperative basis for intergovernmental fiscal relations;
- a principled perspective on state asset and liability management;
- a structurally cohesive tax system; and
- a phased reduction in the budget deficit and government dissaving.

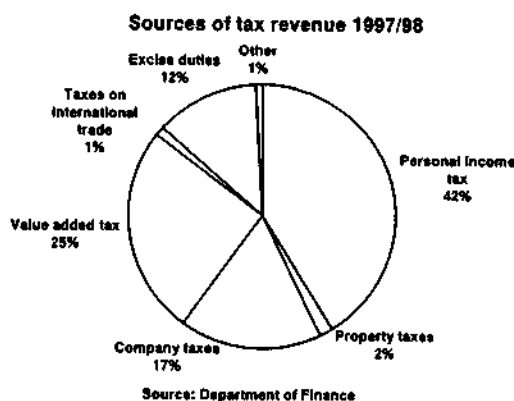
### **1.4.2 Revenue measures**

The Government plans to raise R162 billion in revenue in the new fiscal year, which is about one quarter of national income. Personal income tax will contribute R65 billion and the value-added tax will bring in R40 billion. Tax on company profits will raise R24 billion. Taxes on

imports, the levy on fuel and duties on alcoholic beverages, tobacco products and various consumer goods will yield a further R21 billion.

The main tax proposal this year is a reduction in income tax rates which provides relief mainly in the lower income ranges. Other measures are aimed at improving the efficiency of the tax system: fringe benefits rules are tightened, the retirement fund tax base is extended and tax rates on a range of household goods and financial transactions are lowered.

A 50 per cent increase in the duty on tobacco products is imposed, bringing the overall tax rate on cigarettes to about half the retail price.



### 1.4.3 Expenditure reprioritisation

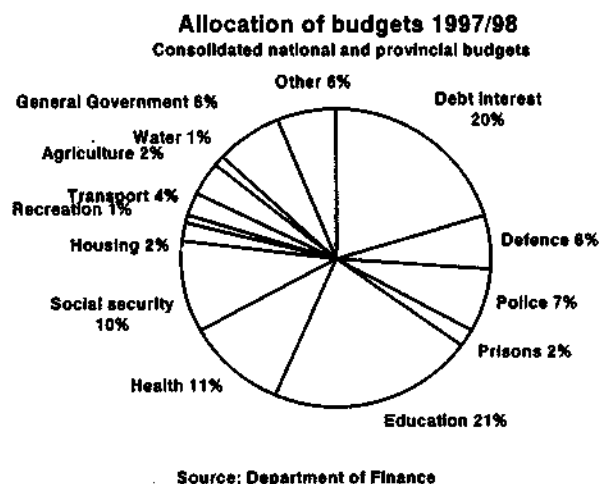
The national and provincial budgets together make provision for expenditure of R190 billion. R39 billion is taken up by interest on state debt, fully one-fifth of consolidated spending.

Nearly 60 per cent of non-interest spending goes to the social services:

- R40 billion for education;
- R20 billion for health services;
- R18 billion for social security and welfare; and
- R4 billion for housing.

A total of R30 billion is allocated to our protection agencies:

- R11 billion on defence and intelligence services; and
- R13 billion for police and related functions.



R19 billion is to be spent on building the economy and supporting industry, of which roads construction, water provision, support for agriculture and the new industrial promotion programmes are amongst the more prominent.

Departmental budgets contain several new or expanding initiatives: municipal infrastructure investment, the community water supply programme, supply-side industrial measures, electrification of schools and clinics, community sports facilities, integrated information systems focused on crime prevention, land restitution and redistribution - these are some of the priorities which are now firmly established in the national Government's budget.

This year, special provision is made for a poverty-focused child support system, for an additional increase in the level of social grants, and for a R300 million poverty relief programme.

The Budget now incorporates RDP initiatives into departmental votes, ensuring that resources allocated to the numerous activities initiated over the last three years are realistically programmed in relation to delivery capacity. Through careful planning and prioritisation, the Budget seeks to use the spending and revenue instruments available to Government to seek a better living for all.



## ECONOMIC CONDITIONS AND PROSPECTS

*Economic developments in 1996 are reviewed below. Prospects for the international environment and the domestic economy in 1997 are briefly discussed.*

### 2.1 Economic conditions

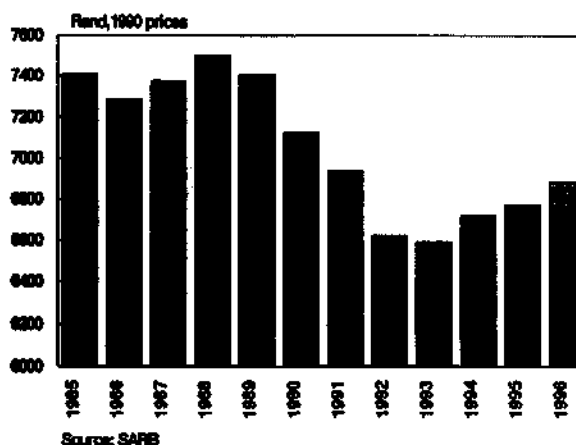
#### 2.1.1 Output

The South African economy has grown for four consecutive years. In 1996, real gross domestic product (GDP) grew by about 3 per cent, slightly below the 3½ per cent recorded in 1995. Growth since 1993 has been significantly above the average rate achieved in the 1980s and early 1990s, which was just 1 per cent a year.

Excluding agriculture the economy grew by 2 per cent in 1996, whereas an increase of 4½ per cent was recorded in 1995. Agricultural output grew by as much as 26 per cent in 1996, largely as a result of abundant maize and wheat crops. Mining output contracted by 1½ per cent in 1996, a slower rate of decline than the 3 per cent experienced in 1995. This fall was mainly the result of a further decline in South Africa's gold production which, at about 495 tons, was at its lowest level in 40 years. However, a high level of export demand for precious stones and certain base metals and minerals contributed to economic growth in 1996.

Real output in the manufacturing sector grew by an estimated ½ per cent in 1996, after the very high growth of 7½ per cent in 1995. Value added by the commercial sector expanded by 3½ per cent in 1996, with demand for new motor vehicles, boosted by aggressive marketing and new models, contributing strongly to the trend.

Gross National Product per capita



Real gross national product, which measures the income of South Africans produced domestically and abroad, accelerated in 1996, growing by about 3½ per cent, compared to approximately 3 per cent in 1995. Real gross national product per capita increased by 1½ per cent in 1996. This is the third successive annual increase in South African real income per capita, which is now approximately 4½ per cent higher than in 1993.

### 2.1.2 Demand

In 1994 and 1995, total expenditure grew faster than production, resulting in a deterioration in the current account of the balance of payments. The growth in real gross domestic expenditure slowed from 6½ per cent in 1994 and 5 per cent in 1995 to an estimated 3 per cent in 1996, which is in line with the growth in production. In the second half of the year aggregate expenditure fell slightly, mainly as a result of a substantial reduction in inventory investment.

Private consumption expenditure grew by 4 per cent in real terms in 1996, just less than the 4½ per cent recorded in 1995. It continued to decelerate, with slightly slower growth in the fourth quarter of 1996 than earlier in the year. This marginal slowdown can in part be attributed to high real interest rates which, with high outstanding debts, has resulted in a significant debt-servicing burden for households.

Real consumption expenditure by the general government grew by an estimated 5 per cent in 1996, after a modest rise of only ½ per cent in 1995. This expansion reflects an increase in general government employment (local authorities included) and in outlays on intermediate goods and services, associated in part with new priorities in government expenditure. As a share of gross domestic product, government consumption expenditure rose from 20½ per cent in 1995 to 21 per cent in 1996.

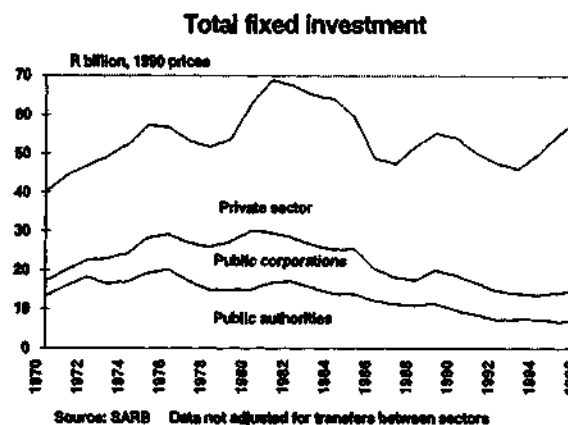
Real gross domestic fixed investment decelerated from an annualised growth rate of 8 per cent in the first quarter of 1996 to 2½ per cent in the final quarter. For the full year, real investment grew by 7 per cent, following growth of 10½ per cent in 1995.

Private sector real gross fixed capital formation rose strongly throughout 1996 at a rate of 6½ per cent, after increasing by 13 per cent in 1995. This expansion in private sector investment is evident across all the major sectors of economic activity,

and particularly in agriculture, manufacturing, commerce and residential buildings. The Government's supply-side industrial development measures and tax incentives, which include an accelerated depreciation allowance for plant, equipment and buildings intended for manufacturing activities as from 1 July 1996, are expected to contribute to a further strengthening of manufacturing investment.

Real fixed capital expenditure by public corporations increased by 10 per cent in 1996, compared to 15½ per cent in 1995. Growth continued through to the first quarter of the year, following which capital expenditure declined somewhat. Investment by Telkom has continued to accelerate, offset by slower growth by other public corporations.

An acceleration in spending on RDP initiatives and other capital outlays by government departments is reflected in the growth of real fixed investment spending by public authorities of 4½ per cent in 1996, turning around a decline of 7½ per cent in 1995.



Real inventory levels have grown continuously since the second half of 1993, although the rate of inventory accumulation receded somewhat in the second half of 1996. This slowdown, which was apparent in all sectors except agriculture, made a negative contribution of about 1 percentage point to the growth in real gross domestic product in 1996.

### 2.1.3 Domestic saving

Gross domestic saving as a percentage of gross domestic product has continued to decline, reaching 16½ per cent in 1996. A strong decline in the net inflow of foreign capital during 1996 resulted in a drawing down of foreign reserves to finance investment in the early part of the year, underlining the urgent need for an increase in the domestic propensity to save.

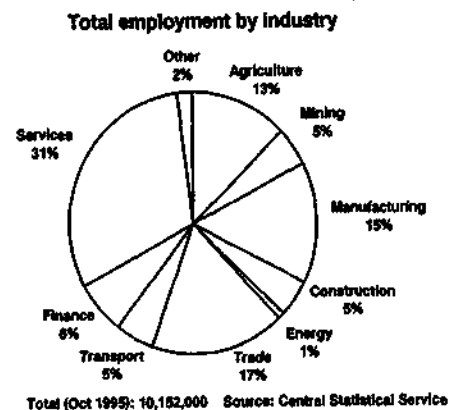
The decline in the saving ratio occurred in the private household sector, where saving as a percentage of personal disposable income declined to 1½ per cent in 1996 compared with 2 per cent the previous year. Corporate saving strengthened during 1996, benefiting from the steady improvement in the gross operating surpluses of businesses. Net dissaving by general government as a percentage of gross domestic product was reduced from 4 per cent in 1995 to 3½ per cent.

### 2.1.4 Employment

Despite the sustained growth in economic activity since 1993, the trend in measured formal employment has been disappointing. Over the year to September 1996, employment in the main divisions of the non-agricultural formal sectors of the economy fell by an estimated 1½ per cent to 5.24 million, after increasing by ½ per cent during the previous year.<sup>1</sup> Jobs were lost in mining, construction and manufacturing while employment in the public sector has grown by about 47 000 since the middle of 1995.

The total number of registered unemployed workers has increased by 7 per cent in the first nine months of 1996 compared with the same period in 1995.

The recently released results of the October 1995 Household Survey indicate total employment of about 10.15 million. This includes employment in agriculture, informal activities and various private services excluded from the regular employment series. Unemployment is estimated as 29 per cent of the economically active population.



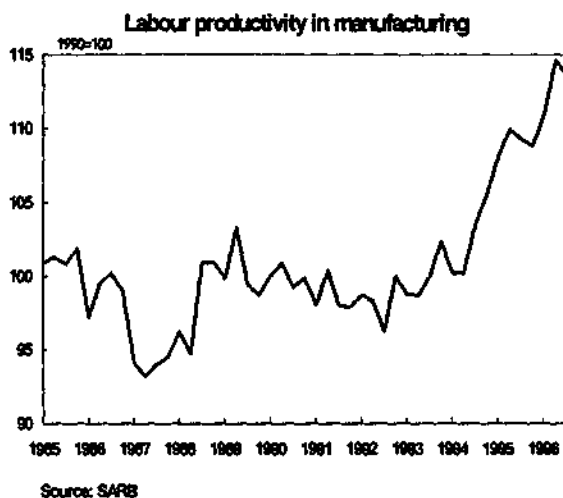
<sup>1</sup> Agriculture, forestry and fishing, restaurants, boarding houses, some transport services, real estate and business services, private educational and health services, non-governmental and religious organisations, household services, some personal, recreational and cultural services and the informal sector are not included in the non-agricultural formal employment series published by the Central Statistical Service.

The importance of improving the labour absorption capacity of the economy is underscored by the estimated labour force growth rate of about 2½ per cent per annum.

### 2.1.5 Labour costs and productivity

Nominal wages per worker in the formal non-agricultural sectors have accelerated since the middle of 1995. Wages rose by 11 per cent in the first three quarters of 1996 compared to the same period in the previous year, after increasing by 9,4 per cent in 1995 and 11,9 per cent in 1994.

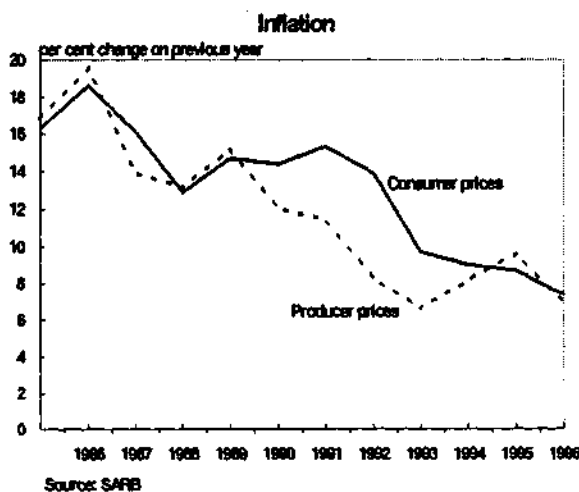
This resulted in an increase in real remuneration per worker of 1½ per cent in the first three quarters of the year over the corresponding period of 1995. However, the rise in real wages has been accompanied by a further increase in labour productivity and a reduction in real unit labour costs. Real output per worker increased by 2.9 per cent in the first nine months of 1996, following real growth of 3,3 per cent in 1995 - the strongest productivity growth achieved in any year since 1970.



The rate of increase in nominal unit labour cost has fallen from 17,2 per cent in 1990 to 5,9 per cent in 1995, contributing substantially to the decline of inflation in the first half of the 1990s. The growth in nominal unit labour costs has subsequently risen to 8 per cent in the first nine months of 1996, which partly accounts for the upward trend in consumer and producer prices in the second half of the year.

### 2.1.6 Inflation

Consumer price inflation declined from an average of 9,0 per cent in 1994 to 8,7 per cent in 1995 and 7,4 per cent in 1996, the lowest year-to-year rate since 1972. Apart from the slower growth in nominal labour cost per unit of production, the reductions in tariffs on imported goods, consistent application of a counter-inflationary monetary policy and month-to-month declines in food prices are amongst the factors which have contributed to the decline in inflation. Since May 1996, the consumer price trend has picked up, reaching 9,4 per cent in December, partly because of the depreciation of the rand, strong growth in the money and credit supply and faster growth in unit labour costs.

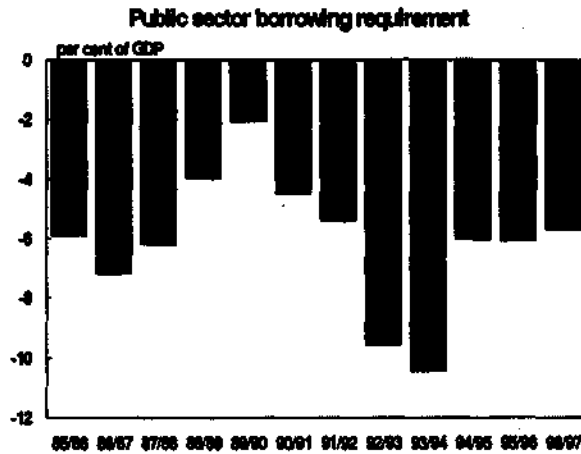


Production price inflation has also declined rapidly in 1996 to 6,9 per cent, compared to 8,2 per cent in 1994 and 9,6 per cent in 1995. It reached a low point of 5,3 per cent in April 1996, but has since increased to 8,8 per cent in December. This rise in the pace of production price increases has largely been driven by the prices of domestically produced goods, which until

November 1996 rose considerably faster than the prices of imported goods, in spite of the depreciation of the exchange rate.

### 2.1.7 Public finances

As indicated in chapter 3, the public sector borrowing requirement has fallen from 6,1 per cent of GDP in 1995/96 to an expected 5,7 per cent of GDP in 1996/97. The national budget deficit is expected to be R30,3 billion (before taking proceeds from oil sales into account), as planned. An increase in the provincial share of government expenditure has occurred in recent years, reflecting the devolution of social service functions and extended delivery of basic services.

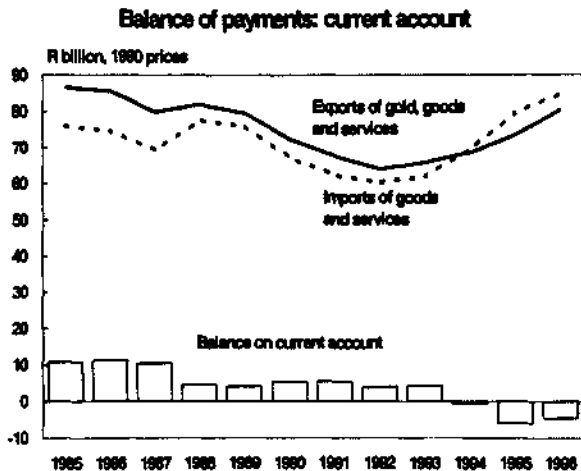


Source: Department of Finance

Tax revenue collected by the consolidated general government, which includes social security taxes and local government taxes on property, was 15,7 per cent higher in the first nine months of the fiscal year than in the same period in 1995/96. Total revenue rose by 16,6 per cent. Current and capital expenditure by all levels of government increased by 17,3 per cent and 4,8 per cent respectively.

### 2.1.8 Balance of payments

The strong growth in domestic expenditure during 1995, particularly in real fixed investment, led to a sharp increase in merchandise imports. The deficit on the current account of the balance of payments amounted to R10,2 billion in that year, or 2,1 per cent of gross domestic product. Demand has been slower in 1996, and export performance has improved, resulting in a contraction in the current account deficit in the second half of the year. By the fourth quarter the deficit had fallen to a seasonally adjusted and annualised rate of R4,7 billion.



This substantial improvement in the current account is partly the result of a strong performance in merchandise exports, which grew by 12 per cent in volume and 21½ per cent in value. The improved export performance was broadly based, with particularly strong increases registered in mining products and manufactured goods. Both the more competitive external value of the rand, and an increase in the value of net gold exports contributed to the outcome. At the same time, a contraction in gross domestic expenditure in the fourth quarter resulted in slower growth in the value of merchandise imports. For 1996 as a whole, the deficit on the current account came to R8,5 billion or 1,6 per cent of gross domestic product.

Despite a decline in the physical quantity of gold exported in 1996, the value of net gold export proceeds rose by 16,7 per cent or from R22,5 billion in 1995 to R26,3 billion in 1996. This was the result of an increase in the average price of gold per fine ounce from R1 393 to R1 664

over the period, mainly owing to the depreciation of the rand. In January 1997, the dollar price of gold declined steeply on account of expectations of sustained lower international inflation and fears of continued gold sales by European central banks. The average London gold price of \$345,25 per fine ounce on 31 January 1997 was the lowest since September 1993.

In the first half of 1996, expectations of further declines in the exchange rate of the rand encouraged the early importation of capital goods, adding to the effect of the fairly high level of domestic demand. For the year as a whole, the value of merchandise imports rose by 18½ per cent and import volumes rose by 10½ per cent.

Net service and transfer payments to the rest of the world increased by 7½ per cent in 1996. Higher foreign tourist expenditure in South Africa and an increase in dividend receipts were largely responsible for an increase in service receipts, but this was more than offset by higher payments for interest, freight and insurance.

South Africa experienced a large net capital inflow in 1995. The capital inflow of R19,2 billion exceeded the 1995 current account deficit, and contributed to an increase in the country's gold and other foreign reserves. From mid-February 1996, however, a period of turbulence in the South African foreign exchange market and a sharp depreciation of the rand contributed to speculative outflows of capital. The capital account of the balance of payments consequently deteriorated in the first nine months of 1996, before improving appreciably in the fourth quarter. The total net movement of capital between South Africa and the rest of the world changed from an outflow of R0,8 billion in the third quarter of 1996 to an inflow of R3,3 billion in the fourth quarter. For the calendar year 1996 as a whole, the total net inflow amounted to R3,9 billion.

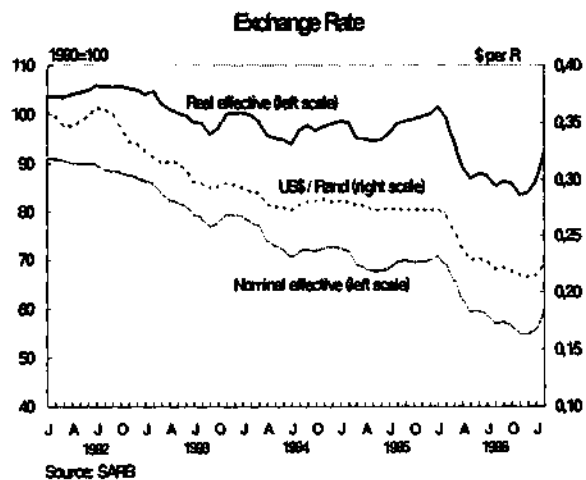
The country's gross gold and other foreign reserves, which had declined by R4,3 billion during the first three quarters of 1996, rose by R2,9 billion in the fourth quarter of 1996 to a level of R16,8 billion at the end of the year. The level of the country's gross reserves at the end of 1996 was equivalent to the value of imports of goods and services for about 5½ weeks.

### 2.1.9 Exchange rates

The external value of the rand was relatively stable in 1995 and the first six weeks of 1996. The nominal effective exchange rate of the rand depreciated by 3,6 per cent in 1995, which is roughly the difference between the local rate of inflation and the weighted average inflation rate of South Africa's major trading partner countries.

Beginning in February 1996, the value of the rand decreased sharply against all major currencies. The nominal effective exchange rate declined by 21,9 per cent between the end of 1995 and the end of 1996, and the real or inflation-adjusted effective exchange rate of the rand is estimated to have declined by 16 per cent during the course of the year.

Improved sentiment in early 1997 resulted in an appreciation of the nominal effective exchange rate by 7,6 per cent during the first two months of 1997.



### 2.1.10 Financial markets

The growth in the M3 money supply fluctuated around 15 per cent during most of 1996, decreasing to 13,6 per cent in December. Despite a slowdown in monetary growth in the

second half of the year, the guideline range of 6 to 10 per cent was exceeded. This rapid growth was primarily the result of an increase in the demand for money to finance domestic expenditure on household consumption, fixed capital formation and inventory accumulation, whilst liquidity preference also rose in anticipation of adjustments in the share and bond markets. The slowdown in M3 growth in the second half of 1996 may be an indication that the monetary expansion has passed its peak and that it may settle at lower rates of increase during 1997.

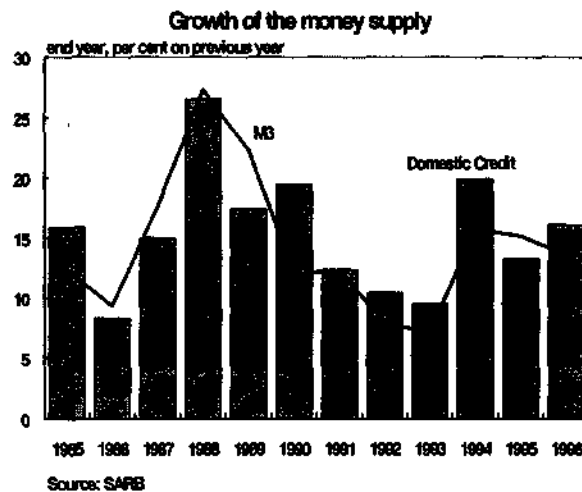
The changes in the accounting counterparts of the M3 money supply were dominated by the monetary institutions' claims on the domestic private sector. The monetary sector's net claims on the government sector also contributed to the increase, whilst the monetary sector's net foreign assets declined somewhat and thereby restrained the overall monetary growth. The twelve month rate of increase in credit extension to the private sector advanced from a high level of 17,6 per cent in December 1995 to 18,7 per cent in June 1996, before receding to 16,1 per cent in

December. The sharp increase in credit to the private sector was reflected in strong growth in mortgage advances, while instalment sale credit was strengthened by high activity levels in the market for new motor vehicles. The persistence of strong domestic demand for most categories of goods and services also lifted the growth in other loans and advances, which includes overdrafts on current accounts.

Amidst turbulent conditions in the foreign exchange market and a sharp depreciation of the rand from the middle of February, the Reserve Bank increased the Bank rate by one percentage point from 15 to 16 per cent on 29 April 1996. The banks increased their prime overdraft rate accordingly to 19,5 per cent. The banks increased their prime lending rate further to 20,5 per cent in May to alleviate pressure on the margins between their lending and deposit rates, and then reduced their prime overdraft rates to 19,5 per cent in July after the Reserve Bank announced a reduction in the cost of accommodation against collateral of second-tier assets. The abolition of the Financial Services Levy in October 1996 allowed the banks to cut their prime overdraft rates to 19,25 per cent. On 21 November 1996 a Bank rate was increased to 17 per cent against the backdrop of very tight money market conditions, rapid expansion of the money supply and credit extension, a further depreciation of the rand and expectations of rising inflation. The prime overdraft rates of the banks were subsequently increased to 20,25 per cent.

The trend and volatility of bond yields during 1996 were strongly influenced by changes in the exchange rate of the rand, expectations of rising inflation and the continuously tight liquidity situation in the money market. The monthly average yield on long-term government stock increased from 13,8 per cent in January 1996 to 16,2 per cent in December. Bond prices strengthened in January 1997 and reacted positively to news of a healthy improvement in the country's trade balance in December, the announcement of lower than expected inflation and a slowdown in monetary expansion. The yield on long-term government stock had fallen to 14,6 per cent by the end of February 1997.

Money market conditions were relatively tight throughout 1996, mainly because of declines in the net foreign assets of the Reserve Bank. The amount of Reserve Bank accommodation extended to the banks rose sharply to R11 billion at the end of April 1996, fell back to R5,8 billion at the end of June, but then rose again to R10,4 billion at the end of December. In January 1997 money market conditions eased substantially on account of a strong rise in the



net foreign assets of the Reserve Bank and a steep decline in the amount of notes and coin in circulation outside the Reserve Bank, causing the money market shortage to decline to R8,7 billion at the end of the month.

Turnover in the equity market was extremely buoyant in 1996 and the value of shares traded on the Johannesburg Stock Exchange increased consistently from R13,3 billion in the first quarter of 1995 to a new record level of R34,6 billion in the fourth quarter of 1996. The number of shares traded increased by 74,7 per cent in 1996, compared to 1995. The admission to membership of the Johannesburg Stock Exchange granted to non-residents contributed to the active trading by foreigners in the secondary equity market during 1996. Their net purchases of shares on the Exchange amounted to R5,3 billion in 1996, 10 per cent more than the net amount purchased in 1995.

After a significant increase of more than 30 per cent in the price level of shares between February 1995 and February 1996, share price movements were lacklustre in the remainder of 1996, despite the continued strength of international bourses. The average price level of all classes of shares declined by 5,1 per cent from February 1996 to December 1996. The average price level of gold mining shares declined by more than 25 per cent between May 1996 and January 1997.

## **2.2 The economic outlook**

### **2.2.1 The international economy**

Prospects are good for sustainable and stable growth in the major industrial countries. Under-utilisation of capacity in many of the major economies continues to provide a check on inflationary pressures while underpinning further growth potential. Unemployment is expected to fall in most labour markets. However, employment gains may be insufficient in some countries to counter concerns regarding labour market insecurity which could inhibit consumer spending and business investment.

Provided the relatively favourable environment continues to prevail, output growth in the industrial countries can be expected to accelerate marginally from 2,3 per cent in 1996 to 2,5 per cent in 1997, while inflation is set to rise from 2,3 per cent in 1996 to 2,4 per cent in 1997. The growth in world trade is projected to expand substantially once again in 1997.

Real growth in developing countries is expected to remain strong, averaging about 6 per cent in 1997, with average inflation expected to decline from 13,3 per cent in 1996 to 10,8 per cent. Growth in several of South Africa's regional neighbours has exceeded 5 per cent per annum in recent years and should continue to be brisk in 1997.

### **2.2.2 The domestic economic outlook**

Following the excellent growth in the agricultural sector in 1996, a modest reduction in the level of the real value added in agricultural is likely in 1997.

Despite lower international commodity prices in 1996, rand export prices were significantly bolstered by the depreciation of the rand. The volume and value of merchandise exports are expected to benefit from a modest improvement in commodity prices in 1997, favourable climatic conditions and increasing international demand for South African export commodities. The rate of growth in the volume of merchandise imports is expected to reflect the current slowdown in expenditure growth, decelerating substantially from its 1996 level.

The level of aggregate real gross domestic expenditure for the current year is projected to remain about the same as in 1996. Real private consumption is expected to grow, though less strongly than in 1996, supported by positive consumer sentiment. The rate of growth in real government consumption expenditure is expected to be contained in the new fiscal year, contributing to a further reduction in government dissaving. A moderate increase in real gross domestic fixed investment is expected during 1997, in response to measures aimed at



promoting the manufacturing sector, the improved environment for export-oriented industries and a further increase in public sector investment spending.

Inventory investment remains closely correlated with movements in the business cycle. The cyclical downswing in inventory accumulation is expected to persist on account of the high cost of carrying inventories.

Growth of real gross domestic product is expected to be between 2 and 2½ per cent in 1997, led by strong export growth in the context of rather weaker domestic demand. Real output growth in the primary sectors is expected to be slower. Production in the manufacturing sector, which should benefit substantially from measures to enhance competitiveness and export orientation, is expected to grow somewhat faster.

The slowdown in the volume of merchandise imports and the expected strong real merchandise export growth will contribute to a lower deficit on the current account of the balance of payments in 1997 than in 1996. Capital inflows from the rest of the world are expected to exceed the current account deficit, and accordingly an improvement in the level of the gold and foreign reserves is expected.

The average inflation rate in 1997 will be rather higher than in 1996, against a background of strong growth in the money supply and credit extension to the domestic private sector, the depreciation of the rand and the increase in nominal unit labour costs during 1996. The inflationary trend is expected to slow during the year, however, since domestic expenditure has eased and the public sector borrowing requirement is set to fall.

In the context of the macroeconomic framework set out in chapter 1, prospects for the medium term are even more favourable. The sound macroeconomic and fiscal framework which has been adopted, the strength of private fixed investment spending and the acceleration of merchandise exports since 1994 provide a firm foundation for a steady improvement in economic growth to the year 2000, together with faster employment creation and a lower inflation trend. These are the requirements for successful implementation of the broader social and developmental programmes to which Government is committed.

## ANNEXURE

**Table 2.1 Gross Domestic Product and Expenditure**

NOTE: Changes in inventories and the residual balancing items are not shown

(constant 1990 prices)

	Gross Domestic Product		Private consumption		Government consumption		Gross domestic fixed investment		Exports		Imports	
	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million	R million
1985	254 175	137 846	45 928	59 813	63 608	46 487						
1986	254 221	138 064	46 981	48 703	61 197	45 347						
1987	259 561	143 387	48 738	46 211	60 075	46 932						
1988	270 463	150 938	49 546	52 026	65 969	57 214						
1989	276 940	155 074	51 536	55 410	69 517	57 396						
1990	276 060	159 530	52 702	54 113	70 714	54 046						
1991	273 249	158 705	53 893	50 115	70 674	55 204						
1992	267 257	156 446	54 675	47 479	72 464	59 156						
1993	270 702	156 928	56 271	46 159	75 955	62 237						
1994	278 148	161 737	58 842	50 175	76 731	72 257						
1995	287 506	169 418	58 834	55 359	83 854	84 217						
1996	296 469	175 825	61 769	59 118	90 414	90 563						
<b>Percentage change over previous year</b>												
1985	-1.2%	-3.5%	3.4%	-7.0%	8.9%	-14.0%						
1986	0.0%	0.2%	2.3%	-18.6%	-3.8%	-2.5%						
1987	2.1%	3.9%	3.7%	-5.1%	-1.8%	3.5%						
1988	4.2%	5.3%	1.7%	12.6%	9.8%	21.9%						
1989	2.4%	2.7%	4.0%	6.5%	5.4%	0.3%						
1990	-0.3%	2.9%	2.3%	-2.3%	1.7%	-5.8%						
1991	-1.0%	-0.5%	2.3%	-7.4%	-0.1%	2.1%						
1992	-2.2%	-1.4%	1.5%	-5.3%	2.5%	5.3%						
1993	1.3%	0.3%	2.9%	-2.8%	4.8%	7.0%						
1994	2.7%	3.1%	4.2%	8.7%	1.0%	16.1%						
1995	3.4%	4.7%	0.3%	10.3%	9.3%	16.6%						
1996	3.1%	3.8%	5.0%	6.8%	7.8%	7.5%						

**Table 2.2 Real income, wages and prices**

(percentage change on previous year)

	Real GNP per capita			Average real wages		Consumer prices index		Production Price index		GDP deflator	
	private	public	Real GNP per capita	private	public	private	public	private	public	private	public
1985	-3.2%	-4.3%	16.3%	16.3%	16.9%	16.2%					
1986	-1.7%	-2.4%	18.6%	18.6%	19.6%	16.3%					
1987	1.2%	1.0%	16.1%	16.1%	13.9%	14.2%					
1988	1.7%	2.7%	12.9%	12.9%	13.2%	15.1%					
1989	-1.2%	-0.6%	14.7%	14.7%	15.2%	17.2%					
1990	3.8%	0.0%	14.4%	14.4%	12.0%	15.1%					
1991	2.7%	0.7%	15.3%	15.3%	11.4%	13.5%					
1992	-4.5%	1.5%	13.9%	13.9%	8.3%	12.4%					
1993	-0.5%	0.1%	9.7%	9.7%	6.6%	11.1%					
1994	2.0%	1.4%	9.0%	9.0%	8.2%	9.5%					
1995	0.8%	2.5%	8.7%	8.7%	9.6%	8.9%					
1996	1.6%	1.8%	7.4%	7.4%	6.9%	8.4%					

**Table 2.3 Current Account of the Balance of Payments**

	Gold exports	Service receipts	Merchandise imports	Service payments	Net transfers	Current balance
1985	15 460	6 709	23 228	13 519	42	5 208
1986	16 719	7 582	25 826	16 138	69	6 328
1987	17 823	7 955	28 606	16 032	-39	6 708
1988	19 701	8 884	39 408	18 011	92	3 383
1989	19 140	11 543	44 266	21 539	205	3 467
1990	18 177	11 346	43 408	23 711	185	5 324
1991	19 587	12 386	47 385	23 312	202	6 187
1992	19 391	13 310	51 883	25 153	300	4 975
1993	22 449	14 525	59 869	27 997	429	6 049
1994	23 671	17 970	76 251	31 709	160	-1 207
1995	22 537	20 118	97 962	36 259	120	-10 157
1996	26 294	21 978	86 948	39 060	-183	-8 479

**Table 2.4 Exchange rates and money supply**

	Nominal effective exchange rate		Real effective exchange rate		US dollar exchange rate		M3	Domestic Credit
	1990=100	% change	1990=100	% change	R per \$	% change	% change	% change
1985	151,8	-32,4%	82,0	-22,6%	222,8	-33,8%	12,3%	15,9%
1986	127,8	-15,8%	85,6	4,3%	228,3	-2,4%	9,3%	8,3%
1987	131,6	3,0%	99,8	16,7%	203,6	12,2%	17,6%	15,0%
1988	114,7	-12,8%	95,8	-4,1%	227,3	-10,4%	27,3%	26,5%
1989	103,3	-9,9%	95,4	-0,4%	262,2	-13,3%	22,3%	17,4%
1990	100,0	-3,2%	100,0	4,8%	258,8	1,3%	12,0%	19,4%
1991	94,0	-6,0%	103,0	3,0%	276,1	-6,3%	12,3%	12,3%
1992	89,5	-4,8%	104,8	1,8%	285,2	-3,2%	8,0%	10,4%
1993	81,2	-9,2%	100,2	-4,4%	326,7	-12,7%	7,0%	9,4%
1994	73,7	-9,3%	97,1	-3,0%	355,0	-8,0%	15,7%	19,9%
1995	69,5	-5,7%	97,4	0,2%	362,7	-2,1%	15,2%	13,2%
1996	60,5	-13,0%	89,4	-8,2%	429,2	-15,6%	13,6%	16,1%

## ISSUES IN MACRO- ECONOMIC AND FISCAL POLICY

*Macroeconomic and fiscal aspects of sustainable growth and development of the economy are briefly discussed here, including the role of exports and investment, the need to enhance domestic saving performance, the containment of inflation and the role of fiscal policy in contributing to the Government's employment and redistribution goals. Several steps in the removal of exchange controls are announced. The second part of this chapter summarises the fiscal policy stance and describes recent trends in the public finances.*

### **3.1 Sustainable growth and development**

The Government seeks to improve the underlying growth potential of the economy, so as to realise accelerated employment creation and a steady improvement in the distribution of income and opportunities over the medium term and into the 21st century. The macroeconomic strategy and associated development initiatives summarised in chapter 1 of this Review are focused on medium term goals, but within the context of a clear commitment to sustainable growth and development.

Export growth, investment and savings, containment of inflation and several further steps in the liberalisation of exchange controls are discussed below. The second part of this chapter summarises fiscal policy considerations and trends in public finances.

#### **3.1.1 Export growth**

Strong growth in South Africa's export earnings is a crucial source of additional income in the Government's macroeconomic strategy. To achieve a real increase in non-gold exports of more than 8 per cent and manufactured exports of over 10 per cent per annum in forthcoming years, a structural reorientation of the economy is required.

Exports and imports have grown strongly since 1994 as the economy became re-integrated internationally after the political transition and the normalisation of diplomatic and trade ties with other countries. As indicated in chapter 2, real non-gold exports increased by nearly 11 per cent in 1996, after growing by an estimated 14,3 per cent in 1995.

In addition to the opening up of international opportunities, other policy shifts underpin the prospects for sustained export growth.

- Tariff reforms have improved the efficiency of investment and enhanced the economy's productive capacity and competitiveness. Until the mid-1990s a complicated structure of import duties existed, which shielded domestic producers from foreign competition, and distorted relative prices. High tariffs increased input costs which reduced the competitiveness of South African firms. Although difficult adjustments have to be made by previously protected industries, continued tariff reform plays an important role in increasing South Africa's long term competitiveness.
- In phasing out the general export incentive scheme and replacing it with various supply-side measures, investment tax incentives and a refined approach to export marketing assistance, the Government has improved the focus of trade and industry policies and targeted its assistance more effectively than in the past.
- Both the Government's industrial cluster studies and its spatial development initiatives are aimed at concentrating and co-ordinating investment projects in areas and industries of proven potential. This reduces risk and permits major projects which would otherwise not have been undertaken to take advantages of opportunities for collaboration.
- Tourism provides an additional source of foreign exchange earnings. The promotion of tourism has been prioritised, with policies clearly set out in a White Paper. An overhaul of the Government's tourist promotion agency is in progress.

The depreciation of the rand which began in February 1996 should contribute to the sustained growth in exports, while reducing import levels. The macroeconomic framework envisages a real effective exchange rate at a level about 9 per cent below the 1995 value of the rand, whereas a depreciation of about 16 per cent occurred over the year to December 1996. The strengthening of the currency during the first two months of 1997 appears to have brought the rand to a more appropriate trading range, although further adjustments in line with the inflation differential between South Africa and trading partner countries should still be expected.

Changes in the real effective exchange rate play an important role in balancing the relative prices of tradable and non-tradable goods. Maintaining a competitive real exchange rate provides domestic producers with an incentive to produce for export. Maintaining the currency at an artificially low level, would, however, increase the risk of inflation and undermine discipline in managing productivity growth.

An increasing number of firms currently include long term expansion of their export activities as part of their strategic objectives. Several plants have been commissioned or are planned which are aimed primarily at export markets in sectors where exporting has traditionally been viewed as a short term outlet for surplus production during a downswing in domestic demand. This trend needs to be maintained if export earnings are to become an increasingly important source of higher growth and rising incomes in South Africa.

### **3.1.2 Saving and investment**

Although the growth trend has been positive in recent years, a more rapid rate of expansion of the economy is needed if employment creation and income redistribution are to be accelerated. Faster growth on a sustainable basis will require a rise in gross domestic savings and higher levels of fixed capital formation.

The ratio of gross domestic savings to gross domestic product in 1996 remained at a relatively low level of 16,5 per cent, having fallen from a peak of around 25 per cent in the early 1980s. The long-term decline in the savings ratio was the result of rising levels of dissaving by the general government, without a compensating increase in savings by the private sector, capital flight and a decline in the availability of foreign savings. The future growth potential of the economy depends on increasing the overall level of investment and generating sufficient savings to finance that investment.

A strong domestic savings performance has to be the main source of finance for domestic investment and contributes in turn to positive foreign investor sentiment and a greater stability

of capital flows. This requires restraint in both private consumption expenditure and consumption expenditure by general Government.

Since 1994 Government dissaving has been steadily reduced, from over 6 per cent of gross domestic product in 1993 to less than 4 per cent in 1996. At the same time, a policy environment conducive to investment growth must be maintained, as is emphasised in the Government's broader macroeconomic strategy. Fiscal and budgetary policies which are intended to promote investment and contribute to national income growth are summarised in chapter 1 and in the discussion of revenue and expenditure proposals in chapter 7 and 8.

Despite comparatively high real interest rates, private consumption spending has increased strongly over the past three years and the net savings ratio for the total private sector declined from 7,5 per cent of GDP in 1995 to 7 per cent in 1996, despite an apparently strong recovery in the gross operating surplus of incorporated business enterprises. The present monetary and fiscal policy stance has nevertheless exerted a restraining influence evident in the decline of expenditure growth during the course of 1996. Private consumption is expected to grow more slowly than the overall economy during 1997.

Domestic savings need to be augmented by foreign capital inflows, which amounted to nearly 4 per cent of GDP in 1995, but fell back to 0,7 per cent in 1996. As events in South Africa during 1996 demonstrate, however, capital movements are unpredictable and sudden reversals of the direction of flow can occur. This contributes to business uncertainty, in addition to impacting on the exchange rate and domestic interest rates.

The main role of the fiscus in enhancing saving and investment relative to GDP lies in the elimination of the current excess of government consumption expenditure over income. Progress in respect of this target and related fiscal policy indicators is briefly reviewed below.

### **3.1.3 Inflation**

After running at double-digit levels for almost two decades, the rate of inflation has been brought to below 10 per cent over the past four years. This is a significant advance, contributing to greater stability and more effective price competition in the economy, in addition to reducing the distorting effects of inflation on the allocation of resources and the distribution of income and wealth.

Factors which contributed to the slowdown in the inflation rate, despite the substantial depreciation of the currency during 1996, include reduced tariffs, the abolition of the surcharge on imported goods, the introduction of more foreign competition into the domestic market, low levels of inflation in South Africa's trading partner countries and the slowdown in unit labour cost increases since the beginning of the 1990s.

As indicated in chapter 2, however, the underlying inflation trend increased during 1996 and monetary and private sector credit growth remained comparatively rapid. A firm counter-inflationary policy stance remains appropriate, taking into account also the long and variable time lag between changes in monetary policy and changes in prices.

The reduction in the fiscal deficit as a percentage of GDP over forthcoming years will relieve some of the pressure on monetary policy to combat inflation.

Recent and current inflation strongly influences price expectations in the price formation process in South Africa, whereas counter-inflationary policy measures are not fully taken into consideration. This delays the impact of monetary and other measures such as lower tariffs and improvements in productivity, leading to slow downward adjustments in price and wage setting.

More forward-looking price expectations would assist monetary and fiscal policy in permanently lowering inflation to levels comparable to those of our trading partners. As anticipated in the Government's macroeconomic framework, lower inflation expectations should in due course be reflected in lower interest rates, contributing both to easing Government's expenditure constraints and to lowering the costs facing investors.

### **3.1.4 Fiscal aspects of employment and redistribution**

The Government's macroeconomic strategy recognises that the most effective means of reducing inequality is to improve employment creation. Increases in employment depend on high levels of investment, together with an enhancement of the labour absorptive capacity of the economy. There is a responsibility on the fiscus to facilitate private investment through a reduction in government dissaving and controlling the level of government consumption expenditure. The Government also has a responsibility for the adequate and cost effective provision of public services, while guaranteeing a minimum standard of living for the poorest and ensuring that Government spending is redistributive.

The budget reform process, on the one hand, and the restructuring of state assets on the other, are evidence of the Government's commitment to provide those public services that cannot be efficiently provided by the private sector and to improve cost recovery and the return on resources committed. Public spending, particularly on basic social services and social security, is a powerful instrument of redistribution. But its effectiveness does depend on efficient use of resources, good management and cost containment. Strict measures to ensure the cost-effective provision of core public services will release resources for more targeted redistribution policies.

The Government is committed to assisting the very poorest through the development of a comprehensive program of social assistance. South Africa already has a social security system which, although imperfect, reaches into the poorest rural communities and contributes a significant share of the income of poor households. This year spending on social grants will increase by in real terms.

In addition, Government has initiated several targeted schemes aimed at the very poor. From 1997 a basic child benefit scheme which will provide a minimum level of support to low income households with young children is to be introduced. The new scheme is expected to make a significant contribution to the nutritional status of South Africa's children and to the income of the poorest households which typically have high numbers of children. The programme will replace the existing child maintenance programme, which is unaffordable in its present form. This represents an important extension of the Government's social safety net, designed to ensure that the poorest of the poor within South African society have access to a minimum level of state support.

While recognising that the private sector will play the lead in job creation, Government's spending on social infrastructure projects plays a direct role in increasing employment opportunities for the unskilled. Government spending on social infrastructure generated an estimated 80 000 new jobs during 1996 and spending is expected to increase during 1997. In addition the Government has set aside a further R300 million for labour-intensive poverty alleviation programmes during 1997.

### **3.1.5 Exchange controls**

South Africa has for many years maintained restrictions on certain currency transactions, in order to provide a measure of protection against potentially destabilising movements of funds out of the country. In South Africa's changed circumstances, and against the background of the substantially increased mobility of funds internationally, exchange controls are both difficult to administer and represent a perceived disincentive to potential investors. They also have distorting effects in the capital and foreign exchange markets and complicate the application of monetary policy. For these reasons, the authorities are committed to a phased liberalisation of exchange controls.

The present position is that:

- with some exceptions, current account payments and receipts are unrestricted;
- no exchange controls are applied over non-residents in respect of either capital or current account flows;

- resident corporate organisations are allowed, under certain circumstances, to make direct investments outside the country;
- resident institutional investors (pension funds, insurers and mutual funds) are able to diversify the asset portfolios into foreign assets through approved asset swap transactions; and
- private individuals are not allowed to make investments outside of the country.

Until recently, a dual exchange rate regime was maintained, in which specified capital movements in and out of the country could take place only through a "financial rand" which traded at a market-determined discount to the "commercial rand". The two-tier exchange rate arrangement was terminated in March 1995.

With the publication in June 1996 of the Government's integrated macroeconomic strategy, the Minister of Finance announced several further steps in exchange control liberalisation. These included the following:

- a relaxation of restrictions on the access of foreign investors to domestic credit;
- increased limits on the asset swap mechanism available to institutional investors;
- provision for institutional investors to transfer a percentage of their net inflow of funds in the previous year;
- provision for corporate entities to offset the cost of imports against export proceeds within a specified time limit; and
- various adjustments to exchange transaction limits and measures to expedite exchange control administration.

In taking the process of relaxing exchange controls further, the objective is to reach a point where there is equality of treatment between residents and non-residents in relation to inflows and outflows of capital. Unlimited outward transfers of capital will not be permitted at this stage, but the emphasis will increasingly be on the positive aspects of prudential financial supervision.

The proposed changes to the exchange control regulations are:

- most remaining controls on current account transactions will be abolished;
- travel allowances are increased to an annual allowances of R80 000 per adult and R25 000 per child;
- individuals will be allowed to remit an amount of capital abroad, with extended limits for the acquisition of fixed property in SADC countries; will be able to maintain foreign currency denominated deposit accounts subject to a prescribed ceilings; and will be permitted to retain foreign income earnings in foreign currency accounts;
- non-residents will be permitted to retain foreign currency accounts;
- corporations wishing to establish new ventures will be permitted to transfer up to R30 million as a proportion of their investment, or R40 million in the case of SADC investments;
- South African corporations will be allowed to raise foreign funding on the strength of their South African balance sheet;
- institutional investors will be allowed to make foreign acquisitions during 1997 of up to 3 per cent of the net inflow of funds during the 1996 calendar year, and a further 2 per cent for the purchase of stock listed in SADC stock exchanges;
- the 10 per cent limit applicable to acquisition of foreign portfolio assets will apply to all the assets under management in any specific unit trust scheme;



- the development of a dollar-rand futures contract on the South African Futures Exchange will be facilitated, with participation initially restricted to non-residents and to authorised dealers in foreign exchange;
- the non-resident ownership level at which foreign controlled resident entities become subject to limits on local borrowing will be raised from 25 per cent to 50 per cent;
- the time limit within which foreign exchange must be sold to authorised dealers will be increased from 7 to 30 days, where applicable; and
- the threshold below which purchase or sale of exchange documents is not required will be raised from R2 000 to R4 000.

Suitable checks will be put in place to ensure that individuals and corporate entities whose tax affairs are not in order will not be permitted to take advantage of these opportunities to expatriate funds.

## **3.2 Fiscal policy and trends**

### **3.2.1 The fiscal policy stance**

The Government has adopted a forward-looking fiscal policy stance, taking into account the requirements for an improved domestic saving performance, the need to support an export-oriented trade and industry strategy and the continued role of fiscal policy in countering inflationary pressures. If both investment and net exports are to increase their share of expenditure in GDP, the fiscus must play its part in the necessary containment of total consumption expenditure growth. In addition, the Government's expenditure reprioritisation objectives argue for a clear focus on the rising cost of state debt and the establishment of a sound fiscal and financial framework within which a medium term approach to budgetary decision-making can be fostered.

The macroeconomic framework sets a budget deficit target of 3 per cent of GDP by the end of the decade. In addition, Government envisages:

- an elimination of general government dissaving – ensuring that current expenditure is covered by current revenues;
- steady reductions in the level of consumption expenditure by the general government relative to GDP;
- a ceiling on the tax burden as a proportion of national income at about its present level;
- containment of overall remuneration increases within fiscally responsible limits; and
- strengthening public sector investment spending, including both social and economic infrastructure.

This policy framework will bring to an end a period of ten years during which interest on debt increased each year relative to GDP – from 3,6 per cent in 1987/88 to an estimated 6,5 per cent in 1996/97. Debt costs in the 1997/98 budget will be 6,4 per cent of GDP, or just over 21 per cent of national budget expenditure.

Deficit reduction has also reversed the upward trend in the total debt of government, which increased from 32,8 per cent in 1986 to 56,0 per cent at the end of the 1995/96 financial year. Chapter 6 indicates that the total debt will be 55,5 per cent of GDP on the 31st March 1997, and preliminary projections indicate that it will fall to 54,8 per cent of GDP by the end of the new financial year. Measured on an accrual basis (as set out in paragraph 4.10.6), total debt fell from 49,5 per cent of GDP at the end of March 1996 to a projected 48,7 per cent at the end March 1997.

### 3.2.2 Public finance trends

Progress in the main elements of fiscal policy is summarised below.

- Annualised dissaving by the general government relative to GDP has fallen steadily from a peak of 6,4 per cent in the first quarter of 1993 to a preliminary estimate of 3,7 per cent in 1996. The 1997/98 budget will contribute to bringing dissaving down to about 3 per cent in 1997, and below 2 per cent in 1998.
- As reported in chapter 2, consumption expenditure by general government grew by just over 5 per cent in 1996 in real terms and has increased to 20,9 per cent of GDP, after falling from 21,2 per cent in 1994 to 20,6 per cent in 1995. The increase reflects 1996 remuneration adjustments, a rising trend in local government expenditure and improved delivery of services, but it cannot be sustained. The 1997/98 budget provides for no increase in consumption expenditure in real terms, and after allowing for trends in other tiers of government it is expected that the ratio of general government consumption expenditure to GDP will fall to about 20,5 per cent in 1997.
- Taxes collected by the national and provincial governments have increased from a low of 23,8 per cent of GDP in 1992/93 to just below an estimated 26,0 per cent over the past two years. The overall tax burden, including social security contributions and property rates levied by municipalities, is provisionally estimated as 27,4 per cent of GDP in 1996/97.
- Remuneration of general government employees comprises 42 per cent of total expenditure, and about 15 per cent of GDP. The three-year wage agreement signed in the Central Bargaining Chamber in 1996 limits the increase in the national and provincial wage bill to R6,5 billion (on a full-year basis) in 1997/98 and 1998/99, or an average of 9,2 per cent per year. Salary adjustments at other levels of government tend to follow the national and provincial lead.
- Lags in project implementation have kept total capital expenditure by the general government at a fairly stable 8 per cent of total expenditure in recent years, despite somewhat higher budgetary provision. As indicated in chapter 2, however, public sector capital spending (which includes public sector business enterprises and corporations) increased by about 8 per cent in 1996 in real terms. This trend will accelerate as telecommunications, municipal infrastructure, roads construction and other projects gather momentum.

One of the consequences of lags in project spending in recent years has been the increasing overhang of unspent appropriations on the national budget. It is expected that R9 billion of voted amounts will remain unspent at the end of 1996/97. Spending agencies cannot lay claim to these balances in subsequent years without treasury authorisation, and then only for specified purposes. However, the magnitude of these balances is of concern, and the Minister of Finance indicated in presenting the Adjustments Estimates to Parliament in February 1997, that requests to roll-over unspent amounts will in future be subject to more stringent scrutiny, with a view to bringing the gap between available budgeted amounts and actual spending outlays down to more acceptable limits.

### 3.2.3 Consolidated general government accounts

Trends since 1990/91 in general government revenue and expenditure are summarised in table 3.1, broken down by level of government.

#### *Definitions*

The *general government* as defined here includes national government, provincial governments (comprising, in respect of earlier years, the former provincial authorities, TBVC states and self-governing territories), social security funds (the Unemployment Insurance Fund and the Compensation Funds), extra-budgetary agencies (including universities, technikons, museums, parks boards, libraries, the research councils, the National Road Fund, the Legal Aid Board, the

Special Defence Account and the Water Schemes Trading Account, amongst others) and local authorities.<sup>1</sup>

The *public sector borrowing requirement* comprises the general government deficit and the consolidated surplus or deficit of public corporations and national government enterprises. These include Eskom, Telkom, the Central Energy Fund, Mossgas, the South African Broadcasting Corporation, Transnet and its subsidiaries, the South African Post Office, the Rand Water Board, agricultural control boards and state airports, amongst others. (Local government enterprises are excluded.)

Table 3.1: Consolidated general government revenue, expenditure and deficit, 1990/91 to 1996/97

R billion	90/91	91/92	92/93	93/94	94/95	95/96	96/97 <sup>a</sup>
<b>CONSOLIDATED GENERAL GOVERNMENT</b>							
Revenue and grants	84.5	96.0	108.7	123.5	136.4	155.0	176.5
% of GDP	30.8%	30.0%	29.8%	30.7%	31.0%	31.5%	31.9%
Expenditure and net lending	95.3	111.6	135.1	161.7	185.0	186.2	201.2
% of GDP	34.2%	34.3%	34.3%	34.5%	34.2%	33.7%	33.7%
Surplus (+) / Deficit (-)	-10.8	-15.6	-26.4	-38.2	-48.7	-31.2	-24.7
% of GDP	-4.1%	-4.9%	-6.2%	-7.2%	-6.3%	-5.2%	-5.8%
<b>MAIN BUDGET</b>							
Revenue and grants	62.9	78.5	81.1	92.9	111.2	126.5	145.9
Expenditure and net lending	69.9	87.9	102.5	118.5	136.1	151.4	165.9
Surplus (+) / Deficit (-)	-7.0	-9.4	-21.4	-25.6	-24.9	-24.9	-20.0
<b>EXTRA-BUDGETARY INSTITUTIONS</b>							
Revenue and grants	12.2	10.4	14.6	16.1	13.0	15.0	15.0
Expenditure and net lending	12.4	13.1	13.2	14.1	14.2	16.0	16.0
Surplus (+) / Deficit (-)	-0.2	-2.7	1.4	2.0	-1.2	-1.0	-1.0
<b>LOCAL GOVERNMENTS</b>							
Revenue and grants	1.4	1.5	2.1	2.3	2.3	2.3	2.3
Expenditure and net lending	1.7	1.8	2.2	2.3	2.3	2.3	2.3
Surplus (+) / Deficit (-)	-0.3	-0.3	-0.1	-0.2	-0.1	-0.1	-0.1
<b>PROVINCIAL GOVERNMENTS</b>							
Revenue and grants	27.1	34.2	36.3	44.4	55.7	61.1	65.3
Expenditure and net lending	24.8	31.8	37.2	44.3	51.9	56.5	60.0
Surplus (+) / Deficit (-)	2.3	2.4	-0.9	0.1	3.8	4.6	5.3
<b>LOCAL AUTHORITIES</b>							
Revenue and grants	10.5	10.0	13.0	16.2	18.0	18.0	18.0
Expenditure and net lending	11.0	13.7	14.7	18.8	18.0	18.0	18.0
Surplus (+) / Deficit (-)	-0.5	-3.7	-1.7	-2.6	0.0	0.0	0.0
Revenue and grants as % of GDP	30.8%	30.0%	29.8%	30.7%	31.0%	31.5%	31.9%
Expenditure and net lending as % of GDP	34.2%	34.3%	34.3%	34.5%	34.2%	33.7%	33.7%
<b>PUBLIC SECTOR BORROWING REQUIREMENT</b>							
% of GDP	-4.5%	-5.4%	-6.0%	-7.0%	-6.3%	-5.2%	-5.8%
<b>Memorandum items</b>							
Gross domestic product	283.9	320.2	347.9	385.8	440.3	491.1	550.0

Source: South African Reserve Bank  
a) Department of Finance estimates

<sup>1</sup> See also Annexure E of this Review. The main sources of consolidated general government data are the statistical series P9119 of the Central Statistical Service and the public finance accounts published in the *Quarterly Bulletin* of the SA Reserve Bank. A supplement to the *Quarterly Bulletin* containing public finance statistics from 1946 to 1993 was published in March 1994. These accounts are compiled on a cash basis, in term of IMF *Government Finance Statistics* standards.

### *The public sector borrowing requirement*

Between 1990/91 and 1993/94, the public sector borrowing requirement increased from 4,5 per cent of GDP to 10,4 per cent. This increase was partly a consequence of the severity of the economic recession which lasted from mid-1989 until the second quarter of 1993. It also reflects unusually large settlements in 1992/93 and 1993/94 of liabilities which had accrued in earlier years. The main items were:

- transfers to the Reserve Bank Gold and Foreign Exchange Contingency Reserve Account of R3,777 billion in 1992/93 and R7,500 billion in 1993/94; and
- transfers to government pension funds in 1993/94 amounting to R7,340 billion.

These extraordinary transfers were equivalent to 1,1 per cent of GDP in 1992/93 and 3,8 per cent in 1993/94. The transfers to the Reserve Bank were mainly on account of losses incurred on forward exchange contracts over a period of many years. The transfers to the Government Service Pension Fund was required to raise its actuarial funding level and cover the costs of early retirements taken in terms of an offer to civil servants.

The public sector borrowing requirement was 6,0 per cent of GDP in 1994/95, 6,1 per cent in 1995/96 and an estimated 5,7 per cent of GDP in 1996/97.

### *Intergovernmental finance*

The main (national) budget accounts for most public sector borrowing, with deficits at other levels of government typically covered by transfers from the national fiscus. Table 3.1 indicates that surpluses or deficits of extra-budgetary institutions and other tiers of government remained below 1 per cent of GDP through most of the period under review. The revenue and expenditure of the extra-budgetary institutions decreased relative to GDP over the period, partly due to declines in procurements through the Special Defence Account. Receipts and payments of social security funds have remained stable at about 0,6 per cent of GDP since 1990/91.

A marked increase in the share of provinces in government expenditure and revenue has occurred, mainly because of the devolution of social service functions formerly administered by the central government. Expenditure at the provincial level was fully covered by revenue in 1995/96 and a slight deficit is expected in 1996/97.

The consolidated financial position of local governments appears to have remained stable, with an overall deficit equivalent to 0,1 per cent of GDP projected for 1996/97 at this stage.

### **3.2.4 Revenue trends**

Table 3.2 summarises trends in the composition of consolidated general government revenue between 1990/91 and 1996/97. Annexure B contains more disaggregated information on the composition of *national* revenue for the period 1974/75 to 1997/98.

Following a decline from 26,2 per cent of GDP in 1990/91 to 25,6 per cent in 1992/93, tax revenue is estimated as 27,4 per cent of GDP in 1996/97. Non-tax revenue has increased from 4,0 per cent to an estimated 4,4 per cent of GDP between 1992/93 and 1996/97, with a particularly strong increase in the accounts of extra-budgetary institutions, such as universities and technikons. Capital revenue has remained 0,1 or 0,2 per cent of GDP.

Table 3.2: Composition of consolidated general government revenue, 1990/91 to 1996/97

R billion	90/91	91/92	92/93	93/94	94/95	95/96	96/97 <sup>a</sup>
Total current revenue	84,2	95,7	103,0	120,9	138,0	156,4	178,0
% of GDP	30,5%	29,9%	29,6%	30,6%	31,0%	31,4%	31,6%
Tax revenue	72,3	82,6	89,2	103,9	110,4	135,0	153,6
% of GDP	26,2%	25,3%	25,6%	26,3%	26,7%	27,1%	27,4%
Main budget	65,1	73,7	78,9	92,1	106,8	124,3	142,2
• Extra-budgetary institutions	0,0	0,1	0,1	0,1	0,1	0,1	0,1
• Social security funds	1,4	1,5	1,7	1,9	2,0	2,2	2,4
• Provincial governments	2,8	3,1	3,7	4,0	3,8	4,0	4,1
• Local authorities	3,0	4,2	4,8	5,7	6,7	7,4	7,8
Non-tax revenue	11,9	13,1	13,9	17,0	18,6	21,4	24,4
% of GDP	4,3%	4,1%	4,0%	4,3%	4,2%	4,3%	4,4%
Main budget	1,7	1,8	1,3	3,1	3,4	2,7	3,3
• Extra-budgetary institutions	2,8	2,7	4,0	4,1	4,5	5,1	6,3
• Social security funds	0,3	0,3	0,4	0,4	0,4	0,4	0,5
• Provincial governments	1,9	2,3	2,1	2,3	3,0	4,3	4,0
• Local authorities	5,2	6,2	5,4	7,1	7,4	8,7	8,3
Transferable income	0,5	0,3	0,7	0,4	0,4	0,5	0,5
TOTAL REVENUE AND GRANTS	84,8	96,0	103,7	121,3	138,4	156,9	178,5
% of GDP	30,7%	30,0%	29,9%	30,7%	31,1%	31,5%	31,9%

Source: South African Reserve Bank

a) Department of Finance estimates

### 3.2.5 General government expenditure

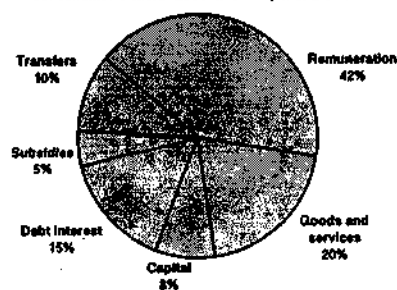
The functional and economic composition of general government expenditure are illustrated below.<sup>2</sup> (The composition of *budgeted* expenditure in more recent years of the consolidated *national and provincial* levels of government is set out in tables 8, 9 and 10 of Annexure B and is summarised in chapter 9.)

After adjusting for extraordinary transfers, general government expenditure increased from 33,1 per cent of GDP in 1990/91 to between 37 and 38 per cent of GDP in 1993/94 and subsequent years.

*Capital expenditure* by the general government has receded as a percentage of GDP, while *current expenditure* has increased from just under 30 per cent in 1990/91 to over 34 per cent of GDP in recent years. The components of current spending are:

- *remuneration of employees*, which has increased to above 40 per cent of total spending and 15 per cent of GDP in recent years;

Composition of Government Expenditure  
Consolidated General Government Expenditure 1994/95



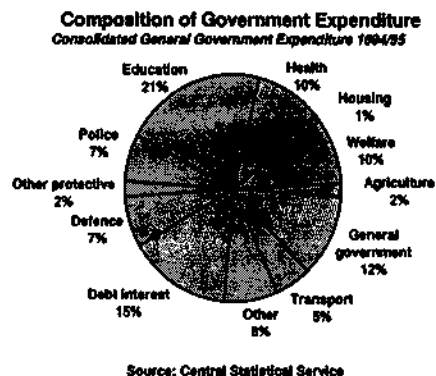
Source: Central Statistical Service and SARB

<sup>2</sup> Due to the time lags involved in the classification of the expenditure accounts, the latest complete set of available figures are for the 1994/95 year. The main source of data on the composition of general government expenditure is the statistical series P9119 of the Central Statistical Service.

- spending on *other goods and services*, which has fallen in relative terms during the 1990s;
- *interest on debt*, and
- *subsidies and transfers*, mainly to households in the form of social grants and to businesses through export promotion and industrial incentives.

Trends in the functional composition of expenditure include the following:

- a relative increase in *general services and unallocable* spending occurred in 1993/94 and 1994/95, associated in part with the administrative costs of the transition to democracy over this period;
- spending on *social services* increased from 48,4 per cent of non-interest expenditure in 1990/91 to 53,6 per cent in 1994/95, mainly due to strong increases in education and social security transfers;
- expenditure on *defence* has fallen from 13,3 per cent in 1990/91 to 8,4 per cent in 1994/95 (and has fallen further since), while spending on police increased from 6,7 per cent to 7,7 per cent of non-interest spending over this period; and
- spending on *economic services* reflects shifts in both policies and circumstances, but has tended downwards in recent years mainly because of the phasing out of regional industrial incentives and the general export incentive scheme have contributed to lower outlays on "other" economic services in recent years.





## FISCAL AND FINANCIAL MANAGEMENT

*This chapter sets out developments in the management of fiscal and financial affairs. It discusses the evolution of a new approach to budgetary planning, expenditure on RDP projects, provincial and local government finances, public service reform, state enterprise restructuring and aspects of public debt management. It notes developments in the regulation of financial services and summarises South Africa's financial relations within the region and with multi-lateral institutions*

### 4.1 Expenditure planning

The evaluation of expenditure proposals is at the heart of the budgetary process. In the light of social, developmental and economic priorities, the Government seeks to assess spending programmes fairly and thoroughly, with due regard to macroeconomic considerations.

This planning process depends on the quality and integrity of information brought to budgetary decision-making. Several reform initiatives which focus on the effectiveness of fiscal planning as an instrument of governance are discussed below.

The new Constitution requires significant reforms to the budgetary process, and in due course will be reflected in legislation governing financial relations between the several tiers of government. Developments in the financing of provinces and local authorities are set out in paragraphs 4.2 and 4.3.

In addition to these changes, a range of adaptations to accounting standards, the information required for expenditure planning purposes, the organisation of budget documentation and the interaction between spending agencies and the Ministry of Finance will in due course be implemented. Reforms made in the past year are noted below and the steps to be taken in 1997/98 are summarised.

#### 4.1.1 Budgetary reform and financial reporting

The Government has embarked on a comprehensive programme of budget reform, and will publish a White Paper dealing with the reform of the expenditure budget and enhancement of financial management later this year. The principles which underlie the Government's approach include:

- improved accountability, including devolved accountability for performance;
- clear setting of objectives, both in the medium term and on an annual basis, with transparent links between national and departmental objectives;

- a planning process which ensures that the budget contributes to those objectives, and with a role for the legislature in budgetary planning;
- adoption of a revised format for the Estimates of Expenditure, to facilitate evaluation of appropriations in relation to agreed objectives; and
- transparent reporting, based on generally accepted accounting practice.

A reform programme embodying these principles is set out in a working document which has been circulated to government departments for comment.

#### **4.1.2 The Institute for Public Finance and Auditing**

As we reconstruct our public services, it has never been more important to harness effectively the resources that are available in both the private and the public sectors. Improved financial management, better auditing and a focus on outputs are all essential to the reforms now underway.

The success of these reforms depend on the people who manage the transformation. For this reason, the Department of State Expenditure has facilitated the creation of a new professional body, the *Institute for Public Finance and Auditing (IPFA)*, to improve the status of those working in accountancy, auditing and financial management in all tiers of government. The IPFA will specify standards of performance, education and training and it will provide a recognised qualifications framework, establish standards of ethics and competence, and develop a membership of public sector financial practitioners. The IPFA will operate within the tiered registration system proposed for the accounting profession.

#### **4.1.3 The medium term expenditure framework**

Preliminary work has been undertaken over the past eighteen months on a medium-term expenditure framework (MTEF), as part of a multi-year approach to fiscal planning. Its purpose is to contribute to achieving consistency between the Government's macroeconomic, developmental, social and other commitments. The MTEF aims, amongst other things, to:

- assess the future financial implications of departmental policies and spending programmes;
- provide an instrument for evaluating policy alternatives;
- enable spending agencies to plan ahead with greater certainty;
- assist Cabinet in evaluating policy options and setting expenditure priorities; and
- contribute to fiscal and financial planning and policy formation.

Cabinet has agreed that a medium term expenditure framework should be incorporated into the planning of the 1998/99 national budget. The macroeconomic and fiscal policy targets goals of the *Growth, Employment and Redistribution* strategy will provide a point of departure for this undertaking, together with the Government's reconstruction and development objectives.

Guidelines for the preparation of draft three-year forward estimates for the 1998/99 to 2000/01 fiscal years have been submitted to national spending agencies. The Departments of Finance and State Expenditure will coordinate the evaluation of inputs and compilation of a medium term framework for consideration by Cabinet in the second half of 1997.

This exercise will involve cooperation with provincial Treasuries and the adoption by provincial governments of a corresponding medium term planning horizon. The Budget Council, which provides a forum for coordination between the Minister of Finance and his provincial counterparts, will play a central role in taking this process forward. Similar cooperative structures have evolved between other national Ministries and provincial MECs and between their senior officials. These have already provided important forums for discussing intergovernmental financial matters and will in due course take on formal responsibilities in the medium term expenditure planning process. An approach which accommodates the planning of provincial expenditure and reflects the priorities of provincial governments needs to be developed, as part of a broader review of intergovernmental fiscal arrangements.



#### **4.1.4 Procurement policy**

The Government is the single largest purchaser in the country, and it therefore has a responsibility to ensure that its procurement policy supports other economic objectives. This includes the promotion of small, medium and micro-enterprises.

In the past, it has been difficult for newly established businesses to enter the public tendering system. The Government has therefore embarked on reforms, with support from the World Bank, to make tendering more accessible to younger companies.

A Green Paper on Public Procurement Reform has recently been published for comment. This paper will set out reforms of procurement policy aimed at good governance, developing and using the nation's human resources potential, and encouraging a well-developed and competitive business sector.

#### **4.1.5 Closure of the Office of the RDP**

Between 1994 and 1996, new initiatives of Government and expenditure reprioritisation were largely coordinated by the Office of the Reconstruction and Development Programme, under the RDP Ministry in the Office of the President.

The work of the RDP Office focused largely on poverty-oriented and developmental strategies in national departments, promoting policy coordination and strengthening development planning at national level and in the newly established nine provinces. An RDP Fund, through which an increasing share of the national budget was allocated to RDP projects, facilitated expenditure reprioritisation and the initiation of several major new development programmes. Progress is summarised in chapter 8 (paragraph 8.4).

The RDP Office also introduced stringent business-planning principles into its project management, including attention to progress monitoring based on key performance indicators, aimed at fostering efficiency and productivity in the way Government delivers services. Partly as a consequence of rigorous planning requirements, RDP projects were slow in getting going. Good progress with implementation is now evident, which will be reflected in accelerating project delivery during 1997.

Recognising the progress made by key Ministries in integrating reconstruction and development objectives into their policies and programmes, the Government closed the RDP Office in mid-1996. RDP project monies are now assigned to departmental or provincial votes through the normal budget process. Programme managers in various national and provincial departments are responsible for project implementation.

RDP project experience has highlighted the problem of delays associated with poor management capacity within government, cumbersome tender procedures, lack of experience with private-public partnerships and insufficient communication. These shortcomings are being addressed, and have informed further work on possible budgetary planning and expenditure reforms.

The RDP Fund is now used only for channelling international financial assistance to earmarked projects and programmes.

## **4.2 Provincial expenditure and financing**

### **4.2.1 A profile of the provincial budgets**

The transfer from the National Exchequer is by far the largest source of revenue for the provinces, representing about 95 per cent of total provincial revenues. Own-source revenues account for only about 5 per cent. The major components of own-source revenue are licences and fees, including motor vehicle licences, interest and dividends and departmental revenues, such as hospital fees.

Provincial budgets vary in size, with the largest budget (KwaZulu-Natal) being about eight times bigger than the smallest (Northern Cape). Despite these size differences, there are many

similarities between provincial budgets. Provincial spending is heavily concentrated in three functional areas: health, education and welfare, which account for more than three-quarters of provincial spending. About half of provincial budgets goes to cover personnel costs.

Education is the largest item in provincial budgets, accounting for between 35 and 40 per cent of spending. This pays for primary and secondary school education as well as special education, teacher training, and technical colleges. The bulk of provincial education funds go to pay for teachers, with more than 80 per cent of education funds devoted to personnel costs.

The size of provincial health budgets vary depending on whether a province faces the additional cost of supporting academic health services. For those provinces without such facilities, the cost of health care generally represents about 15 to 20 per cent of their budgets. But for those provinces with academic health facilities, health represents a larger portion of their budgets. In Gauteng, for instance, nearly one-third of its total budget is spent on health. Overall, nearly half of all provincial health spending goes to cover the personnel costs of doctors, nurses, and other health-related employees.

Together, education and health account for about 60 per cent of provincial budgets, but represent approximately 85 per cent of the provinces' personnel costs. Welfare, which represents about 15 to 20 per cent of provincial budgets, has very small personnel costs, because social security and welfare assistance are mainly transfer payments to individuals.

Chapter 9 of this Review provides a consolidation of the national and provincial budgets for 1997/98, indicating trends in education, health and welfare services and the economic composition of consolidated budgeted expenditure in recent years.

#### **4.2.2 Financing of provincial governments**

The 1997/98 national budget allocates a global amount to each province, which then has the responsibility to develop its own budget, within the constraints of national fiscal policy. This new, more decentralised process is a first step in devolving important planning and budgeting tasks to the provinces, which are now charged with carrying out many of the nation's crucial public services either exclusively or in conjunction with another tier of government.

The Budget Council is at the heart of the new national-provincial budget process. It is a cooperative decision-making body consisting of the nine MECs of Finance, the Minister and Deputy Minister of Finance, and officials from the Departments of Finance and State Expenditure, and the provincial Treasuries. The Financial and Fiscal Commission (FFC) attends as an observer. The Budget Council recommends to Cabinet the shares that each province should receive after taking into account the national priorities and proposals of the FFC. Premiers are invited to attend these Cabinet meetings.

The provinces are entitled to an "equitable share" of national revenues. This requirement is found in both the interim and the new Constitution. Although the new Constitution has been adopted, section 243(5) delays the effective date of those sections of Chapter 13 dealing with intergovernmental financial relations until 1 January 1998. The 1997/98 budget has thus been prepared under the authority of the interim Constitution.

In addition to transfers of national revenues, a province or municipality may raise loans for capital or current expenditure in accordance with reasonable conditions determined by national legislation. But loans for current expenditure (a) may be raised only when necessary for bridging purposes during the fiscal year; and (b) must be repaid within twelve months. These requirements are encoded in the Borrowing Powers of Provincial Government Act which was enacted in 1996. It is expected that provincial borrowing for capital projects will only take place in the 1998/99 fiscal year at the earliest.

#### **4.2.3 Recommendations of the Financial and Fiscal Commission**

Section 198 of the interim Constitution and section 220 of the new Constitution establish the advisory role of the Financial and Fiscal Commission regarding the development and maintenance of intergovernmental financial and fiscal relations in South Africa. In its

*Framework Document for Intergovernmental Fiscal Relations in South Africa*, the FFC presented objectives for a new system of intergovernmental financial relations consistent with the interim Constitution.

In this document the FFC notes the difficulty of striking the right balance between fiscal autonomy for lower tiers of government, so that they can set priorities and be held accountable for their actions, and the need to ensure an equitable provision of public services and foster a sense of national cohesion.

At the core of the FFC's recommendations is the desire to promote both vertical equity – between the national and provincial levels – and horizontal equity – between the nine provinces. The FFC's preferred approach is through the application of an objective formula. In May 1996 it submitted *Recommendations for the Allocation of Financial Resources to the National and Provincial Governments for the 1997/98 Financial Year*, which presented in detail the proposed components of a provincial revenue sharing formula.

#### *The Vertical Division*

The FFC argues that the vertical division of the revenues between the national and provincial governments should be based on their assigned functions. Schedule 6 of the interim Constitution made the delivery of several major services, such as education and health care, a responsibility of provincial governments. However, both levels of government still have existing commitments that must be honoured in the short term. Weighing these competing claims, the FFC concluded that allocations to national government should grow more slowly than those to the provincial governments. In its recommendations for the vertical split for the 1997/98 budget, the FFC assumed that the ratio of national to provincial funds should shift in favour of the provinces by 0,5 percentage points each year.

#### *The Horizontal Division*

In its recommendations for 1997/98, the FFC presented a detailed horizontal equalisation formula. The proposed provincial grants formula includes the following components:

- a national minimum standards grant, to give provinces the resources "to meet nationally established service standards" in primary and secondary education and district health care;
- a spillover grant, which targets those provinces facing the additional costs associated with maintaining academic hospitals and other unique health services;
- a fiscal capacity equalisation grant, to compensate those provinces that have a smaller tax base;
- an institutional grant, which is an equal amount per province to help defray the cost of basic legislative and administrative costs; and
- a basic grant, allocated to the provinces based on their population, with additional weight being given to people living in rural areas, taken as a proxy for poverty.

The FFC proposed that, in addition to its internally-raised revenue, a province would receive a share of personal income tax determined as a proportion of the personal income tax base in that province. The Commission proposed that the formula be phased in over a six-year period.

#### **4.2.4 The 1997/98 Budget Council proposals**

The implications of the approach proposed by the FFC are still under debate. The Government's response will be presented to Parliament in due course.

The recommendations of the FFC were considered by the Budget Council in its deliberations, but they were not accepted in full. It relied on a different approach for the purposes of the 1997/98 Budget, particularly concerning the division of revenues between the national and provincial levels.

Before dividing available revenues between the national government and the provinces, the Budget Council set aside certain amounts which it agreed represented prior claims on nationally collected revenues. Prior provision was made for interest on government debt,

which is a first charge on revenue. Amounts were also set aside for improvements in conditions of service, carry-through costs for social pensions and RDP projects and a commitment for the housing programme, amongst others.

After the "top-slice" amounts were set aside and after accepting that borrowed amounts were assigned to the national government, the Budget Council recommended that the remaining 1997/98 revenues be divided between the national and provincial levels in the same ratio that applied in the 1996/97 budget.

To allocate the basic amount available for provinces (excluding amounts set aside), the Budget Council relied on a percentage distribution calculated by the FFC. During the course of the budget process, provincial shares of amounts which had been set aside and certain other adjustments were added to these basic allocations. Details are set out in chapter 6.

#### **4.2.5 Refining the intergovernmental budget process**

Determining the allocation between the different tiers of government is an evolving, dynamic process. The 1997/98 budget represented an important step in the direction of fulfilling the new intergovernmental financial relationships envisaged in the Constitution. The lessons of the 1997/98 process will inform the development of next year's budget. In addition, further changes to the process are anticipated, such as greater use of conditional grants and determination of an equitable share for local governments.

Although the FFC formula provided an important point of departure in the Budget Council's determination of revenue shares to go to provinces in 1997/98, the Government has yet to indicate its response to the FFC's more detailed proposals. For instance, the implications of a key element in the FFC's proposal - that provinces will be allowed to levy surcharges on personal income tax, and that the national government will reduce its personal income tax rates to accommodate an initial standard surcharge - need further examination.

In addition, as new data become available, independent variables in the FFC formula such as population figures will need to be revised. The formula will have to be adjusted to conform with the underlying assumptions of the medium term expenditure framework as well as to accommodate amounts set aside as part of the vertical division.

Other issues which deserve attention are the need to:

- promote improved interaction and coordination between national and provincial governments;
- build integrated financial systems across the three tiers of government and facilitate access to financial data to improve governance and decision-making processes;
- monitor effectively how the new Constitution and national policies impact on inter-governmental relations;
- institutionalise an appropriate budgetary system and process, including the introduction of multi-year budgeting; and
- improve administrative and financial management capacity through long-term and short-term training initiatives, taking into account the levels of responsibility and the obligations arising from the Constitution.

A key challenge is to define clearly the meaning of "equitable share" as required by the Constitution, taking into account the developmental needs of the provinces and local government, their fiscal capacity and efficiency, past inequities and the affordability of service standards, while balancing all of this with national interests.

### **4.3 Local government finance**

Beginning with the first round of elections of new local authorities in November 1995, a transformed structure of local government is evolving. The financial dimensions of ensuring the viability of the new authorities and sustained improvements in service delivery represent a formidable challenge.

Municipal budgets for 1996/97 exceed R47 billion, or about 7½ per cent of GDP, including capital expenditure of R11,5 billion. Bulk purchases of electricity and water amount to R9,2 billion and personnel costs total R11,2 billion. It should be noted that these are the first budgets of the new local authorities.

Six metropolitan councils and their substructures account for about half of total expenditure. Transitional councils are responsible for municipal functions in other areas, and district or services councils are responsible for bulk infrastructure and some regional services. Revenue sources and administrative capacity for rural local government structures have yet to be fully developed.

The major sources of budgeted local government income are:

- Electricity, water and sewerage charges R17,8 billion
- Property rates R 6,5 billion
- Regional service levies R 2,1 billion
- Inter-governmental grants, and other revenue R14,3 billion

Loans amounting to about 55 per cent of planned capital expenditure were budgeted in 1996/97.

The re-design of the municipal fiscal system is one of the tasks which lies before Government in 1997, with a view to legislation and implementation in 1998/99. The Department of Finance, in conjunction with the Department of Constitutional Development, will address the following issues:

- design of a regulatory framework for municipal borrowing powers and procedures, credit-enhancement instruments, and related intergovernmental oversight and intervention procedures;
- municipal revenues, including user charges and local taxation;
- intra-municipal flows;
- inter-governmental fiscal relationships;
- municipal accounting and financial reporting; and
- finalisation of the role of concessional loan finance and the Development Bank in municipal infrastructure investment.

The Department of Finance is developing recommendations on how to incorporate grants to local governments into an equitable revenue sharing framework.

#### **4.3.1 Implications of the Constitution for local government**

The new Constitution provides a framework for local government, including a schedule of assigned functions. In view of the need to create an appropriate enabling environment, chapter 13 of the Constitution which regulates local government financial matters will only become fully operational on 1 January 1998.

Section 214(1) of the new Constitution determines that an Act of Parliament must provide for an assignment of revenue to local government, as part of the equitable division between the national, provincial and local spheres of government. Provision is also made for other conditional allocations to municipalities.

Compared to provinces, local governments have a substantial tax base. Own-revenues account for over 90 per cent of their budgets. Thus transfers are a much smaller proportion of local government revenue than at the provincial level. The equitable share must be viewed in terms of a tier of government's fiscal capacity to provide basic services as outlined in the Constitution. Local governments have a significant capacity to support the services they provide; consequently a dramatic increase in the size of transfers from the national government or provinces is unlikely.

Section 215(2) indicates that legislation must prescribe the form and structure of municipal budgets, how sources of revenue must be shown and the way in which proposed expenditure will comply with national legislation. The Constitution also provides for the regulation of taxes, rates on property, surcharges on fees and other levies or duties through national legislation.

Prior to such legislation coming into effect, the provisions of the interim Constitution and the Local Government Transition Act, as amended, will apply.

#### 4.3.2 The Local Government Transition Second Amendment Act of 1996

Amendments to the Local Government Transition Act were introduced in 1996 with a view to ensuring a sound financial basis for the evolution of new local authorities. The Act enables the Government to determine the form of local authority budgets and the manner in which sources of revenue and expenditure are shown. Various other financial matters are provided for, including procedures for ensuring compliance with expenditure limits determined by the Minister of Finance, and for exemptions from such limits.

The raising of loans in a foreign currency is prohibited under the Act, and the raising of domestic loans is only permitted for capital expenditure and bridging finance. Loans by a municipality totalling more than R15 million during a financial year must be brought to the attention of the Department of Finance.

In terms of the provisions of the Act, provincial treasuries can be assigned oversight responsibilities in respect of local government finances. The Department of Finance envisages a devolution of this function to provinces with effect from the 1998/99 financial year.

#### 4.3.3 Guidelines for local government expenditure increases

As part of its general responsibility for fiscal coordination and management, the Department of Finance annually determines aggregate guidelines with regard to the capital and current expenditure of local authorities.

For the 1996/97 financial year a 10 per cent growth rate was determined for both the current and capital expenditure of all municipalities. The guideline growth rate for local government capital and current expenditure for the 1997/98 financial year has been set at 8 per cent.

#### 4.3.4 Municipal debt

The Department of Finance has initiated a review of municipal liabilities, with a view to establishing an ongoing monitoring and risk management system. The estimated present municipal debt is at least R26 billion.

This includes loans amounting to R964 million made by the Local Authorities Loans Fund Board, which makes loans available to municipalities for the financing of capital projects, as specified in the Local Authorities Loans Fund Act.

Table 4.1: Outstanding debt of local authorities as at end of June 1996

	R million
Government (direct and not direct)	7 070
Government loans	
- Treasury loans	6 279
- Other	791
Loans from Development Bank of SA	707
Loans from Local Authorities Loans Fund	964
Other security loans	1 200
Overdrafts and loans from banks	2 774
Bills and notes held by banks	605
Loans and investments from banks	70
Other long term loans	
- Insured and pension funds	140
- Other	700
<b>Total</b>	<b>25 946</b>

#### **4.3.5 Stabilising local government finances**

On balance, the third tier of government has run a consolidated deficit of about 0,2 per cent of GDP in recent years, adding comparatively little to the gross public sector borrowing requirement (see chapter 3, par 2). Municipalities are not permitted to run operational deficits.

However, upward pressures on expenditure and widespread non-payment of rates and service charges have resulted in shortfalls in several local authority budgets, and more general concerns for the viability of local authority finances. The Local Authorities Loans Fund recorded its first default in its 18-year history at the end of June 1995, and 48 out of 425 municipalities are now in arrears, to a total amount of R9 million.

The total amount of outstanding debts to local authorities at the end of October 1996 stood at 25 per cent of annual rates and service income. This is excessive, and reflects poor credit control procedures, inadequate mechanisms for dealing with the very poor and the fact that only 69 per cent of municipal residents are regular payers. There has consequently been a cash flow problem in many municipalities.

Recognising the importance of a sound financial foundation for local authorities, the Government has launched "Project Liquidity" to both monitor the state of local government finances and intervene where necessary. The recently promulgated Local Government Transition Second Amendment Act has established the legal basis for tighter credit control and sound financial management at municipal level. The Masakhane programme has been critically evaluated in conjunction with the major stakeholders, and refocused to ensure greater effect. This will lend added weight to credit control measures by local authorities.

These measures are already having an effect, reflecting a firm response by local authorities. Between August and October 1996, the total debtors' book decreased by 5 per cent, and it is expected to improve significantly in 1997.

In September 1996 a programme of action for "Project Liquidity" was approved by a joint meeting of Local Government and Finance Ministers and Provincial MECs. In terms of this programme, teams of financial experts have been established in each province to visit all municipalities reporting cash flow problems and to conduct detailed assessments and make recommendations for action.

#### **4.3.6 Intergovernmental grants**

The 1997/98 intergovernmental grants to local government have been allocated through the various provincial budgets as required by the interim Constitution. In anticipation of a more direct approach to the allocation of these grants in future, in line with the new Constitution, Cabinet together with the Premiers agreed to ensure that these transfers should not decline in 1997/98.

It is expected that intergovernmental grants will total R1,6 billion in 1997/98, slightly more than 1996/97. Their distribution between provinces is set out in Chapter 6 (paragraph 6.3.2).

Government grants to municipalities also include a programme for the elimination of infra-structural backlogs, based on an affordable level of service standards. An amount of R500 million is included in the 1997/98 Budget for this purpose, which is likely to be supplemented by rolled over funds. The programme also aims to promote local economic development through investment in municipal services. The Municipal Infrastructure Programme is coordinated by the Department of Constitutional Development, which has also established a capacity building project to enhance project implementation at the local level and ensure programme sustainability. A total of 1089 projects have been identified (see chapter 8, par. 8.2.9). A project to support rural local governments has also been initiated.

In addition, local government receives approximately R2 billion for agency and delegated functions from national and provincial departments (such as ambulances and primary health care) and approximately R1 billion for the subsidisation of municipal services (like libraries, bus transport and fire-fighting).



Although the national Government will assist municipalities in financing their infrastructural needs for rendering basic services, recurrent expenditure is the responsibility of local government and must be covered from their own revenue sources.

#### **4.3.7 Public-private partnerships**

The Department of Constitutional Development has taken several steps towards enhancing public-private partnerships at the municipal level.

A series of pilot projects have been initiated to "open the window" to a new phase of private participation in infrastructure delivery. An amount of R50 million has been earmarked for project preparation of the pilot projects. In conjunction with provincial authorities a wide range of potential projects has been analysed, and nine projects have been approved for support. It is estimated that the total capital cost of the selected projects will be approximately R1,5 billion.

A set of guidelines for municipalities in establishing public-private partnerships has been drawn up. In addition, the Department of Constitutional Development is formulating a comprehensive policy and regulatory framework for such partnership at the municipal level.

A series of consultations have been held with representatives of organised labour to involve them in the process of restructuring municipal services.

### **4.4 Public service reform**

#### **4.4.1 Transforming public service delivery**

The unification and integration of the public service at national and provincial levels has been completed. Attention now focuses on improved effectiveness and efficiency, as envisaged in the White Paper on the Transformation of the Public Service released in November 1995.

Of the various transformation priorities identified in the White Paper, transforming service delivery is the central priority. Other priorities are directly or indirectly linked to this challenge. In order to take this process forward, the Department of Public Service and Administration has released a Green Paper on Transforming Public Service Delivery. The Green Paper explains how the task of transforming the delivery of public services will be tackled. An approach which focuses on customer-oriented systems, procedures, attitudes and behaviour within the public service is proposed, founded on seven principles of consultation, clarity regarding service standards, courtesy, provision of information, openness and transparency, responsiveness to complaints and value for money.

A Green Paper has also been released on legislative changes required to transform the management of the public service in line with current thinking and priorities.

In order to facilitate co-ordination and sharing of resources pertaining to information technology in the public service, a steering committee on which all departments and provincial administrations are represented has been established. A working group to make proposals regarding the revision of information technology policy has been formed.

A Commission of Inquiry into the Transformation and Reform of the Public Service (the Presidential Review Commission) was established in March 1996. Its terms of reference include, among others, an inquiry into the structure and functions of the public service and its statutory bodies; a review of all ministries, departments, and provincial administrations; a review and revision of the systems, routines and procedures of planning, budgeting and financial execution in the public service, to increase public accountability, with a view to making recommendations and proposals regarding the transformation and reform as envisaged in the White Paper on the Transformation of the Public Service.



## **4.2 Reorganisation of the Public Service Commission and the Ministry for Public Service and Administration**

The new Constitution establishes the Public Service Commission as an independent and impartial statutory body. Its main object is the promotion of a wide range of constitutionally determined basic values and principles of public administration in the public service.

The respective roles and functions of the Public Service Commission and the Minister for Public Service and Administration have been redefined by legislative amendments approved by Cabinet, which will be taken to Parliament in 1997. The Commission retains a broad monitoring and advisory role and the Department of Public Service and Administration has responsibility for human resource policies and practices, labour relations, organisational development and relevant legislation.

All day-to-day executive functions that previously required action from the Commission will be left to responsible departments and administrations, acting within national policy frameworks to be determined by the Minister for the Public Service and Administration supported by the Department.

Personnel and other resources have been divided between the Office of the Public Service Commission, the Department of Public Service and Administration and the South African Management and Development Institute according to their future functions.

### **4.4.3 Right-sizing the public service**

A voluntary severance package was introduced on 1 May 1996 primarily as an instrument to generate savings to fund improvements in remuneration and other conditions of service and to facilitate the right-sizing of the public service.

The right-sizing process and the terms of the severance option were agreed to in the Public Service Bargaining Council on 29 March 1996, as part of a three-year conditions of service adjustment package. The agreement also provides in principle for a restructuring of pension benefits, including early retirement arrangements, an enhanced cash resignation benefit, transfer of accrued benefits to other funds, the determination of dormant members' benefits and an adjustment of the definition of final salary for the purpose of determining benefits.

The three-year agreement includes the adoption of a new grading system, comprising a rationalised and simplified public service remuneration structure. It provides for remuneration adjustments totalling R8,5 billion which were implemented in July 1996, partially financed through savings, and for amounts of R6,5 billion (full year cost) to be made available for promotions and other improvements in conditions of service in both 1997/98 and 1998/99. Savings realised through right-sizing can be used to supplement these amounts.

By March 1997, about 39 800 of 58 000 applications for voluntary severance packages had been approved. The Department of Public Service and Administration is determining all-inclusive right-sizing targets which should be in place by April 1997, taking into account the actual number of personnel employed (in approved posts and additional to the establishment), funded vacancies, the number of voluntary severance packages granted and the rate of personnel attrition. The Department is responsible for determining personnel needs of departments and provincial administrations adequate for normal service delivery, against the background of Government's aim to reduce the size of the public service and taking into account financial constraints.

### **4.4.4 General conditions of service**

As part of the broader transformation of the public service, the Department of Public Service and Administration has developed a Discussion Paper on the values and principles which should underpin the Government's employment policy. A draft White Paper dealing with public service training and education has also been prepared for comment by stakeholders.

The following developments have taken place regarding general conditions of service:

- previous pension funds of which officials were members have been rationalised into a single pension fund, following the promulgation of the new Government Employees Pension Law of 1996;
- maternity leave provisions are being revised, in keeping with envisaged prescripts of new legislation governing employment standards;
- pension benefits are being restructured in accordance with an agreement signed by members of the Public Service Bargaining Council at central level on 19 April 1996;
- a National Retirement Consultative Forum has been established which will assist in the review of the pension provisioning and medical assistance practices in the Public Service; and
- a new dispensation in respect of medical assistance to officials at retirement has been developed and implemented with effect from 1 May 1996.

Other policy issues under review include:

- the possible role of a defined contribution arrangement for retirement provision;
- maintenance of the funding level of the pension fund and the alternative of a pay-as-you-go arrangement;
- a possible shift from rendering medical assistance on a voluntary basis to an obligatory system; and
- the potential for adopting a managed (in-house) health care alternative to the present medical scheme arrangement.

The Department of Public Service and Administration is amending Chapter C of the Public Service Staff Code to extend the existing bursary scheme to cover fees for attaining Standards 8 to 10, and for basic literacy and numeracy training. A large number of public servants who did not have access to financial assistance in the past will now be able to improve their career prospects.

A financing agreement between the European Union and the South African Government on a Public Management Development Programme has been finalised. The project involves a three year training and education programme for public servants in various areas through the South African Management Development Institute and a consortium of schools of public administration of various universities. A grant of R60 million will be coordinated by the Department.

#### **4.4.5 The medium term personnel framework**

The Department of Public Service and Administration is responsible for an RDP project aimed at developing a medium term personnel framework (MTPF).

The project is focused on four major spending functions, whose personnel expenditure make up 76 per cent of the wage bill. These are the national and provincial departments of health and of education, the South African Police Service and the Defence Force.

The personnel framework will allow national departments and provincial administrations to:

- assess the personnel implications of current policies and fiscal allocations in a five-year rolling period;
- indicate personnel implications of fiscal choices;
- help departments manage personnel better within fiscal constraints;
- develop effective and efficient training;
- think creatively about retrenchment;
- resolve debates about the necessary and possible size of the public service; and
- include measures to improve representativeness.

The British Overseas Development Administration is providing assistance to complete this project during the course of 1997.

## **4.5 Civil and military pensions**

The Minister of Finance, appointed in terms of section 6 of the Government Employees Pension Act as the interim Board of Trustees of the Fund, approved civil pension increases as follows for the 1997/98 financial year in terms of section 25 of the Law:

- the pensions of all civil pensioners who retired prior to 1 April 1996 be increased by 6,6 per cent with effect from 1 April 1997;
- the pensions of all civil pensioners who retired after 1 April 1996 be increased by 0,55 per cent with effect from 1 April 1997 for each completed month since retirement calculated up to 31 March 1997.

The increase of military pensions will be announced at a later stage.

## **4.6 The National Retirement Consultative Forum**

The Smith Committee appointed to review policies regarding retirement provision in South Africa recommended in its report that a wider consultation process was needed. Following recommendations in this regard by the Joint Standing Committee on Finance, the Ministry of Finance has established a National Retirement Consultative Forum (NRCF). It is intended to:

- provide a basis for consultation and debate resulting in a national retirement provision policy which has been broadly canvassed;
- facilitate participation in relevant discussion of all major stakeholders from Government, labour, business and civil society; and
- produce a report which might form the basis of a Government White Paper.

The Ministry of Finance has provided an agenda for the guidance of the forum, listing those issues on which Government seeks advice, which will be used as a point of departure by the NRCF. Meetings of the Forum took place in January and February 1997.

Five areas in which inputs were needed were identified. The Forum has established theme committees and appointed convenors to facilitate debate and guide the preparation of reports and recommendations. It is envisaged that a Green Paper will be submitted for further public comment by October 1997.

Preliminary recommendations have been put forward by the theme committees.

### *Old age assistance*

In respect of old age assistance, it is proposed that:

- the elderly persons grant should be retained as a pillar of retirement provision on a pay-as-you-go basis, to be funded from general taxation;
- methods of phasing out the means test and the financial implications thereof be investigated;
- projections of annual costs be done on the financial burden of the old age assistance system;
- the compilation of a national register of social grants be speeded up; and
- beneficiaries be re-evaluated should the means test be retained.

### *Private sector retirement provision*

Recommendations from the committee looking into private sector retirement provision included the following:

- the problem of "leakage" from the system to be addressed if the envisaged retirement provision is to work;
- a common retirement age for all retirement vehicles be fixed, with a phasing in for existing funds;
- the system of tax deferral be retained with tax relief on contributions;
- short and long term strategies be formulated to promote personal savings for retirement;

- a clear corporate governance code be established for retirement arrangements; and
- certainty be established in legislation pertaining to retirement arrangements.

#### *Public sector funds*

In respect of public sector retirement provision, it is recommended that:

- equality in the tax treatment of public and private pension funds be established on the basis recommended by the Katz Commission by March 1, 1998;
- an investigation be undertaken into the investment strategy of the Government Employees Pension Fund; and
- an investigation be undertaken into alternative methods of payment of civil pensions and the accompanying impact on the fiscus and the economy.

#### *Local authorities and parastatals*

In addition to endorsing the recommendation that public sector funds (established by law) and private funds should be treated equally for tax purposes, the committee on retirement provision for local authorities and parastatals recommended that attention be given to the fact that numerous members of local authorities are transferring from pension to provident funds and there is a degree of tax avoidance occurring.

#### *Post-retirement health assurance*

A committee responsible for the interface between medical schemes and retirement arrangements has identified the need to:

- investigate the appropriateness of pension funds as vehicles for funding of post-retirement medical benefits; and
- investigate possible actuarial supervision of medical schemes and arrangements.

## **4.7 Restructuring of state enterprises**

Steady progress has been made in the restructuring of state enterprises, within the context of the National Framework Agreement between Government and organised labour which was adopted in January 1996. Advisors were appointed by the Ministry for Public Enterprises to assist Government in the overall restructuring process.

The first privatisation initiative was completed in 1996, comprising the sale of six radio stations for a total amount of R516 million. This amount will be utilised to redeem state debt, once legislation has been promulgated to authorise the transfer of the proceeds from the SABC to the exchequer. Progress during 1997 will include the sale of up to 30 percent of Telkom in accordance with terms put to potential equity partners on 4 December 1996. In addition, enterprise restructuring committees have been formed to facilitate the outright sale of Sun Air and Aventura. With regard to the Airport Company, Government and Labour, representatives are looking at different restructuring options including following a strategic partner route.

Within Safcol and Alexkor, transformation and restructuring committees are still engaged in determining recommendable restructuring options which will be forwarded to the sectoral task teams, and from there, to the Inter Ministerial Cabinet Committee.

A Committee chaired by Charles Stride has presented its report on Transnet's Pension and Medical Funds. The resolution of obstacles presented by these funds will facilitate the restructuring of Transnet. It is anticipated that with this issue resolved, the corporatisation of South African Airways will be prioritised within the restructuring of Transnet. An enterprise restructuring committee has been formed at Eskom and extensive preparatory work has been undertaken on restructuring the electricity industry, including the possible consolidation of distribution activities into a limited number of regional utilities. Current work is focused on achieving further advances in the following areas:

- implementation of an agreed set of principles of corporate governance, including appropriate dividend and tax policies;

- adoption of a risk reporting and evaluation system in respect of all government bodies to whom borrowing powers have been granted;
- establishment of a National Empowerment Fund and employee share ownership schemes to broaden participation in the ownership of restructured companies;
- resolution of identified critical problem areas, including pension and medical aid fund deficits of certain enterprises; and
- maintenance of a consistent, fair, transparent and competitive bidding process for selling shareholdings in state owned companies.

In line with the basic objectives outlined in the macroeconomic strategy, a high priority will be afforded to the following areas in utilising the proceeds of privatisation or restructuring of state assets:

- redemption of state debt;
- re-capitalisation of public enterprises, where necessary; and
- broadening economic participation.

## **4.8 Financial management**

### **4.8.1 Debt management**

Following the announcement in the 1996 Budget Review that the entire debt management policy will be reviewed, a framework of risk management philosophies and principles has been developed and adopted.

A two-phased implementation strategy is underway.

The first step is that all funding activities that are performed by the Reserve Bank on behalf of Government have been ring-fenced from its monetary management operations. The Bank has been made directly accountable to the Department of Finance in respect of all matters concerning debt management, whilst the framework of philosophies and principles provides the parameters within which the Reserve Bank performs its functions as Government's funding and market-making agent.

Secondly, it is envisaged that a number of primary dealers in government bonds will be appointed. Once this has occurred, the functions of market-making and the selling of bonds will be shifted from the Reserve Bank to the primary dealers for their own risk. As a prerequisite for the appointment of primary dealers, the present tap system of marketing government debt will need to be replaced by a tender or auction system. It is intended that the role of the Reserve Bank be reduced over time to that of supervisory agent over the primary dealers, on behalf of the Department of Finance.

A questionnaire was sent out by the Department of Finance in September 1996 to invite comments from market participants on the process of appointing formal market-makers in government bonds. A workshop was held on 7 February 1997, to discuss responses received from those who indicated an interest in becoming market-makers. A general consensus emerged that a phased implementation would be preferred in order not to cause undue market disruption. It was strongly emphasised that a proper framework will have to be put in place, before market-makers can be appointed. Certain structural and liquidity enhancing measures that need to be addressed have been identified.

Structural issues include the need to shorten the transaction settlement period, create an electronic scrip registry, establish central bank surveillance, determine minimum capital requirements, establish an efficient legal framework and develop a viable auction process. Liquidity enhancing measures would include the development of a repo market, benchmark bonds, stripping facilities, futures contracts and exchange traded options.

It was agreed with the parties which indicated an interest in becoming market-makers that a number of working groups would conduct further analyses and provide written reports which will form the basis for a further meeting towards the end of March 1997. The working groups

will cover aspects that fall within the areas of responsibility of the Department of Finance, the South African Reserve Bank, the South African Bond Exchange and the South African Futures Exchange.

The appointment of primary dealers will be an important cornerstone in the further development of the domestic financial markets. In the process, the focus will be on the establishment of the State's name as a fair and efficient competitor in the domestic and international financial markets.

#### **4.8.2 Cash management**

During January 1996, Cabinet granted approval for the establishment of a formal cash management function within the Department of Finance, as part of the initiative to review the overall debt management function. A cash management framework has now been developed and is in the process of being implemented.

Currently, there are overlaps between the Department of Finance, the Department of State Expenditure and the South African Reserve Bank in certain aspects of the management of exchequer balances and other public sector cash reserves. In order to empower the Department of Finance to oversee the implementation of proper risk and cash management, the daily administration and management of flows to and from the tax and loan accounts will be transferred from the Reserve Bank to the Department. In addition, the paymaster-general accounts of departments, currently administered by the Department of State Expenditure, will be out-sourced to commercial banks. After commercialisation, the management of the bank accounts of departments will be transferred to the Department of Finance to be undertaken on an integrated basis with the tax and loan accounts.

Improved cash management also has implications for other government departments and spending agencies. Whereas the Department of Finance is responsible for the creation of an environment conducive to effective cash management and overall cash-flow forecasts, other public sector entities are responsible for:

- the management of the timing and flow of payments and receipts and the preparation of accurate cash-flow forecasts for the Department of Finance; and
- the effective management of working capital which is tied up in stores and other supplies.

#### **4.8.3 Contingent liabilities**

A statement of Liabilities and Financially Related Assets of the National Government is compiled annually by the Departments of Finance and State Expenditure in conjunction with the Office of the Auditor-General. The object of the Statement is to reflect the liabilities and the financially related assets of the Government as comprehensively as possible. The statement as at 31 March 1996 (as yet unaudited) appears below.

The Statement, including accompanying notes, will be published in the Auditor-General's Annual Report on the Appropriation Accounts for 1995/96.

The Statement of Liabilities and Financially Related Assets includes information on off-balance sheet items, including the contingent liabilities of the State (covering potential claims which will depend on the outcome of uncertain events).

Contingent liabilities amounted to R134,8 billion on 31 March 1996. These include the following:

- According to an actuarial evaluation, liabilities in respect of member contributions payable on behalf of retired members of the Medihelp medical scheme, amounted to R4,1 billion on 1 January 1994. An actuarial valuation is conducted every three years.

	R millions
<b>Liabilities</b>	
<b>Long-term liabilities:</b>	245 060,6
Stocks, bonds and loans	244 719,3
Domestic	235 974,1
Foreign	8 745,2
Closed Pension Fund	341,3
<b>Other liabilities:</b>	52 742,9
Provisions	14 675,6
Short-term liabilities	38 067,3
Domestic short-term stocks, bonds and loans	30 505,3
Foreign short-term loans	2 199,2
Creditors	5 362,8
	<u>297 803,5</u>
<b>Financially related assets</b>	
Investments	82 183,0
Loans	1 171,1
Debtors	11 404,7
Balances on hand	10 831,2
	<u>105 590,0</u>
<b>Off Balance Sheet Items</b>	
Capital commitments	3 529,8
Contingent liabilities	134 847,5
	<u>138 377,3</u>

- Actuarial valuations indicate that the underfunding of the government pension funds amounts to R54,4 billion. This figure does not take account of valuations completed since the compilation of the Statement as at 31 March 1996. These valuations are updated every three years by the actuaries. Between 1991 and 1994, the assessed funding level of the Government Service Pension Fund, which is the largest of these funds, had improved from 51 per cent to 59 per cent.
- R6,4 billion represents the underfunding of future liabilities relating to claims against the Multilateral Motor Vehicle Accident Fund.
- Guarantees to various institutions, amounting to R66,5 billion in total, also include an amount of R1,2 billion in respect of guaranteed liabilities of the former TBVC states and self-governing territories.

As reported in last year's Budget Review, Cabinet approved a revised set of guidelines for the granting of borrowing powers to general government bodies and for the issuing of government guarantees.

The revised guidelines were implemented in a phased manner. This was completed in October 1996, when fees were introduced for the issuing of guarantees.

The following table provides a summary of guarantees issued:

	31 March 1995	31 March 1996
	R billion	R billion
General Government bodies	5,9	5,8
Public Enterprises	56,0	55,5
Private Sector	0,5	0,5
Foreign Sector	2,9	4,7
Total	65,3	66,5

A detailed account of Government's guarantee exposure as at 31 March 1996 is set out in table 12 of Annexure B.

#### **4.9 Take-over of Namibia's RSA Government-guaranteed debt**

Namibia was for many years administrated by South Africa and incurred debts during this period, most of which were funded by way of bond issues in the South African financial markets. The debts were guaranteed by the South African authorities. The outcome is that the Government of Namibia is now indebted to South Africa and is expected to repay these debts.

As the debt was incurred without the consent of the Namibian people, who played no part in budget expenditure priorities and decisions, the South African Government regards this situation as inequitable and unacceptable. Legislation has therefore been introduced as a result of which the South African Government will take over the twelve Namibian bond issue series outstanding in the South African capital market amounting to R268,6 million and the Reserve Bank facility to Namibia amounting to R842,8 million. South Africa Government debt will therefore increase by an amount of R1,111 billion on the debt take-over date. Interest due until maturity on the bonds in the markets amounts to R131,4 million. The total financial obligation which will be transferred to the South African Government amounts to R1,242 billion.

#### **4.10 Domestic financing**

##### **4.10.1 Turnover on capital markets**

The turnover in the bond market during 1996 amounted to R2 441 billion, of which 72 per cent represented RSA stock. The Reserve Bank's turnover in gilts amounted to about R228 billion, which represented roughly 7 per cent of the total turnover in gilts and semi-gilts. Foreigners bought a net amount of roughly R3,4 billion in stock during 1996 while foreign trades amounted to 11,7 per cent of the total market.

##### **4.10.2 Consultation with the market**

Much has been done to improve the financial information which is issued on a regular basis by the Department of Finance. A progress report on the financing programme, which includes a statement of movements in government stock and a schedule of the complete portfolio of outstanding stock, is issued as part of the monthly press release on the course of the budget. This release is now issued to over 200 domestic and foreign institutions. Feedback from recipients indicates that it is judged to be particularly useful.

Regular, reliable information, which is provided simultaneously to all market participants, is essential for the orderly functioning and further development of the market. The Department of Finance has taken note of requests that the quality of statistical information released should be further improved and that steps should be taken to prevent advance leakages of information. Market participants have been asked to comment on the format, timing and other aspects of



information releases, and the Department of Finance is in consultation with other departments or authorities responsible for the issue of information.

In a further effort to improve communication, the Minister of Finance and the Governor of the Reserve Bank met with investors and market players in Johannesburg and Cape Town on 20 February 1997. A second domestic consultation is planned for the middle of the financial year.

The views of market participants are highly valued and provide useful inputs to decision-making on public debt management issues.

#### 4.10.3 Maturity of domestic marketable stock debt

At 31 March 1997 there will be 58 stocks outstanding with maturities out to 2019.

The total nominal value of domestic marketable government stock outstanding has increased from R248,9 billion at 31 March 1996 to an expected R273,8 billion on 31 March 1997.

An analysis of the maturity of domestic government stock shows that 50,5 per cent of the total domestic marketable stock has an outstanding maturity of less than 10 years, 24,8 per cent lies between 10 and 15 years and 24,7 per cent is dated longer than 15 years ahead.

The maturity structure provides limited scope for the further issue of stock shorter than 10 years, if annual total redemptions are to be kept below about R12 billion (after adjustment for projected inflation).

The scheduled redemptions in domestic marketable government stock for the 1997/98 fiscal year amount to R10,264 billion (including R18 million stock of the former TBVC states and self-governing territories) of which R8,760 billion of R119 stock (14 per cent 1997) will mature on 15 August 1997.

#### 4.10.4 Financing: financial year 1997/98

Government will continue to make liquid funding instruments available to the market, within prudent limits with respect to the maturity schedule of outstanding debt.

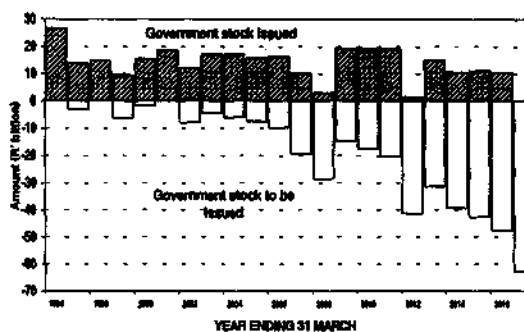
In the 1996/97 financial year the R184, R153 and R157 government stocks and zero coupon stocks with various maturities were used as the main funding instruments.

The amounts issued in nominal terms were as follows:

- R184 (12,5 per cent; 2006/07) R13,9 billion
- R153 (13,0 per cent; 2009/10/11) R14,9 billion
- R157 (13,5 per cent; 2014/15/16) R10,1 billion
- Zero coupons R 1,1 billion

During the 1997/98 financial year, funding in the domestic capital market will continue to take place in the three funding stocks which were issued in the 1996/97 financial year. A limited amount of R150 (12,0 per cent; 2004/5/6) will also be made available to the market. Zero coupon bonds with maturities longer than 1 April 2003, will continue to be available in those areas where it can be accommodated in terms of the maturity schedule. In addition to the

Maturity schedule of domestic marketable stock on 28 February 1997

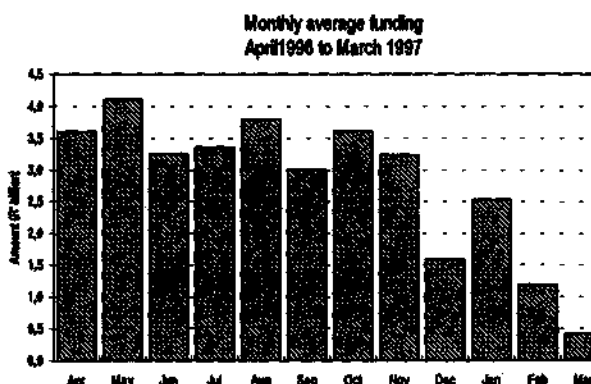


funding stocks, the South African Reserve Bank will make a market in the R162 (12,5 per cent; 2002), R175 (9,0 per cent; 2002) and R177 (9,5 per cent; 2007) government stocks.

In terms of the maturity schedule of domestic marketable stock, nominal amounts of about R18 billion (R150 stock), R10 billion (R184 stock), R52 billion (R153 stock) and R130 billion (R157 stock) can still be issued before the upper limit of each stock is reached. An amount of R5 billion of R150 stock will be issued during the 1997/98 financial year, while the issue amounts in respect of the other funding stocks will be determined by market demand.

An amount of R2 billion of the borrowing requirement will be financed by an increase in the volume of 91 day and 182 day treasury bills from the current R14,3 billion to R16,3 billion in issue.

The Government will continue to spread its funding in government stock throughout the financial year. During the 1996/97 financial year, an average target of R750 million per week was set, with smaller amounts for December 1996 and March 1997. A bigger than anticipated cash balance for the 1996/97 financial year resulted in less financing being done in the last quarter of the financial year than was originally planned.



Interest payments on government stock of about R7,8 billion and redemptions of R8,8 billion will result in a funding requirement that will peak during August 1997 and therefore during the first half of the financial year. It is not envisaged that these flows will impose undue financing pressure on the markets. The Department of Finance will make use of an anticipated opening cash balance, deposits by the Corporation for Public Deposits, proceeds from privatisation, proceeds from strategic oil sales and budgeted foreign borrowing to smooth out this cash flow peak.

It should be noted that, depending on the progress made with the appointment of market-makers, certain minor adjustments to the domestic funding strategy might be warranted during the course of the financial year. Likewise, certain adjustments in the method of issuance might be required. It needs to be stressed, however, that any changes will be made in full consultation with investors and market participants.

#### **4.10.5 Electronic settlement and central securities depository**

An electronic settlement system for stock was implemented by the Bond Market Association (BMA) during the second half of 1995. Initially, this entailed the immobilisation of stock by depositing it into a central security depository, followed by the implementation of electronic net settlement of stock transactions. On 28 February 1997 about 82 per cent of all government stock was already handled in this way.

#### **4.10.6 Discount on government stock on an accrual basis**

At present the discount on government stock issues is accounted for on a cash basis (although zero coupon stock are treated on an accrual basis).

For purposes of debt management and public reporting, data reflecting the discount on government stock on an accrual basis, is also maintained.

The amortised discount accruing during each financial year increased from R0,8 million in 1980/81 to an estimated R3,492 billion in 1996/97. Adding this accrued discount in 1996/97 to the actual interest payments during the year yields the adjusted state debt cost, which in turn

results in an adjusted budget deficit. The increase in the estimated 1996/97 state debt cost and budget deficit which results from the amortisation of the discount is about 0,6 per cent of GDP.

Accounting for the discount on an accrual basis, in line with generally accepted accounting principles, also results in adjustments to the total government debt. Subtracting the unamortised discount of R38,101 billion from the projected 1996/97 year-end debt results in a reduction of some 12,3 per cent in the estimated total government debt, or a total debt of 48,7 per cent of GDP, whereas the nominal face value of the total debt will amount to about 55,5 per cent of GDP at year-end.

Comparative figures since 1989/90 are set out below.

**Table 4.2: Adjustment to state debt cost and total government debt to account for the discount on an accrual basis**

	Amortised discount (R million)	Adjustment to state debt cost (% of GDP)	Nominal total debt at year-end (% of GDP)	Adjusted total debt at year-end (% of GDP)
1989/90	600	0,0%	20,0%	20,0%
1990/91	800	0,0%	20,0%	20,0%
1991/92	1 000	0,0%	20,0%	20,0%
1992/93	1 200	0,0%	20,0%	20,0%
1993/94	1 400	0,0%	20,0%	20,0%
1994/95	1 600	0,0%	20,0%	20,0%
1995/96	1 800	0,0%	20,0%	20,0%
1996/97	3 491,0	0,6%	55,5%	48,7%

#### **4.10.7 The debts and liabilities of the former TBVC States and self-governing territories**

Section 239 of the interim Constitution was amended in September 1995, by virtue of Act no 44 of 1995, to the effect that the debts of the former TBVC States and self-governing territories should no longer be subject to a division between the national and provincial governments, but that these debts should be assumed by the national Government as part of its debt obligations.

At the time of last year's budget it was estimated that these debts amounted to R13,191 billion. This figure has since been revised down to R12,449 billion.

The Department of Finance is currently in the process of incorporating these debts into the national Government's debt portfolio. As a first step the short-term debt of the former Transkei, Venda, and Ciskei states, previously administered by the Public Investment Commissioners, was refinanced by the issuance of treasury bills and government stock. This resulted in treasury bills available to the market increasing from R10,7 billion at 31 March 1996 to R14,3 billion at 31 March 1997.

Agreement has already been reached with the Development Bank of Southern Africa that their portion of the debt, R2,7 billion, should be consolidated into a single loan and refinanced by the issuance of government stock.

On 31 March 1997 the outstanding debt which has to be incorporated into the national government's debt portfolio is:

	<u>R million</u>
Short-term loans	211
Capital market loans	581
RSA government (Foreign Affairs)	423
Development Bank of Southern Africa	2 690
Industrial Development Corporation	<u>98</u>
Total	<u>4 003</u>

## **4.11 Foreign financing**

Initially, with the re-entering of the foreign capital markets in 1994, Government concentrated on re-establishing the country's presence and creating bench-marks in key markets as well as reaching out to new investor bases. These objectives were largely realised through the issuance of the US\$750 million<sup>1</sup> Global bond in 1994 and the ¥30 billion<sup>2</sup> Samurai bond in 1995.

Since 1996 the strategy has shifted towards extending the maturity profile of foreign currency denominated debt, whilst at the same time further reaching out to new investors.

This strategy was initiated with the issuance of the ten year Eurosterling issue in January 1996. The strategy that was adopted in 1996, will be continued during 1997. In line with the risk management framework which was adopted by Government in February 1997, the foreign debt portfolio will in future also be managed as an integral element of the overall debt portfolio. Organisational changes have already been made within the Department of Finance to allow for an integrated management approach.

### **4.11.1 Foreign bond issues during 1996/97**

In October 1996, maturities were further extended with the issuing of a ten year US\$300 million Yankee bond at 8,375 per cent and a seven year DM500 million Eurobond at 7,0 per cent.

#### *RSA US\$ 300 million 8,375 per cent Yankee bond<sup>3</sup>*

This bond was launched at a spread of 195 basis points above U.S. treasuries of equivalent maturity. The spread was only 2 basis points wider than the launch spread of the 1994 US\$ Global bond, yet it was possible to extend the maturity and reach out to institutional investors in the United States. The issue's performance in the secondary market was impressive and stayed within 10 basis points of the launch spread before tightening significantly in subsequent months. At the end of February 1997 the issue was trading at 161 basis points above U.S. treasuries.

#### *RSA DM500 million 7 per cent Eurobond<sup>4</sup>*

This bond was launched at a spread of 140 basis points above the German government bonds of equivalent maturity. The initial spread was maintained and even tightened to 135 basis points, before widening to 190 basis points in November 1996. The widening of the spread

<sup>1</sup> Equivalent to R3,357 billion at the 28 February 1997 exchange rate of: R4,48: US\$1.

<sup>2</sup> Equivalent to R1,112 billion at the 28 February 1997 exchange rate of R3,71: ¥100.

<sup>3</sup> Equivalent to R1,343 billion at the 28 February 1997 exchange rate of R4,48: US\$1.

<sup>4</sup> Equivalent to R1,322 billion at the 28 February 1997 exchange rate of R2,64: DM1.

was due to a significant rally in the bond market and negative sentiment towards South Africa as a result of the depreciation of the rand.

With positive sentiment returning, the spread had tightened to 121 basis points by the end of February 1997.

The fact that over 50 per cent of the bond was distributed amongst institutional investors, provides an indication of the extent to which it was possible to broaden the investor base in the Eurobond market.

#### 4.11.2 Foreign currency debt redemptions

During the 1996/97 financial year loans of R1,554 billion were redeemed. Of this amount, R683 million was in respect of a 400 Deutschemark bond issue and R800 million in respect of a 250 million ECU bond issue. The exchange rate losses on these redemptions and other foreign debt payments come to R979 million, which is R123 million more than the amount which was provided for under management cost, as part of the cost of government debt for the 1996/97 financial year.

Table 4.3: Foreign loan debt obligations

Currency	R million	Amount outstanding at
		4 March 1997 R million
US Dollar	1100	1115
ECU	18	0,077
Austrian Schilling	133	0,066
Japanese Yen	30 000	1,101
Pound Sterling	318	30,824
Swedish Krona	630	33,20
Deutsche Mark	800	1,215
<b>Total</b>		<b>11,523</b>

In the 1997/98 budget R1,043 billion has been provided for exchange rate losses on foreign loan redemptions.

The total foreign redemptions for the 1997/98 financial year amount to R1,450 billion of which R1,381 billion is in respect of the repayment of the Compensatory and Contingency Financing Facility obtained from the International Monetary Fund in 1993.

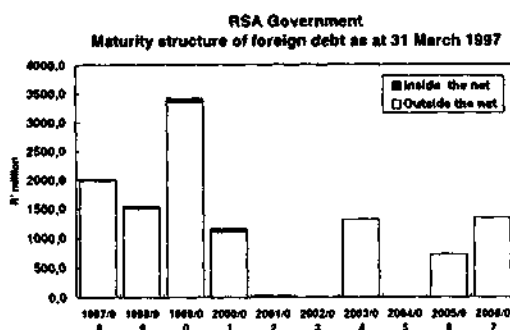
The Balance of R69 million represents an amount of R62 million in respect of privately floated loans with foreign financial institutions. Of this amount, R59 million relates to a payment in respect of an award made by the International Court of Arbitration in the matter between two foreign companies Steyr-Daimler-Puch AG and Ferdinand J. Berger AG, and the former Republic of Transkei. R3 million is in respect of a loan negotiated on behalf of the Republic by the Standard Bank Import and Export Finance Company Ltd and a consortium of banks in the USA on 30 September 1983.

The remaining R7 million is in respect of loans falling under the 1994 Debt Arrangements.

Total foreign loan debt obligations of government at 31 March 1997 valued at exchange rates at date of issue amounted to R9,959 billion. If valued at exchange rates which prevailed at 4 March 1997 the amount is R11,523 million or 3,7 per cent of total government debt.

A currency breakdown of government's foreign loan debt obligations is shown in table 4.4:

The maturity schedule in respect of foreign loans is depicted in the adjacent graph.



Interest payments on foreign loan debt during 1997/98 is estimated at R1,1 billion.

#### **4.11.3 Foreign borrowing: 1997/98**

It is envisaged that about R4,0 billion will be borrowed in foreign markets in the 1997/98 financial year. In keeping with its foreign borrowing policy aims, international financial markets will be tapped as and when favourable market circumstances or opportunities occur.

#### **4.11.4 Credit ratings**

During 1996 all the rating agencies which since 1994 rated the South African Government's ability and willingness to service its debt commitments, reconfirmed their 1995 ratings as follows:

##### **Foreign currency denominated debt ratings:**

Moody's Investors Service	Baa3 (Investment grade)
Standard & Poor's Rating Group	BB+ with a positive outlook (Sub-investment grade)
Nippon Investors Service Inc	BBB (Investment grade)

##### **Long-term rand denominated debt ratings:**

Moody's Investors Service	Baa1 (Investment grade)
Standard & Poor's Rating Group	BBB+ with a positive outlook (Investment grade)

#### **4.11.5 International development cooperation**

The International Development Cooperation Committee created in September 1994 has fulfilled its mandate and has been discontinued.

Since the closure of the RDP Office, new institutional arrangements have been decided upon to manage South Africa's international development cooperation. The Department of Finance is now responsible for managing all aspects of such assistance. This includes:

- grants received;
- technical assistance; and
- concessionary finance.

A management system has been put in place to facilitate the process of conducting the relationships between the South African Government and its institutions and international partners. This comprises three processes coordinated by the Finance Department:

- formal annual consultations, during which agreements between South African implementing agencies and donors are sought;
- mid-term reviews, to ensure that commitments made are kept or adjustments effected where required; and
- monthly programme reviews, intended to facilitate the smooth running of all projects and to address problems.

Several sectors have been prioritised for donor assistance, including:

- education;
- health;
- rural development and land reform;
- urban development and housing;
- good governance and democratisation; and
- social infrastructure such as water reticulation, sanitation and electrification.

The development assistance provided to South Africa is spread between government agencies and the non-governmental sector.

A lack of capacity in implementing institutions has resulted in slow implementation of some projects. A number of agreements have now been concluded to provide capacity-building and technical assistance to these institutions to alleviate the problem.

Various development cooperation agreements have been signed and projects are either in preparation or in the implementation phase with:

Australia	Belgium
Canada	Denmark
the European Union	Finland
France	Germany
Greece	Ireland
Italy	Japan
Netherlands	New Zealand
Norway	Republic of China
Spain	Sweden
Switzerland	the United Kingdom
the United States of America	

South Africa has also entered into cooperation agreements with various United Nations agencies, the Commonwealth and the World Bank group.

## **4.12 Regulation and supervision of financial services**

### **4.12.1 The Financial Services Board**

The Financial Services Board is an independent, statutory supervisory body which supervises the non-banking financial services sector under the policy direction of the Ministry of Finance. The following industries fall under its jurisdiction:

- the insurance industry;
- the retirement fund industry;
- the participation mortgage bond industry;
- the unit trust industry;
- the financial markets (including the stock exchanges, bond exchanges and derivative exchanges);
- portfolio managers; and
- friendly societies.

### **4.12.2 Regulatory developments during 1996**

Significant regulatory developments in the financial sector during 1996 included the following:

- Amendments were made to the Insurance Act to enable both long- and short-term insurers to hold foreign assets in relation to local liabilities and to regulate the investment activities in derivative instruments;
- The Pension Funds Act was amended to enable increased member representation in the management of funds, to establish a Pension Funds Adjudicator as a dispute resolution mechanism and to bring the related financial institutions previously operating in the TBVC states under the jurisdiction of the Financial Services Board;
- A number of significant changes were effected in the financial markets area, including expanding the membership of stock exchanges to include corporate membership, foreign residents and other financial institutions, establishing a South African Institute of Stock Brokers and introducing new capital adequacy requirements. Also of significance was the introduction of automated trading on the Johannesburg Stock Exchange (JSE);

- Automated trading was also improved in the South African Futures Exchange and the Bond Exchange was granted a licence; and
- In the unit trust industry the legislation was amended to allow for the establishment of money market funds.

#### **4.12.3 Anticipated developments**

Work is in progress on several further regulatory reforms.

A consultative paper has been issued by the Board for Financial Regulation and Supervision on the question of market conduct of investment intermediaries. Substantial debate needs to be conducted before the proposals are finalised.

The reconsideration of the regulatory framework for the retirement industry is also underway. The National Retirement Consultative Forum which has begun its deliberations will play a key role in assessing the effectiveness and relevance of the present Pension Fund Act (see section 4.6).

Two new bills will shortly serve before Parliament, with a view to replacing the Insurance Act of 1943. These bills will regulate the long-term and the short-term insurance industries in separate enactments in order to cater for the distinct features and developments in each industry.

The question of enforcement of financial legislation by supervisory authorities is also receiving attention. Practical experience has demonstrated that South African financial supervisors lag behind their international counterparts in enforcing compliance with financial legislation. This initiative is aimed at improving the ability of supervisors to ensure compliance by registered entities and to act effectively against unregistered entities.

The debate on demarcation between various financial institutions, particularly long-term insurers, banks and unit trusts has been re-opened. This is primarily the result of the international trend towards conglomeration as well as the blurring of traditional boundaries between institutions which is taking place.

A legislative programme has been developed for 1997 in which various adjustments to the regulatory framework across all industries will take place.

A full review of the supervisory and regulatory environment will be undertaken across all industries, with further legislation to be introduced in due course.

#### **4.12.4 The financial services sector in the economy**

As of March 1996, the institutions supervised by the Financial Services Board included 109 direct insurers and 1 161 insurance intermediaries, 16 437 retirement funds, 213 friendly societies, 169 unit trusts or participation bond schemes, 197 stockbroking firms or financial instrument dealers and 89 portfolio managers.

The size and significance of the financial sector in the South African economy are illustrated by the following statistics:

- total assets under management of insurers (1995): R420 billion;
- total assets under management of retirement funds (1994): R350 billion;
- benefits paid by long term insurers (1995): R45 billion;
- benefits paid by retirement funds (1994): R30 billion;
- market capitalisation on the JSE (March 1996): R1 126 billion;
- turnover of shares on the JSE (year to March 1996): R77 billion; and
- volume traded on the SA Futures Exchange (year to March 1996): R2 668 billion.



## **4.13 Money laundering**

The Departments Justice and Finance and the South African Reserve Bank are currently preparing for the creation of a supervisory structure to combat money laundering. Enabling legislation will be presented to Parliament in due course.

## **4.14 Multilateral financial institutions**

### **4.14.1 The International Monetary Fund**

South Africa is a founding member of the International Monetary Fund (IMF). The Governor of the SA Reserve Bank represents South Africa on the IMF Board of Governors and the Director General of Finance serves as Alternate.

In October 1996, South Africa added its votes to a constituency comprising mainly English-language African countries, thereby normalising participation in the Executive Board. South Africa's interests at the Fund are now the responsibility of the Executive Director for this constituency, Dinah Z Guti of Zimbabwe.

South Africa's quota in the IMF is SDR 1 365,4 million<sup>5</sup>. Its 0,93 per cent share of the total is the 23<sup>rd</sup> largest vote out of the 181 members.

South Africa has one outstanding financial obligation to the IMF, which is a drawing of SDR 614,43 million<sup>6</sup> made under the IMF's Compensatory and Contingency Financing Facility in December 1993 to help to compensate for a shortfall in export earnings and an unexpected increase in cereal imports in 1992 and 1993. This loan will be repaid in eight quarterly instalments, beginning at the end of March 1997. The repayment is made from the reserves of the South African Reserve Bank, and no financing through the budget is required.

In accordance with Article IV of the IMF's Articles of Agreement, member countries' recent economic developments and policies are analysed regularly. The IMF conducted its annual Article IV Consultation with the South African authorities in February 1997.

At the Annual Meetings of the IMF and the World Bank Group in 1996, the Minister of Finance, Mr Trevor Manuel, was appointed Vice Chairman of the Joint Plenary Session and a member of the Joint Procedures Committee of the IMF and World Bank, as well as of the Multilateral Investment Guarantee Agency Procedures Committee. Mr Manuel has also been designated by the Africa Group 1 Constituency as the alternate member of the Interim Committee of the IMF.

### **4.14.2 The World Bank Group**

The Minister of Finance and the Deputy Minister represent South Africa as Governor and Alternate on the Board of Governors of the World Bank. South Africa is represented on the Board of Executive Directors by Joaquim R Carvalho of Mozambique, who is the Executive Director for a constituency of twenty-three African countries.

#### *International Bank for Reconstruction and Development*

Cooperation between South Africa and the World Bank has continued to develop since the signing of a Memorandum of Understanding in June 1995. South Africa has taken on responsibility for the identification and design of development projects, with the assistance of the Bank.

South Africa receives technical assistance from the International Bank for Reconstruction and Development (IBRD) in several areas, including the assessment of poverty and inequality, intergovernmental fiscal relations, municipal infrastructure, competitiveness and job creation in

<sup>5</sup> South Africa's IMF quota of 1 365,4 million Special Drawing Rights (SDRs) was equivalent to R8,847 billion on 23 January 1997.

<sup>6</sup> R3,981 billion on 23 January 1997.

the Eastern Cape, water and transport policy, macroeconomic modelling, procurement reform and public accounting. South Africa also participates in a World Bank internship programme, contributing to public sector capacity building.

In addition to technical assistance, South Africa is negotiating with the IBRD on a possible loan for financing a project focused on industrial competitiveness.

The private sector won \$15 million of contracts financed by the IBRD in the year to 30 June 1996. At just 0.2 per cent of the total this compares poorly with many other developing countries. Opportunities for participating in IBRD projects need to be pursued further.

#### *International Development Association*

South Africa is a donor to the International Development Association (IDA) and has participated in the eleven replenishments of IDA's financial resources. About half of IDA resources is intended to flow to Africa, so that South Africa's contribution to IDA's resources represents a significant flow of development assistance to other African countries.

The private sector received \$117 million in payment for projects financed by IDA in the year to 30 June 1996. Only five countries earned more from IDA-financed projects.

#### *International Finance Corporation*

About \$56 million of International Finance Corporation (IFC) investment has been secured in South Africa since 1994. This investment, which is mainly aimed at providing access to capital to previously disadvantaged groups, takes the form of equity, quasi-equity, loans or venture loans.

#### *Multilateral Investment Guarantee Agency*

The Multilateral Investment Guarantee Agency (MIGA) has facilitated foreign investments in South Africa worth \$25,3 million, by providing political risk guarantees to four foreign investors. MIGA has also provided a political risk guarantee to Anglo American for an investment in a gold mine and ore treatment plant in Mali.

### **4.14.3 African Development Bank**

South Africa attended the Annual Meetings of the African Development Bank Group (AFDBG) as a member country for the first time in 1996. The AFDBG indicated its willingness to finance small and medium scale agricultural and industrial projects through lines of credit to specialised development institutions and to assist the business community through the private sector window of the Bank.

All AFDBG activities in South Africa will be in response to requests by the Department of Finance on behalf of other departments for projects and programmes which have been appropriately prioritised and for which prior budgetary approvals have been given by the South African Government.

The Board of Directors of the AFDBG approved the first Country Strategy Paper for South Africa on 8 January 1997. It endorses the Government's strategy for establishing a policy and institutional framework conducive to efficient and equitable private sector-led growth, poverty reduction, infrastructure development and the promotion of economic integration. The Strategy Paper does not include a lending programme to South Africa for development projects, but an AFDBG mission visited South Africa in February 1997 to identify suitable projects.

The relationship between the AFDBG and South Africa has been strengthened by contracts that have been awarded to South African companies for the implementation of African Development Bank projects and those of its concessional window, the African Development Fund. As part of South Africa's commitment to development in Africa, South Africa has pledged its willingness to contribute to the concessional Fund.

## **4.15 Regional financial cooperation**

### **4.15.1 The Common Monetary Area**

The Common Monetary Area agreement, established in December 1994, provides for the unrestricted transfer of funds between South Africa, Lesotho, Namibia and Swaziland.

### **4.15.2 The Southern African Customs Union**

The Department of Trade and Industry has been asked by Cabinet to review the terms of South Africa's participation within the Southern African Customs Union (SACU). An inter-departmental task team has assisted in this, comprising working groups to deal with the institutional framework, a new revenue sharing formula and other policy matters.

The terms of reference of the task team will serve as a basis for renegotiating the SACU Agreement. It is envisaged that the administration of the Agreement will be democratised to allow meaningful participation in the decision-making process by the other member countries (Botswana, Lesotho, Namibia and Swaziland). A dispute resolution mechanism will be included in a renegotiated SACU Agreement and the revenue sharing formula will be revised to take account of the interests of all concerned within the bounds of financial feasibility and political acceptability.

Progress has been made on a wide range of issues. An in-principle agreement on a new revenue sharing formula, proposed by South Africa, has been reached. The formula contains the following main features:

- compensation for cost-raising effects on intra-SACU imports;
- inclusion of duties collected by the BLNS countries to compensate for the cost-raising effect on extra-SACU imports; and
- an implicit compensation to BLNS countries for polarisation and loss of fiscal discretion.

The customs pool size will also be limited by actual duties collected.

Once outstanding issues have been resolved and legislative implications have been addressed, it will be possible to proceed to the signing of a new SACU Agreement.

### **4.15.3 The Southern African Development Community**

South Africa acceded to the Southern African Development Community (SADC) Treaty in August 1994 and participates in its activities through the offices of the Department of Foreign Affairs.

Within the SADC, South Africa is responsible for coordinating the Finance and Investment Sector. The Finance and Investment Sector Coordinating Unit (FISCU), which is located within the South African Department of Finance, reports to a Committee of SADC Ministers responsible for finance and investment. The unit coordinates the work of the Committee of Senior Treasury Officials, which considers regional fiscal issues, and the Committee of Central Bank Governors which considers regional financial and monetary issues.

The Annual Meeting of the SADC: Finance and Investment Sector, was held on 4 July 1996 in Mbabane, Swaziland. This meeting initiated three research projects, to examine the investment climate, development finance and questions concerning macroeconomic convergence and the cross-border effects of structural adjustment programmes.

Against the background of financial globalisation and with increasing competition for foreign investments, these studies are intended to identify policies to contribute to economic growth and development through regional cooperation and integration.

The studies will be funded by the European Union, at a total cost of 1,1 million ecu (approximately R6,2 million). The studies are expected to be completed during the second half of 1997.

In addition, the Committee of Central Bank Governors has launched projects dealing with the repatriation of bank notes and coins within SADC, combating money laundering, the development of an SADC economic and financial database, developing an information database on SADC central banks, exchange controls within SADC, and the development of clearing, payment and settlement systems within SADC.

## Review of the 1996/97 Budget

*In this chapter the 1996/97 national budget, revenue, expenditure and financing figures are revised and expected deviations from the budgeted estimates are explained.*

### 5.1 A synopsis of revised national budget estimates

#### 5.1.1 Revised 1996/97 estimates

Revenue and grants are now expected to total R147,411 billion in 1996/97, which is 1,8 per cent more than the March 1996 budget estimate.

Total expenditure for 1996/97 is revised to R176,070 billion, or 1,4 per cent above the budget estimate.

The revised budget deficit is thus R28,659 billion, which is 5,1 per cent of GDP, as planned. Excluding an extraordinary transfer from the Strategic Fuel Fund, the deficit is 5,4 per cent of GDP.

The expected outcome of the 1996/97 budget is compared with the March 1996 budget estimates in table 5.1.

#### 5.1.2 Comparison with 1995/96 outcome

Revenue (including grants) in 1996/97 is 15,7 per cent higher than the actual 1995/96 outcomes, while expenditure increased by 16,3 per cent.

In 1995/96, revenue and grants amounted to R127,417 billion, slightly more than the March 1996 revised estimate of R127,269 billion. Expenditure of R151,453 billion<sup>1</sup> fell short of the March estimate by R5,907 billion, however, resulting in a budget deficit outcome for 1995/96 of 4,8 per cent of GDP<sup>2</sup>, compared to the revised estimate of 6,0 per cent. Departments and

Table 5.1: Key national budget figures for 1996/97

	Budgeted R million	Revised estimate R million
Expenditure	173 959,4	176 070,1
Percentage of GDP	31,0%	31,4%
Revenue and grants	144 857,0	147 411,3
Percentage of GDP	26,8%	26,3%
Budget deficit	28 802,4	28 658,8
Percentage of GDP	5,1%	5,1%

<sup>1</sup> Including standing appropriations, but excluding unauthorised expenditure and the transfer to the Gold and Foreign Exchange Contingency Reserve Account.

<sup>2</sup> Including the transfer of R3,073 billion from the Gold and Foreign Exchange Contingency Reserve Account, the budget deficit in 1995/96 is 5,4 per cent of GDP.

other spending agencies spent some R13 billion (net of RDP double counting) less than voted in the 1995/96 financial year, of which R8,916 billion was rolled over in the 1996/97 Adjustments Estimate.

Details of the expected divergences between budgeted revenue and expenditure in 1996/97 are set out below.

## 5.2 National budget revenue

### 5.2.1 Macroeconomic assumptions

A summary of the revised expectations for GDP growth and other macroeconomic outcomes in 1996/97 shown in table 5.2.

At the time of the 1996/97 Budget, nominal GDP was estimated at R561 billion based on real GDP growth of 3¼ per cent and GDP inflation of 8¼ per cent. Consumer inflation was projected at 7½ per cent.

The latest GDP estimate is R560 billion. Real GDP growth is now estimated at 3 per cent, GDP inflation at 9 per cent and consumer inflation at 8 per cent.

The average wage rate is now expected to increase by 12½ per cent, compared to the 10½ per cent estimated at the time of the Budget. Projected formal employment growth, on the other hand, has been adjusted downward from a 1½ per cent increase to a decline of 1½ per cent.

Table 5.2: Revised assumptions for 1996/97

	1996/97 Budget forecast	1996/97 Revised forecast
GDP (R billion)	561,0	560,0
Real GDP growth	3¼%	3,0%
GDP inflation	8¼%	9,0%
CPI inflation	7½%	8,0%
Real private consumption expenditure growth	3½%	3½%
Nominal merchandise import growth	17%	24½%
Average wage rate increase	10½%	12½%
Non-agricultural employment growth	1½%	-1½%

### 5.2.2 Revised estimate of ordinary revenue

The revised estimate of *total ordinary revenue* collections is R145,670 billion – 1,9 per cent higher than the amount estimated at the time of the 1996/97 budget. In the Second Print estimate it was anticipated that total ordinary revenue in 1996/97 would increase by 13,6 per cent in 1996/97. However, the latest estimate indicates that ordinary revenue will be 15,6 per cent higher than the 1995/96 *actual* collections. A summary of the revised estimated revenue figures for the 1996/97 financial year is shown in table 5.3, while detailed figures are shown in Annexure B of this Review.

Total *ordinary Inland Revenue* collections will be R2,044 billion more than the original estimate, while net *Customs and Excise* collections will exceed the original budgeted amount by R648,6 million. *Direct taxes* were underestimated by R970,0 million and *indirect taxes* by R385,1 million, bringing total direct tax revenue to R82,024 billion and total indirect tax revenue to R60,186 billion. *Other receipts* (other than tax income) are expected to increase to R5,201 billion from the budgeted amount of R4,002 billion.

### 5.2.3 Revised estimate of total receipts

During 1996/97 an amount of R1,878 billion was received from the Strategic Fuel Fund (SFF). Of this amount, R1,603 billion was in respect of the sale of strategic oil supplies (classified as extraordinary capital receipts) and R275 million was a dividend payment (classified as ordinary

Table 5.3: Comparison between budgeted and revised estimate of national budget revenue for 1996/97

	Budget	Revised Estimate	Deviation
	R million	R million	R million
<b>Taxes on income and profits:</b>			
• Gold mines	865,0	605,0	-260,0
• Other mines	1354,0	1354,0	0,0
• Mining companies	18 385,0	18 100,0	-1 715,0
• Secondary tax on companies	1 000,0	1 275,0	275,0
• Individuals	57 975,0	57 840,0	-135,0
• Tax on retirement fund industry	2 725,0	2 400,0	-325,0
• Other <sup>a</sup>	750,0	550,0	-100,0
Taxes on property <sup>b</sup>	2 047,0	2 353,0	306,0
<b>Excise taxes on goods and services:</b>			
• Value Added Tax	36 930,0	36 150,0	-780,0
• Excise Duties	6 918,0	6 795,6	-122,4
• Fuel Levy	10 380,0	10 500,0	140,0
• Financial Services Levy	455,0	500,0	45,0
• Other <sup>c</sup>	49,0	39,5	-9,5
<b>Taxes on international trade:</b>			
• Customs Duties	8 230,0	8 820,0	590,0
• Other <sup>d</sup>	135,0	176,0	41,0
Stamp Duties and fees	1 040,0	1 215,0	175,0
Customs union agreements	4 362,7	4 362,7	0,0
<b>Tax income from Non-residents:</b>	140 855,3	142 210,4	1 355,1
• Interest earned on Exchange Reserves	300,0	1 000,0	700,0
• Dividends SFT		275,0	275,0
• Other <sup>e</sup>	1 634,3	2 038,4	402,1
<b>Other receipts:</b>	142 781,4	145 523,9	2 732,5
• Special receipts	1 396,4	1 611,4	215,0
<b>Total revenue</b>	144 688,0	147 135,4	2 447,3
<b>Grants (RDP)</b>		138,7	138,7
<b>Total revenue and grants</b>	144 688,0	147 274,0	2 586,0
<b>Recovery of irregularities revenue</b>	180,0	137,3	-31,7
<b>Total ordinary revenue</b>	142 977,0	145 869,5	2 892,5
<b>Other items:</b>	81 054,0	82 026,0	970,0
• Interest loans	59 801,3	60 106,1	305,1
• Other <sup>f</sup>	4 091,7	5 200,9	1 199,2
<b>Other receipts</b>			
• Total revenue excluding extraordinary capital receipts and grants, and including recoveries of loans and advances.			

- Including interest on overdue income tax and non-residents shareholders' tax.
- Including donations tax, estate duties, marketable securities tax and transfer duties.
- Including levies and mining lease rights and licences.
- Including ordinary levy and miscellaneous Customs and Excise income.
- Mainly departmental income and mining leases and ownership.
- Comprises recoveries of loans and advances which are not regarded as revenue receipts.
- Total revenue excluding extraordinary capital receipts and grants, and including recoveries of loans and advances.

revenue)<sup>3</sup>. In addition to the extraordinary revenue item, RDP grants amounting to R138,73 million were also received. This, together with the extraordinary revenue, brings total receipts for the 1996/97 financial year to R147,411 billion – an increase of 1,8 per cent on the budgeted amount of R144,857 billion.

#### 5.2.4 Explanation of the major divergences

It is expected that income tax payments from *gold mines* will be R260 million less than originally budgeted. Even though the rand gold price reached high levels during 1996, increased production costs, underground fires and the slump in the gold price early in 1997 will lead to lower than budgeted revenue from this source. Total income tax collections from the gold mining industry are now estimated at R605 million and revenue from other mines is expected to yield the budgeted amount of R1,354 billion.

Income taxes on *non-mining companies* are expected to yield R1,715 million, which is 10,5 per cent more than estimated at the time of the Budget. The higher revenue from this source can be attributed to better than anticipated corporate profits, an improvement in collections, the collection of arrears as well as the phasing out of incentives and the curbing of tax avoidance schemes.

In the March 1996 Budget, *Secondary Tax on Companies (STC)* was reduced from 25 per cent to 12,5 per cent on all dividends declared after that date. It was estimated that the reduction in the rate would be revenue neutral.

<sup>3</sup> At the time of the Budget, it was envisaged that an amount of R1,880 billion, representing the proceeds from the sale of strategic oil supplies, would be transferred from the Strategic Fuel Fund.

Partly because the lower rate reduced the tendency to issue shares in lieu of cash dividends, this change in policy had a better than anticipated effect and it is now estimated that this source will yield an additional R275 million.

Despite higher than anticipated salary increases for the economy as a whole (12½ per cent instead of 10½ per cent), *personal income tax* is expected to be R335 million less than budgeted. The decline in employment is evident in the lower than expected collections from PAYE collections. More efficient processing of assessments by the South African Revenue Service furthermore resulted in refund payments earlier than projected.

In the 1996/97 financial year a new tax was imposed on the *retirement fund industry*. Due to incomplete information on the tax base, it was difficult to estimate the revenue from this source. As against an original estimate of R2,725 billion in government revenue, it is now estimated that this tax will contribute R2,400 billion to the fiscus.

*Value added tax (VAT)* was overestimated by R780 million. Refund payments were substantially higher than budgeted, and it would appear that the R300 million provided for at the time of the Budget for the collection of arrears and improved collections did not materialise.

*Excise duties* were overestimated by R122 million and it is now expected that this source will yield R6,796 billion. The main reason for the divergence from the budgeted amount is lower than expected revenue from excises on cigarettes and tobacco.

Current estimates of fuel consumption show a slight increase on the original expectation. This caused an underestimation of the *fuel levy* of R140 million. The revised estimate of fuel levy collections amounts to R10,500 billion.

The substantial increase in activity on the Johannesburg Stock Exchange resulted in higher than projected revenues from both *marketable securities tax* (R190 million) and *stamp duties* on share certificates (R175 million).

*Customs duties* will be R590 million higher than the Second Print estimate of R6,230 billion. The original amount underestimated revenues obtained from tariffs levied on motor cars under the Motor Industry Development Programme.

Due partly to higher than foreseen interest rates during the 1996/97 financial year, *interest on Exchequer deposits* were R700 million higher than estimated at the time of the Budget.

*Dividend income* was higher than expected mainly due to a dividend payment from the Strategic Fuel Fund of R275 million. This revenue was included as part of extraordinary receipts at the time of the Budget.

## **5.3 National budget expenditure**

### **5.3.1 Revised estimate of expenditure**

The Printed Estimate of Expenditure (RP 2, First Print), or the so called "White Book", which was tabled in Parliament together with the 1996/97 Budget, made provision for expenditure of R176,141 billion<sup>4</sup>. The Supplementary Estimate of Expenditure provided for an additional R960 million<sup>5</sup>, which brought the total expenditure provided for in the "Blue Book", (RP 2 & 4, Second and Final Print) to R177,101 billion. Adjusting this figure for RDP double counting of R4,110 billion, standing appropriations of R69,0 million, as well as unspent balances (R6,440 billion) and the projected expenditure to be voted in the Adjustment Estimate (R600 million), the total estimated expenditure level for 1996/97 came to R173,659 billion.

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<sup>4</sup> This figure includes RDP double counting of R4,110 billion.

<sup>5</sup> Consisting of R10,0 million for the establishment of an Expenditure Evaluation Unit and R950,0 million for Improvements of Conditions of Service.



On 13 February 1997 the Adjustments Estimate for 1996/97 was tabled in Parliament, which brought the revised expenditure level (with certain adjustments to be discussed below) to R176,070 billion.

The calculation of the total expenditure level for 1996/97 is shown in table 5.4.

The Adjustments Estimate of R13,105 billion made provision, amongst others, for:

- roll-over of unspent funds from 1995/96 to 1996/97 of R8,916 billion;
- R205,7 million (originally estimated at R600 million) already identified at the time of the Budget, of which R55,7 million was used for the unblocking of the criminal justice system and R150,0 million for the implementation of an incentive scheme in the South African Revenue Service;
- an additional R223,1 million for Correctional Services, mainly for budget shortfalls;
- R177,4 million for public service projects of the public broadcasting projects;
- an additional R604,6 million for the South African Police Service, including R314,6 million for the rationalisation of the Service, R1,5 million for the establishment of an Independent Complaints Directorate and R103,2 million for budget shortfalls;
- transfers to provinces of R1,421 billion, mainly for debt servicing, welfare and education:

	<u>R million</u>
Eastern Cape	543,2
Free State	55,7
Gauteng	99,4
KwaZulu/Natal	38,5
Mpumalanga	67,6
Northern Cape	152,4
North West	-120,7
Northern Province	129,9
Western Cape	455,0

- a further R213,3 million allocation to the South African Post Office; and
- R300 million for improvements in conditions of service, to be financed through a recovery from the Government Pension Fund.

Table 5.4: Comparison between budgeted and revised estimate of national budget expenditure for 1996/97

	Budget R million	Revised estimate R million
Printed Estimate (RP 2 & 4, Second and Final Print) Adjustments Estimate <sup>a)</sup>	177 100,5 7 039,5	177 100,5 13 105,1
Subtotal	184 140,0	190 205,6
Less:		
Double counting of national budget's contribution to the RDP Fund	4 110,1	4 110,1
Projected unspent balances in 1996/97 <sup>b)</sup>	6 439,5	9 000,0
Expected savings		484,7
Shifting of functions <sup>c)</sup>		535,7
Flexibility from Pension Fund		300,0
Estimated expenditure: Budget total and statutory amounts	173 690,4	175 775,1
Plus: Standing appropriations <sup>d)</sup>	69,0	295,0
Total estimated expenditure	173 699,4	176 070,1

- a) The composition of both these totals is explained in table 5.5.
- b) At the time of the Budget, it was estimated that unspent balances for 1996/97 would equal the 1994/95 roll-overs of R6,440 billion.
- c) The shifting of functions between departments requires additional appropriations, but as these are offset by corresponding reductions no increase in the expenditure level is involved.
- d) The increase in Standing Appropriations can mainly be attributed to a guarantee claim from the Department of Minerals and Energy which was not provided for in the original estimate.

In past years, funds rolled over from previous years were regarded as self-financing for budgetary purposes. The March 1996 Budget thus indicated that the amount expected to be rolled forward to 1997/98 would equal the estimated amount to be brought forward from 1995/96. Outcomes have, however, tended to diverge considerably from these assumptions. A net amount of about R13 billion remained unspent in 1995/96, of which R8,916 billion was approved to be rolled over to 1996/97. Based on the trend of monthly departmental requisitions, it is at this stage expected that the unspent balance at the end of 1996/97 (including issues that will be surrendered back to the fiscus during the course of 1997/98) will amount to R9,0 billion. Amounts to be rolled over out of this unspent balance will be determined during the next financial year, taking into account macro-economic and fiscal considerations.

Savings amounting to R484,7 million have been identified from departmental votes appropriated in the original 1996/97 Estimate of Expenditure. Together with RDP double counting of R4,110 billion, the shifting of functions (R535,7 million), a recovery of R300 million from Pension Fund and the projected unspent balance in 1996/97 this brings the *revised expenditure estimate* to R176,070 billion. This is R2,411 billion higher than the estimate at the time of the Budget.

Table 5.4: Adjustments Estimate for 1996/97

	Projected in March 1996	Actual Adjustments Estimate
	R million	R million
Roll over of unspent funds from 1995/96	6 439,5	8 916,0
Unloading Criminal Justice system	450,0	55,7
Restructuring of SA Revenue Services	150,0	150,0
Exchange rate losses: Tourism Board	-	6,2
National Youth Commission	-	2,5
Correctional Services (budget shortfall and new boats)	-	223,1
Closing down of Capital Radio	-	3,8
Channel Africa (funding operations until 31 March 1997)	-	29,7
SABC (Public broadcasting project)	-	177,4
Transfers to Provinces	-	1 420,9
Public Enterprises	-	22,8
SA Police Service	-	804,6
Olympic Bid: Transport Infrastructure	-	125,0
Flood Damages	-	9,5
Water and Forestry functions from provinces	-	77,6
Outstanding debt of agricultural parastatals	-	74,9
Expenditure financed from grants received in the RDP Fund	-	138,7
Cleaning Operations: Oil pollution	-	10,0
Improvement in conditions of service	-	300,0
Post Office losses	-	213,3
Arts, Culture, Science and Technology	-	-
Robberland	-	8,5
Shifting of Functions	-	535,7
Other	-	4,2
<b>Total Adjustments Estimate</b>	<b>7 039,5</b>	<b>13 105,1</b>

## 5.4 Budget deficit and financing

### 5.4.1 Revised estimate of borrowing requirement and financing

The revised estimates of expenditure and revenue (including the transfer from the Strategic Fuel Fund of R1,603 billion) yield a budget deficit of R28,659 billion which is equal to 5,1 per cent of expected GDP, as planned.

The 1995/96 cash balance brought forward to 1996/97 was R6,738 billion (and not the envisaged zero balance), mainly due to the larger-than-expected unspent funds in the 1995/96 financial year (see paragraph 5.1.2). The net borrowing requirement for 1996/97 is thus expected to be R21,921 billion compared to the budgeted R28,802 billion.

Total loan redemptions amounted to R18,596 billion in 1996/97 compared to the R16,502 billion foreseen at the time of the Budget<sup>6</sup>. The revised amount includes the following, which were not provided for in the original figures:

- the first payment of R345,3 million in respect of an IMF Compensatory and Contingency Financing Facility;
- the scheduled repayment of debt of the former TBVC states and self-governing territories amounting to R504 million; and
- a small amount of stock repurchased in advance in terms of a facility made available to the South African Reserve Bank.

After accounting for the premium on consolidating, repurchasing and switching of government stock of R1,1 billion, the net loan redemptions amount is R17,496 billion<sup>7</sup>.

At the time of the Budget it was foreseen that funding in government stock would take place in equal amounts of the existing R153 (13,0% 2009/10/11) and R157 (13,5% 2014/15/16), as well as a new R184 (12,5% 2006/07) government stock. Furthermore, small amounts of zero-coupon stock with maturities longer than 1 April 2002 were also provided. During 1996/97, government stock to a total nominal value of R40,3 billion was issued at an average weighted coupon rate of 12,83 per cent (budgeted 13,0 per cent) and an average weighted yield of 15,87 per cent (budgeted 14,0 per cent), broken down as follows:

Table 5.6: Comparison of budgeted and revised estimate of borrowing requirement and financing for 1996/97

	Budgeted	Revised estimate
Total borrowing requirement	18 502	18 596
Government stock	153	157
Other government debt	157	157
Other borrowing	16 912	16 912
Total financing	16 912	16 912
Government stock	153	157
Other government debt	157	157
Other borrowing	16 912	16 912
Closing cash balance	0,0	0,0

Stock	Stock issued Nominal R billion	Share	Financing raised (cash) R billion	Discount R billion
Zero-coupon	1,053	0,8%	0,324	0,729*
R147 (11,5% 1999/00)	0,309	0,8%	0,280	0,029
R184 (12,5% 2006/07)	13,934	35,2%	11,635	2,299
R153 (13,0% 2009/10/11)	14,893	37,7%	12,510	2,383
R157 (13,5% 2014/15/16)	10,094	25,5%	8,577	1,517
<b>Total</b>	<b>40,283</b>	<b>100,0%</b>	<b>33,326</b>	<b>6,957</b>

\* Unlike the discount on other government stock, the discount on zero-coupon stock is accrued to state debt cost.

<sup>6</sup> This increase is due to a continuous process of consolidating, repurchasing and switching of government stock.

<sup>7</sup> Premiums earned on transactions in government stock were R900 million higher than projected due to switches from long-term government stock to 3 month zero-coupon stock in terms of standing agreements with certain institutions. In practice, this premium arises either as a cash flow gain or as a book-entry reflecting the difference between the discount on the government stock redeemed before maturity and the discount on the new stock issued. For purposes of analysis, this "book-profit" is excluded from national budget revenue and shown as "negative" loan redemptions.

It was also envisaged that short-term loans would increase by R3 billion as a result of the utilisation of money of certain government departments, funds and agencies invested with the Corporation for Public Deposits as part of Government's initiative to improve its cash management. It is now estimated that R2 billion will be available from this source. Short-term loans were obtained or refinanced at an average weighted interest rate of 15,82 per cent (budgeted 14,5 per cent).

#### 5.4.2 State debt cost

Despite higher than foreseen nominal capital and money market interest rates and a substantially sharper than expected depreciation of the rand, total national budget state debt cost is still estimated at R34,445 billion. Higher costs were offset by, among others, the following factors:

- the anticipated conversion of nil-coupon stock to interest-bearing stock by the South African Reserve Bank for monetary purposes did not materialise;
- interest paid in respect of the new R184 stock was lower than budgeted, because of different interest dates than those originally planned; and
- interest on new foreign loans included in the original estimate will only be payable from the 1997/98 financial year onwards.

#### 5.4.3 Increase in total government debt

Table 11 in annexure B of this Review shows the major components of projected government debt on 31 March 1997 against an historical background.

It is projected that total government debt (in nominal terms) will increase by R30,579 billion to R309,507 billion by the end of the 1996/97 financial year. Total government debt is thus projected to be equal to 55,3 per cent of GDP on 31 March 1997, compared to 56,0 per cent at the end of the 1995/96 financial year. Reasons for the increase in government debt appear in table 5.7.

Outstanding marketable rand denominated debt is estimated to be R288,090 billion on 31 March 1997. This comprises government stock

Table 5.7: Explaining the increase in government debt for 1996/97

	R billion
Financing of the national budget <sup>a)</sup>	26,909
Net increase as a result of switch facilities	0,038
Unamortised discount on zero coupon bonds	0,353
Revaluation of existing foreign loans <sup>b)</sup>	-0,373
<b>Total loan debt</b>	<b>26,927</b>
Foreign exchange forward cover losses realised by the South African Reserve Bank	3,652
<b>Total projected increase in government debt</b>	<b>30,579</b>

- a) Comprises government stock (nominal value, i.e. including the discount), bonds and foreign loans.
- b) Decrease can be attributed to the repayment of foreign loans during 1996/97.

Table 5.8: Comparative government debt figures

	End of 1995/96	End of 1996/97 (Projected)
	R billion	R billion
Government stock <sup>a)</sup>	246,877	273,840
Treasury bills <sup>a)</sup>	10,700	14,250
Other money market instruments <sup>a)</sup>	3,826	0
<b>Total marketable debt</b>	<b>261,403</b>	<b>288,090</b>
<b>Total non-marketable debt<sup>a)</sup></b>	<b>4,581</b>	<b>5,242</b>
<b>Total domestic debt</b>	<b>267,984</b>	<b>294,332</b>
<b>Total foreign debt</b>	<b>10,944</b>	<b>11,523</b>
Gold and Foreign Exchange		
Contingency Reserve Account	0	3,652
<b>Total debt</b>	<b>278,928</b>	<b>309,507</b>
<b>Total debt: GDP ratio</b>	<b>56,0%</b>	<b>55,3%</b>

- a) These figures include converted debt of the former TBVC states and self-governing territories in terms of section 239 of the 1993 Constitution.
- b) Comprises floating stock, non-marketable treasury bills, loan levies, bonds and non-marketable debt of the former TBVC states and self-governing territories.

(including former TBVC states and self-governing territories of R581 million), treasury bills and other money market instruments of the former TBVC states and self-governing territories. Outstanding non-marketable rand denominated debt will amount to an estimated R6,242 billion on 31 March 1997 and will include non-marketable treasury bills of R2,667 billion. The remainder of R3,422 billion represents mainly loans by the Committee for Economic and Development Cooperation in South Africa (CEDCSA) and the Development Bank of Southern Africa to the former TBVC states and self-governing territories for infrastructure projects.

Total foreign debt on 31 March 1997 is projected to be R11,523 billion, if valued at the exchange rates ruling on 4 March 1997.

Total debt also includes an expected balance on the Gold and Foreign Exchange Contingency Reserve Account of R3,652 billion on 31 March 1997.

## THE 1997/98 NATIONAL BUDGET

*This chapter summarises projections of the national budget figures for 1997/98. National revenue and expenditure estimates are set out, budgeted transfers to provinces are summarised, state debt costs are explained and the budget deficit and financing proposals are presented.*

### 6.1 A synopsis of the national budget figures

For 1997/98, total revenue is estimated to increase by 11,1 per cent to R161,976 billion. This is equal to 26,0 per cent of estimated GDP, as in 1996/97.

The net tax relief in the 1997/98 Budget is R908,0 million, mainly resulting from personal income tax relief of R2,800 billion. It is envisaged that improvements in the collection of taxes and receipt of arrear taxes will yield R2,500 billion.

The total expenditure level<sup>1</sup> for 1997/98 is estimated at R186,747 billion, which is 6,1 per cent higher than the revised expenditure level for 1996/97. As a proportion of GDP, national budget expenditure is expected to decline from 31,4 per cent to 30,0 per cent.

The estimated revenue and expenditure levels for the national budget result in a budget deficit of R24,771 billion – R5,491 billion lower than the comparable revised estimated deficit for 1996/97<sup>2</sup>. The budget deficit will be 4,0 per cent of GDP compared to an estimated 5,4 per cent in 1996/97 (before taking into account proceeds from asset sales).

### 6.2 National budget revenue

#### 6.2.1 Macroeconomic assumptions

The outlook for the economy in 1997 is summarised in par. 2.2 of chapter 2. The macroeconomic assumptions within which the 1997/98 Budget has been framed are set out in table 6.1. Economic growth is expected to slow down to 2½ per cent and average inflation is projected as marginally higher than in 1996/97 at 8½ per cent.

<sup>1</sup> "White Book" expenditure, the supplementary proposals, estimates of expenditure to be included in the Adjustments Estimate for 1997/98 and standing appropriations (guarantee liabilities, subscription payments to the IDA, the IBRD and valuation adjustment payments to the IMF).

<sup>2</sup> Excluding the transfer of R1,603 billion from the Strategic Fuel Fund from revenue, the revised budget deficit for 1996/97 is R30,262 billion, or 5,4 per cent of GDP.

## 6.2.2 Revenue estimates

The printed Estimate of Revenue (RP 3, First Print) sets out the projected level of revenue to be collected in the National Revenue Account for a specific year should no changes be made to the tax bases, brackets and/or rates of the previous financial year. New tax proposals and their revenue implications can then be assessed against the background of these "no-policy-change" revenue projections.

The printed Estimate of Revenue (RP 3, First Print)

allows for ordinary revenue collections of R160,384 billion, or an increase of 10,0 per cent. This includes receipts which are, for budgetary purposes, not regarded as revenue but as financing items. These are:

- expected premiums of R200 million to be earned through consolidating, repurchasing and switching of government stock<sup>3</sup>; and
- R1,250 billion representing a transfer from the Strategic Fuel Fund to the National Revenue Account on 1 April 1997 to reduce further the 1997/98 net borrowing requirement and thus limit the accumulation of state debt and interest costs (see par. 6.3.3).

Details of the revenue estimates and comparable historical figures are given in tables 1 to 4 in Annexure B of this Review.

Given the total estimated ordinary revenue at existing tax rates and brackets of R160,384 billion and the net revenue gain of the tax and other proposals in par. 7.7 of R1,592 billion, total estimated *ordinary revenue* to be collected in the National Revenue Account amounts to R161,976 billion. This represents an increase of 11,1 per cent on the revised estimate for 1996/97.

It is estimated that total revenue will be equal to 26,0 per cent of GDP in 1997/98, as in 1996/97.

The contribution of direct taxes (taxes on income and profits) – the most important component of total tax revenue – is expected to rise from 57,7 per cent (14,6 per cent of GDP) in 1996/97 to 58,5 per cent (15,0 per cent of GDP) in 1997/98.

- Personal income tax remains the single most important tax revenue source in 1997/98 and collections are estimated to yield 10,5 per cent of GDP – slightly higher than in 1996/97.
- The contribution of income tax on non-mining companies (including secondary tax on companies) is expected to rise from 3,4 per cent of GDP in 1996/97 to 3,6 per cent in 1997/98.

The contribution of indirect taxes declines marginally from 10,7 per cent of GDP in 1996/97 to 10,6 per cent of GDP.

Table 6.1: Key macroeconomic variables for revenue estimates ("no-policy change" assumptions)

	1995/96 Actual	1996/97 Revised forecast	1997/98 Forecast
GDP (R.billion)	498.1	560.0	622.0
Real GDP growth	3,3%	3%	2½%
GDP inflation	8,0%	9%	8½%
CPI inflation	7,6%	8%	8½%
Real private consumption expenditure growth	4,6%	3½%	2%
Nominal merchandise import growth	20,3%	24½%	7%
Average wage rate increase	11,0%	12½%	11%
Non-agricultural employment growth	0,3%	-1½%	½%

Note: Projected percentage changes are rounded to the nearest quarter of a percent.

<sup>3</sup> In practice, this premium arises either as a cash flow or as a book-entry reflecting the difference between the discount on government stock redeemed before maturity and the discount on the new stock issued. For purposes of analysis, the "book-entry" premium is excluded from national budget revenue and shown as "negative" loan redemptions. Due to lack of detail, the whole R200 million is regarded as "book-entry" premiums at this stage.



- Collections from the second most important tax revenue source, VAT, are estimated at 6,5 per cent of GDP in 1997/98 – the same as in 1996/97.
- Total excises are estimated to yield 3,1 per cent of GDP (as in 1996/97), of which the contribution of the fuel levy will remain at 1,9 per cent of GDP in 1997/98.
- Taxes on international trade will be equal to 1,2 per cent of GDP, compared to 1,3 per cent in the early 1990s.

**Table 6.2: National Budget figures for 1996/97 and 1997/98**

	Revised estimate		Budget	
	1996/97 R million	1996/97 % of GDP	1997/98 R million	1997/98 % of GDP
Ordinary revenue at 1996/97 tax rates and brackets	145 609,5	26,0	160 384,0	25,8
Plus: Tax proposals (net)			-908,0	-0,2
Improvement in collections and receipt of arrears taxes			2 500,0	0,4
Grants (RDP)	138,7	0,0		
<b>Total revenue and grants</b>	<b>145 808,3</b>	<b>26,0</b>	<b>161 976,0</b>	<b>26,0</b>
Total estimated expenditure level	176 070,1	31,4	186 746,8	30,0
<b>Budget deficit</b>	<b>30 261,8</b>	<b>5,4</b>	<b>24 770,8</b>	<b>4,0</b>

### 6.3 National budget expenditure

The estimated total national budget expenditure level for 1997/98 is R186,747 billion. This includes the first Printed Estimate and amounts to be voted in the Supplementary Estimate (RP 4) later this year and in the Adjustments Estimate, as well as standing appropriations<sup>4</sup>. The 1997/98 estimated expenditure level is 7,6 per cent higher than the original estimated expenditure level for 1996/97, and 6,1 per cent more than the revised amount (see paragraph 5.3.1)<sup>5</sup>. Details are set out below.

#### 6.3.1 Printed Estimate and supplementary proposals

The Printed Estimate of Expenditure (RP 2, First Print), the so-called "White Book", details the appropriations for which the national government takes responsibility, i.e. expenditure by national government spending agencies. Also included are transfer payments to be made from the national budget to other levels of government, including provincial governments, extra-budgetary institutions and funds and local authorities.

Budgeted expenditure included in the "White Book" for 1997/98 amounts to R184,033 billion.

Supplementary expenditure proposals amounting to R739,2 million, together with an envisaged saving of R400 million due to a reduction in the employer's rate of contribution to the government pension fund, will be included in the Second Print (RP 4).

<sup>4</sup> Projected guarantee liability claims that may realise, subscription payments to the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), and valuation payments to the International Monetary Fund (IMF).

<sup>5</sup> As set out in chapter 5, the 1996/97 revised estimate makes provision for a roll-over of R8,916 billion from 1995/96 and projected unspent balances at year end of R9,000 billion.



Expenditure of R2,074 billion has been identified for inclusion in the Adjustment Estimate at the end of the 1997/98 financial year. This amount, which includes a contingency reserve of R1,466 billion, cannot be allocated to specific budget votes at this stage.

Details of these supplementary amounts are given in paragraph 8.1.1 of chapter 8.

### 6.3.2 Transfers to Provinces

The 1997/98 transfer payments to provinces shown in the First Print of the Department of Finance's vote amount to R80,404 billion. Supplementary amounts identified for transfer to provinces of R402 million bring the budget estimate to R80,806 million. This is a 7,0 per cent increase over the amount set aside for provinces in the original 1996/97 budget<sup>6</sup>. In the 1997/98 budget, however, the costs of servicing provincial debt are taken up by the national Government. Adjusting for this, the 1997/98 budget makes provision for a 9,4 per cent increase in provincial transfers (see table 5 in Annexure B).

#### Determination of provincial amounts

Transfers to provinces were determined by Government on the basis of recommendations made by the Budget Council, which includes the Minister of Finance and the provincial MECs for Finance, after consideration of the recommendations of the Financial and Fiscal Commission in this regard (see par. 4.2 of chapter 4).

The allocations to provinces comprise four amounts:

- a total amount of R69,180 billion, representing the provincial share of the vertical split of revenue before borrowing, divided between provinces in the proportions shown in table 20C of the *Recommendations for the Allocation of Financial Resources to the National and Provincial Governments for the 1997/98 Financial Year* presented by the Financial and Fiscal Commission in May 1996;
- various allocations derived from function shifts to provincial departments;
- the carry-through costs of RDP projects and provincial shares of other amounts set aside before the vertical split; and
- amounts earmarked for increases in social grants during 1997/98.

Table 6.3: Comparison between budgeted and revised estimate of national budget expenditure for 1996/97

	Revised estimate 1996/97 R million	Budget 1997/98 R million
Printed Estimate (RP 2, First Print)	176 143,4	184 033,2
Supplementary Estimate	980,0	338,2
Adjustments Estimate	13 105,1	2 074,4
<b>Subtotal</b>	<b>190 208,5</b>	<b>186 445,8</b>
Less:		
Double counting of national budget's contribution to the RDP Fund	4 110,1	
Projected unspent balances in 1996/97 <sup>a</sup>	9 000,0	
Expected savings	364,7	
Shifting of functions <sup>b</sup>	535,7	
Receipts from Pension Funds	300,0	
<b>Estimated expenditure: Budget votes and ancillary amounts</b>	<b>178 775,1</b>	<b>186 445,8</b>
Plus: Standing appropriations <sup>c</sup>	285,0	300,0
<b>Total estimated expenditure</b>	<b>179 060,1</b>	<b>186 745,8</b>

- a) No provision is made for roll-overs to 1997/98.
- b) The shifting of functions between departments requires additional appropriations, but as these are offset by corresponding reductions no increase in the expenditure level is involved.
- c) Guarantee liability claims of R280,0 million that may realise, subscription payments to the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), and valuation payments to the International Monetary Fund (IMF) of R20 million.

<sup>6</sup> A supplementary amount of R200 million is included in the 1996/97 budget provision for transfers to provinces, comprising amounts of R100 million allocated to the Eastern Cape Province and Kwazulu/Natal.

These resulting division of funds is set out below.

Table 6.4: Transfers to provinces for 1996/97 and 1997/98

	1996/97		1997/98			
	Budget	Basic items of Revenue	Function	Other	Transfer in	Budget
	R million	R million	R million	R million	R million	R million
Western Cape	14 001	12 173	17	1 809	11	13 770
Eastern Cape	8 378	7 323	92	1 070	120	8 797
Northern Cape	1 789	1 529	219	184	32	1 874
Free State	14 864	13 580	7	1 211	215	15 492
North West	5 183	4 767	73	100	57	5 048
Gauteng	4 810	4 192	113	480	48	4 901
Northern Province	9 324	8 809	8	1 598	58	10 369
South West	6 450	5 896	148	613	28	6 784
Other	11 106	10 958	161	3 750	111	12 911
Supplementary						402
TOTAL	79 499	69 180	811	8 478	637	80 806

- A supplementary amount of R100 million is included in the amounts shown as transfers to each of the Eastern Cape Province and Kwazulu/Natal in 1996/97, in addition to the original budget allocation.
- Supplementary amounts of R227 million for the Durban academic hospital and R175 million for additional increases in social grants are identified for transfer to provinces in 1997/98.

The revised estimate of the total transferred to provinces in 1996/97 exceeds the original budget amount of R75,499 billion by 7,0 per cent, however. Allocations earmarked for improvements in conditions of service (R5,757 billion) and other amounts voted in the 1996/97 Adjustments Estimate (R3,840 billion), less roll-overs from 1995/96 of R2,315 billion and R1,998 billion of interest payments shifted to the national budget in 1997/98, bring the aggregate revised estimate of transfers to provinces to R80,783 billion.

Taking into account a provisional distribution to the provinces of an amount of R3,323 billion for improvements in conditions of service (see table 5, Annexure B), the total amount provided in the budget for transfer to provinces in 1997/98 will be R84,129 billion, which is 4,1 per cent more than the revised estimate for 1996/97.

Provinces will in addition to the above amounts make use of their own revenue resources, expected to amount to a further R3,8 billion in total in 1997/98. Chapter 9 of this Review provides a summary of projected consolidated national and provincial budget expenditure in 1997/98, and details are set out in tables 8,9 and 10 of Annexure B.

#### Intergovernmental grants

As explained in chapter 4 (par. 4.3.6), an agreement between the national and provincial governments provides for the inclusion in provincial budgets in 1997/98 of certain amounts earmarked for local governments. These inter-

Table 6.5: Intergovernmental grants to local government: 1996/97 and 1997/98

Province	Total	
	1996/97 R million	1997/98 R million
Gauteng	156,3	156,3
North West	132,5	137,3
Northern Province	127,5	188,4
Mpumalanga	78,0	103,8
Free State	178,1	137,7
Western Cape	82,7	210,3
Northern Cape	25,1	21,4
Eastern Cape	209,8	239,8
KwaZulu/Natal	621,4	432,4
Total	1 572,4	1 627,4

governmental grants, including amounts set aside for R293 towns located in former TBVC states and self-governing territories, are set out in table 6.5.

### 6.3.3 State debt cost

State debt costs are recorded on a *cash* basis, in keeping with current government accounting practice. For the 1997/98 financial year the cost of servicing state debt, which forms a first charge against the National Revenue Account, is estimated at R39,643 billion or 6,4 per cent of estimated GDP, slightly lower than the revised estimate of 6,5 per cent in 1996/97.

The assumptions used in the state debt costs estimate were:

- a national budget deficit of R24,8 billion;
- scheduled domestic and foreign loan redemptions of R12,1 billion;
- a possible conversion of nil-coupon stock by the South African Reserve Bank to the amount of R3 billion;
- an average capital market yield of 15,0 per cent and an average coupon rate on new government stock issues of 13,0 per cent; and
- average short-term interest rates of 14,5 per cent.

Before taking into account proceeds from the restructuring of state assets, the following measures aimed at containing state debt costs and the accumulation of government debt will be taken in 1997/98:

- an amount of R1,250 billion will be transferred from the Strategic Fuel Fund to the National Revenue Account on 1 April 1997 and will be applied towards financing the 1997/98 deficit; and
- as in 1996/97, cash balances of government entities which are invested with the Corporation for Public Deposits (CPD), expected to average R2 billion over the year, will be invested in special treasury bills carrying no interest.

The total cost of servicing state debt provided for in the Printed Estimate of Expenditure (RP 2, First Print) amounts to R39,643 billion in 1997/98. This includes debt servicing costs in respect of the former TBVC states and self-governing territories, which have been taken over from provincial governments, and is 8,8 per cent more than the comparable revised 1996/97 figure of R36,443 billion. Details are provided in table 6.6.

*Interest* on state debt will increase by 9,1 per cent to R38,550 billion. In keeping with the cash basis of the government accounts, the revaluation of foreign loans that mature in 1997/98 is recorded as "management costs" at redemption.

Table 6.6: Comparative state debt cost

	1996/97 Revised estimate R (billion)	1997/98 Budget R (billion)
Interest	33 352,0	38 548,8
Interest included in provincial budgets	1 997,5	
Management costs (including revaluation of maturing foreign loans)	1 050,0	1 043,1
Cost of raising loans	6 734,0	6 281,4
<b>Subtotal</b>	<b>43 133,5</b>	<b>44 874,3</b>
Less: Discount on sales of new government stock	6 691,0	5 231,4
<b>State debt cost</b>	<b>36 442,5</b>	<b>39 642,9</b>

It is anticipated that government stock, which will, as in the past, be issued in liquid marketable instruments that carry interest somewhat below market rates, will be sold at an overall discount of R5,231 billion in 1997/98<sup>7</sup>.

#### 6.3.4 Economic classification of national budget expenditure

Given the estimated 1997/98 expenditure level of R186,747 billion and *interest* on state debt of R38,550 billion, an amount of R148,197 billion is available on the national budget for non-interest current and capital expenditure, including transfer payments to other levels of government.

Non-interest expenditure provided for in the 1997/98 national budget is 5,3 per cent more than the revised estimate for 1996/97 and 7,1 per cent more than the original budgeted figure<sup>8</sup>. Expressed as percentages of GDP, total non-interest expenditure<sup>9</sup> is expected to amount to 23,8 per cent in 1997/98 compared to 25,1 per cent in 1996/97. Capital expenditure is expected to amount to R13,160 billion or 2,1 per cent of GDP compared to a revised estimate of 2,6 per cent in 1996/97.

It should be noted that actual spending on capital projects in 1996/97 has lagged behind the budgeted amounts, so that the capital expenditure allocation in 1997/98 might well exceed the 1996/97 outcome.

The 1997/98 financial year will be the second year in which a primary surplus (i.e. the budget balance excluding the interest bill) will be achieved on the national budget. In 1996/97 it is estimated that a positive primary balance of 0,1 per cent of GDP was realised and in 1997/98, this is projected to rise to 2,4 per cent of GDP.

#### 6.4 Budget deficit and financing

At this stage it is envisaged that the 1996/97 financial year will close with a nil balance, leaving next year's net borrowing requirement the same as the budget deficit, i.e., R24,771 billion. Should there be a positive balance, part of the 1997/98 budget deficit will be financed by funds carried over, thereby reducing actual borrowing in 1997/98. Table 6.8: Borrowing requirement and financing for 1996/97 and 1997/98

After having taken into account scheduled loan redemptions of R12,278 billion and the expected premium on the consolidation, repurchasing and switching of government stock ("book-

Table 6.7: Economic composition of national budget expenditure

	1996/97		1997/98	
	R million	% of total	R million	% of total
Interest on state debt	35 349,5	20,1	38 549,8	20,6
Other state debt costs	1 093	0,6	1 093,1	0,6
Total state debt cost	36 442,5	20,7	39 642,9	21,2
% of GDP	6,5		6,4	
Non-interest expenditure	140 720,6	79,9	148 197,0	79,3
% of GDP	25,1		23,8	
Current expenditure	161 446,3	81,7	173 586,8	93,0
% of GDP	28,8		27,9	
Capital expenditure	14 623,8	8,3	13 160,0	7,0
% of GDP	2,6		2,1	
Total expenditure	176 070,1	100,0	186 746,8	100,0
% of GDP	31,4		30,0	

<sup>7</sup> The "discount" is the difference between the nominal or face value of a debt instrument issued and the finance actually raised. It is an addition to total debt over and above the cash amount raised.

<sup>8</sup> The revised estimate of non-interest expenditure in 1996/97 is R140,720 billion (total expenditure level of R176,070 billion less total *interest*, including provinces, of R35,350 billion).

<sup>9</sup> Total non-interest expenditure comprises other state debt costs, non-interest current expenditure and capital expenditure.

profit") of R200 million, the gross loan financing requirement for 1997/98 amounts to R36,849 billion.

The envisaged financing will mainly take place in government stock. As explained in paragraph 4.14.1, the scheduled repayment of the Compensatory and Contingency Financing Facility of the International Monetary Fund will be financed through a transfer of R1,381 billion from the IMF Deposit Account at the South African Reserve Bank. Proceeds from the sale of state assets of R516 million are projected for 1997/98 financial year. Provision is also made for a net increase in treasury bills of R2,000 billion and foreign loans of R4,000 billion.

Given the above envisaged financing programme for the 1997/98 financial year and the estimated discount on sales of new government stock of R5,231 billion<sup>10</sup> (including provision for the discount on projected conversions

by the SA Reserve Bank of nil-coupon stock into interest-bearing stock to the amount of R3,000 billion<sup>11</sup>), total government debt is projected to be R340,751 billion (54,8 per cent of expected GDP) on 31 March 1998 compared to the estimated R309,507 billion (55,3 per cent of GDP) on 31 March 1997. This projection *excludes* any changes in government debt that will or may result from:

- the utilisation of switch facilities;
- a revaluation of existing foreign loans due to changes in the exchange rate; and
- forward cover losses on the Gold and Foreign Exchange Contingency Reserve Account that may realise during 1997/98.

If the taking over of Namibia's RSA Government guaranteed debt of some R1,242 billion is included (see paragraph 4.10), the projected debt at the end of 1997/98 year will be R341,923 billion, or 55,0 per cent of GDP.

Table 6.8: Borrowing requirement and financing for 1996/97 and 1997/98

	Revised Estimate 1996/97 R million	Budget 1997/98 R million
Budget deficit	30 261,8	24 770,8
Less: Cash balance brought forward	5 237,8	
Net Borrowing requirement	25 024,0	24 770,8
Loan financing:	17 485,8	12 071,8
• Short-term loan		
• Government stock and bonds	16 897,0	10 825,8
• Provision on conversions in government stock	5 100,0	2 000,0
• Foreign loans	1 553,8	0,0
• IMF (CCFF Facility)	0,0	1 381,2
Gross borrowing requirement	41 020,2	36 849,2
Financing:		
• Short-term loan	2 000,0	2 000,0
• Government stock	34 241,0	27 702,0
• Foreign loans	2 857,0	4 000,0
• Transfer from IMF Deposit Account at SARB	345,2	1 381,2
• Transfer from Strategic Fuel Fund	1 603,0	1 250,0
• Proceeds from the sale of state assets		516,0
Total Financing	41 020,2	36 849,2
Closing cash balance	0,0	0,0

<sup>10</sup> As reflected in the Printed Estimate of Expenditure ("White Book").

<sup>11</sup> This amount will not increase the overall level of government debt.

## REVENUE ISSUES AND TAX PROPOSALS

*The establishment of the South African Revenue Service (SARS), progress in the work of the Katz Commission, activities of the Tax Advisory Committee and developments in tax policy are summarised in this chapter. The implementation of the Final Tax Relief Programme and the release of a draft Client Charter by the SARS are noted. Tax proposals and estimates of revenue for the 1997/98 year are discussed.*

### 7.1 Vision

The tax system is an important component of the total fiscal system and can be instrumental in the hands of the Government in influencing and changing the economy in desired directions, in terms of both the use of productive resources and the distribution of output. In proposing changes to the tax system, Government's vision is that sufficient revenue be raised to meet the needs of the fiscus, but with due regard to the accepted criteria of taxation, namely:

- equity between taxpayers;
- neutrality of impact on economic behaviour;
- certainty; and
- simplicity.

Other components of a desirable tax structure which will be considered in formulating the changes to the tax system are:

- the enhancement of a tax system which will ensure South Africa's competitiveness in international markets;
- a structurally cohesive tax system (which is achieved by various measures such as the elimination of opportunities to engage in tax arbitrage and the broadening of the tax base); and
- the improvement in tax administration and collection.

A tax reform programme is underway in South Africa, guided by these broad tenets and informed by a holistic review being undertaken by a Commission of Inquiry (the Katz Commission) appointed in June 1994. Developments in the Commission's work programme are summarised in paragraph 7.3. The Government is also assisted by a Tax Advisory Committee which has addressed a wide range of issues during the past year, noted in paragraph 7.4 below.



## 7.2 Establishment of the South African Revenue Service

The Katz Commission in its first Interim Report recommended that the Revenue Authorities should be granted greater administrative autonomy, be professionally staffed and capable of taking full advantage of modern information technology and organisational principles.

The first steps in this process occurred with the establishment of the *South African Revenue Service* (SARS) as a separate Government Department on 1 April 1996, the transfer of the staff of the former branches of Inland Revenue and Customs and Excise to SARS and the appointment of Mr Piet Liebenberg as Chief Executive Officer and Mr Trevor van Heerden as Commissioner shortly thereafter.

Cabinet has approved the framework for administrative autonomy for SARS and legislation to give effect to this will be tabled in Parliament during the second quarter of 1997.

### 7.2.1 Client Charter

The Government has accepted the Katz Commission's recommendation that the basic rights of taxpayers should be articulated in a clear, public statement.

A draft Client Charter has now been prepared by the SARS and has been circulated for comment. It commits SARS to courteous treatment of taxpayers, fairness, impartiality and due regard for the rights of the taxpayer, while also stating the obligations of taxpayers.

The Charter will be reviewed and adopted once consideration has been given to comments received.

## 7.3 Progress of the Katz Commission

The Commission of Inquiry into the Tax Structure in South Africa, chaired by Mr Michael Katz, released interim reports in November 1994, June 1995 and December 1995. These were discussed in the 1995 and 1996 Budget Reviews.

The Commission is now in the process of investigating the following matters:

- capital transfer tax;
- source versus residence;
- land tax;
- benefit funds;

### South African Revenue Service

## Draft Client Charter Your rights and obligations

- ◆ **You are entitled to expect SARS**
  - **To help you**
    - by being courteous at all times
    - to understand your rights and obligations
    - by continuously upgrading our services
  - **To be fair**
    - by expecting you to pay what is due under the law
    - by treating everyone with equal fairness
  - **To protect your Constitutional rights**
    - by keeping your private affairs strictly confidential
    - by furnishing you with reasons for adverse decisions
    - by applying the law impartially and consistently
- ◆ **If you are not satisfied**
  - you may ask that your tax affairs be re-examined
  - you may exercise your right to object and appeal
  - on request, we will advise you of the procedures to be followed in lodging an objection and appeal
- ◆ **In return, your obligations are**
  - to be honest
  - to submit full and accurate information
  - to pay your tax on time

- mining taxation; and
- non-governmental organisations.

The Commission has also made progress with its holistic review of the tax system. This report is to be submitted to the Minister of Finance by the end of November 1997.

### **7.3.1 Capital transfer tax**

A draft report dealing with tax on capital transfers has been prepared. The main recommendations of the Commission are that:

- donations tax and estate duty should be retained and no immediate steps are required to combine the two into a single statute;
- certain deficiencies in the legislation should be addressed, but no specific legislation is needed to remedy problems associated with interest free loans and preference shares and no general anti-avoidance legislation is favoured;
- there should be provisions to deal with generation skipping trusts which would result in capital transfer tax being imposed on a periodic basis on the value of the assets of the trust and for this purpose due regard should be taken to achieve sensible transition;
- the distribution of capital from trusts should generally be subject to the imposition of capital transfer tax and sensible provision should be made for transition;
- the present exemption from estate duty for bequests in favour of a surviving spouse should remain;
- bequests made to certain identified non-governmental organisations, identified on a periodic basis by the national Government should be allowed to be offset against any estate duty liability.

The report was submitted to the Minister of Finance in March 1997 and it will be released for public information shortly.

### **7.3.2 Land tax**

Following its recommendations on the land tax question in the *Third Interim Report*, the Commission is presently investigating the introduction of a land tax at local government level. Hearings of oral evidence have begun and a cost-benefit analysis is under consideration. A report is expected late in 1997.

### **7.3.3 Benefit funds**

A report dealing with the tax dispensation applicable to medical aid schemes, friendly societies and other benefit funds is being prepared. Members of the Commission participated in the deliberations of the National Retirement Consultative Forum held in January and February 1997 (see section 4.6) and have sought the views of stakeholders with regard to benefit funds and the tax treatment of medical schemes.

### **7.3.4 Mining taxation**

A report on all aspects of mining taxation including the taxation of mineral rights should be completed in the first half of 1997.

### **7.3.5 Non-governmental organisations**

In its first *Interim Report* the Commission addressed broad aspects of the taxation of non-governmental organisations. A further report will be completed this year, setting out specific recommendations.

### **7.3.6 Source versus residence**

The Commission has submitted a provisional report to the Minister of Finance on the question whether tax should be imposed on income regardless of its source – the “residence” (world-



wide) basis, or on income at source, regardless of the residence of the recipient – the “source” basis. The following broad recommendations are made:

- active income, the definition of which should be largely based on the concept of business profits attributable to a “permanent establishment” used in the United Nations Draft Double Taxation Convention, should continue to be taxed on a source basis;
- passive or other income should be subject to tax on a worldwide or residence basis;
- anti-avoidance legislation should be extended in order to prevent the re-characterisation of taxable passive income into income which is exempt from tax, or the undue deferral of the liability to pay tax on possible foreign income;
- a greater capacity to allocate the source of income between two or more contributory sources should be developed, accompanied by appropriate rules for the allocation of related expenditure;
- the source of interest should be defined as where the credit or funds are used;
- interest flowing to foreign portfolio investors should continue to be exempt from tax;
- interest flowing to foreign related investors should be subject to a withholding tax;
- in order to grant relief from double taxation, the recognition of foreign tax credits should be extended; and
- a special tax dispensation should be introduced to encourage the retention of and formation of international headquarters and holding companies.

This report will be released to the public in due course.

#### **7.4 Tax Advisory Committee**

As in previous years, the Tax Advisory Committee has held meetings with various professional bodies and individuals and considered a wide range of issues. A sub-committee is currently engaged in a detailed study of the tax issues relating to derivative financial instruments, hybrid securities and the current income tax discrimination between debt and equity. During the course of 1996 the Advisory Committee again provided support to the Katz Commission, particularly in the preparation of draft reports on the taxation of medical and benefit funds and on the question whether South Africa should continue with the source principle in respect of income tax. The Committee has made inputs to the Tax Commission in respect of double taxation agreements and the possible extension of the deeming source provisions. Other matters addressed or reviewed, include the following:

- the principle of beneficial tax treatment of employee share ownership plans;
- the appropriateness of the five year cut-off period provided for in section 9B of the Act in terms of which certain amounts received or accrued in relation to the disposal of listed shares are deemed to be of a capital nature;
- possible abuses related to fringe benefits tax, with special reference to the tax treatment of non-contributory funds, medical aid funds and associated salary-sacrifices;
- further research into tax measures that tend to encourage group rationalisation;
- the interpretation of tax provisions pertaining to persons carrying on trade or business in partnership (section 24H of the Income Tax Act);
- recommendations pertaining to a taxpayer's statement of rights and associated measures against tax avoidance and evasion;
- a cash based tax system in respect of small and medium size enterprises;
- the presence of implicit tax benefits in the so-called “voyager card” system;
- the impact of the rates of marketable securities tax and stamp duty on scrip lending and share transactions on the local stock exchange, with reference to international competitiveness;
- proposed amendments to the Constitution regarding the rights of local governments to impose excise taxes;

- the practice of marketing so-called "black hole insurance policy instruments";
- the interest charging procedure in the case of the anti-avoidance provisions in terms of section 103 of the Act;
- certain issues related to the proposed double taxation agreement with Australia;
- the status of joint venture companies regarding the tax holiday scheme introduced in 1996;
- the deletion of section 16A of the Act, in terms of which medical practitioners and dentists can deduct expenses incurred on courses or congresses outside South Africa; and
- a review of the provisions of section 24C of the Act in terms of which the deduction of future expenditure on contracts is allowed and regulated.

## **7.5 Revenue issues**

### **7.5.1 Final relief on tax, interest, penalties and additional tax**

With a view to broadening the tax base and to address the incidence of non-payment of tax, the Government offered a final tax, interest, penalty and additional tax relief programme to certain categories of persons in 1996/97 (the Final Tax Relief Programme). Following approval of legislation by Parliament, the relief period commenced on 1 November 1996 and expired on 28 February 1997.

The measures included relief for both registered and unregistered persons. In the case of unregistered persons, no taxes were levied for tax years or periods before 1 March 1994 and in the case of registered persons, interest and penalties relating to periods before 1 March 1994 were written off if certain conditions were met.

An intensive media campaign was launched to promote the Final Tax Relief Programme. Special programme offices were set up in each local Receiver's office and a toll-free telephone enquiry service operated during the relief period. Although the campaign ran through the December festive season, it gained steady momentum and accelerated strongly during January and February 1997.

Results of the campaign will be made known once relief applications have been processed and statistics compiled.

Having addressed the pre-26 April 1994 taxation issues of registered and unregistered taxpayers, the South African Revenue Service now has a clear mandate to enforce the tax laws without prejudice or favour.

### **7.5.2 Simplification of the Income Tax Act**

Government has proposed that the Income Tax Act be simplified with the aim of ensuring that the tax code is accessible to all citizens while maintaining clarity and certainty in its details. The appointment of a suitable person to perform this task is presently under consideration.

The Income Tax Act has not been consolidated since 1962. Annual amendments to keep pace with developments in the commercial and financial environment have increased the complexity of the Act's structure and resulted in undue complications in its language.

The following are amongst the issues which will be considered:

- restructuring of the legislation;
- user-friendly drafting;
- the deletion of obsolete provisions;
- elimination of fragmentation;
- ensuring the Constitutionality of the Act; and
- improving accessibility of the legislation.

The scope of this project is far-reaching and it is envisaged that it will extend over a number of years. It is intended that the re-writing of the Act should serve also to provide training opportunities for prospective professional personnel.

### **7.5.3 Agreements for the avoidance of double taxation**

During the course of 1996/97, considerable progress has again been made in reaching agreements with other countries for the avoidance of double taxation in respect of income accruing to South African taxpayers from foreign sources or to foreign taxpayers from South African sources. The present position is as follows:

- comprehensive agreements are in place with Botswana, Denmark, Finland, France, Germany, Hungary, Israel, Korea, Lesotho, Malawi, Namibia, the Netherlands, Norway, Poland, the Republic of China, Romania, Swaziland, Sweden, Switzerland, Tanzania, Thailand, the United Kingdom, Zambia and Zimbabwe, and the treaty with the United Kingdom extends also to Grenada, Mauritius, the Seychelles and Sierra Leone;
- limited sea and air transport agreements exist with Belgium, Brazil, Greece, Ireland, Italy, Japan, Portugal and Spain;
- comprehensive agreements have been ratified in South Africa with Austria, Belgium, Canada, Italy and the Russian Federation;
- comprehensive agreements have been signed but not ratified with Croatia, the Czech Republic, India, Japan, Mauritius, Singapore and the United States of America;
- comprehensive agreements have been negotiated or renegotiated, but not signed, with Botswana, Cyprus, Egypt, Gabon, Ireland, Luxembourg, Malaysia, Malta, Namibia, Slovakia, Swaziland, Uganda, Zambia and Zimbabwe; and
- comprehensive agreements are being negotiated or renegotiated but have not been finalised with Australia, Indonesia, Portugal, Tunisia, and Turkey.

A number of other countries have expressed the desire to negotiate double taxation agreements with South Africa.

### **7.5.4 Identification number for tax purposes**

It is proposed that greater use should be made of tax reference numbers of individuals and companies in order to assist SARS in countering tax evasion.

At present, the Income Tax Act requires, for example, that companies furnish the Commissioner with the names and addresses of persons to whom interest is paid. In order to improve efficiency and facilitate cross-checking against income tax records, it is envisaged that companies should be required to provide the income tax reference number of individuals and other bodies. Discussions will be held with representatives of financial institutions concerning the implementation of this requirement.

Furthermore, greater emphasis will be placed on the furnishing of tax reference numbers as part of a declaration of good standing for purposes, for example:

- tender applications to the State Tender Board;
- any access to incentives granted by Government; and
- any form of financial and other assistance provided by Government;
- foreign exchange applications.

The extension of similar information requirements to other income and asset registers will be investigated during the year.

## 7.6 Projected revenue: First Print

### 7.6.1 Ordinary revenue

Based on the 1996/97 tax rates and brackets and given projected growth and other macroeconomic outcomes for 1997/98 (see chapter 6), ordinary revenue collections, comprising current and capital revenue plus certain other receipts<sup>1</sup> are estimated at R160,384 billion in 1997/98. Details are set out in the Estimate of Revenue (RP 3, First Print). The composition of projected ordinary revenue collections against the comparable revised 1996/97 estimates is presented in table 7.1.

It is expected that total tax revenue (net of payments to Botswana, Lesotho, Namibia and Swaziland in terms of the Customs Union Agreement), will be R157,388 billion, which is 10,7 per cent higher than the revised estimate of R142,210 billion for 1996/97. This would bring tax revenue in 1997/98 to 25,3 per cent of the projected GDP, slightly lower than in 1996/97. The major components are discussed below.

Table 7.1: Composition of ordinary revenue (before tax proposals): 1997/98

	1997/98	1996/97	%
Tax revenue	157 388	142 210	10,7
Non-tax revenue	3 996	3 996	0,0
Current revenue <sup>a</sup>	143 392	140 204	10,1
Recurrent Capital revenue	2 3	2 3	0,0
Other receipts <sup>b</sup>	379	379	0,2
Total ordinary revenue	160 384	146 505	10,3

a) Recoveries of loans and advances.

#### Taxes on income and profits

Given a projected increase in the *average* wage rate of 11 per cent and an improvement of ½ per cent in non-agricultural employment in the economy, collections of income tax on persons other than companies are expected to be R66,700 billion, which is 15,7 per cent higher than the 1996/97 revised estimate of R57,640 billion.

Following the decrease in gold production in 1996 because of temporary setbacks and taking into account the improved prospects of the industry evident in recent months, it is expected that ore milled by gold mines during 1997/98 will increase. Increased profitability is also anticipated, due in part to the improved rand price of gold. An increase of 32,2 per cent to R800 million in income tax payments from this source is estimated.

No increase in the income tax payments from non-gold mines is envisaged in 1997/98. It is, however, estimated that income tax from non-mining companies will yield R20,400 billion in 1997/98 – an increase of 12,7 per cent on the revised 1996/97 estimate. This reflects a projected moderate slow-down in the improvement in non-mining companies' profits over the 1996 and 1997 period.

Collections from both the secondary tax on companies (STC) and from the tax on retirement funds are expected to increase by 2 per cent in 1997/98. Portfolio adjustments are expected to contribute to lower growth in revenue from these taxes.

#### Taxes on property

At national level, taxes on property include donations tax, estate duty, marketable securities tax and transfer duty.

The expected collections of taxes on property are R2,432 billion, with stamp duty and transfer duties being the main contributors.

<sup>1</sup> "Other receipts" comprise recoveries of loans and advances and in terms of internationally accepted practice are classified as *net lending* in the government finance account. Consistent with past practice, however, they are included in "ordinary revenue" for exchequer purposes. *Current revenue* represents tax plus non-tax revenue, while recurrent capital revenue includes sale of capital equipment and state-owned land, buildings and structures.

The recent improvement in activity on the Johannesburg Stock Exchange is expected to slow down somewhat and therefore collections from marketable securities tax are expected to grow by about 2½ per cent in 1997/98.

#### *Domestic taxes on goods and services*

Projections for domestic taxes on goods and services are based, amongst other factors, on an expected real increase of 2 per cent in private consumption expenditure and an average inflation rate of 8½ per cent for 1997/98.

It is estimated that total domestic taxes on goods and services will yield R58,146 billion in 1997/98 – 7,7 per cent more than in 1996/97.

VAT collections are the major source of domestic taxes on goods and services and are expected to yield R39,880 billion – an increase of 10,3 per cent on the revised 1996/97 figure.

As most excise duties are levied at specific (rather than *ad valorem*) rates, revenue from these tax sources will only increase by the expected increases in consumption of these products. Total revenue from excises is expected to be about 3 per cent more than in 1996/97.

Fuel consumption is also expected to rise by approximately 3 per cent in 1997/98. This, taking into account the subsidy on unleaded fuel incorporated the price differential between leaded and unleaded fuel, yields an estimated R10,795 billion in fuel levy collections – 2,8 per cent more than the revised 1996/97 estimate.

#### *Taxes on international trade*

It is expected that the relatively strong increase in the value of imported goods over the past year will not be maintained in 1997/98. Collections from customs duties in 1997/98 are projected at R6,965 billion, including a net amount of R300 million in terms of the Motor Industry Development Programme (MIDP) rebate scheme. This is an overall 2 per cent increase on the 1996/97 amount, or a 7 per cent increase excluding revenue liable for rebate under the MIDP.<sup>2</sup>

Payments to neighbouring countries in terms of the Customs Union Agreement will be R5,237 billion, calculated on the basis of an agreed revenue sharing, which is 20 per cent more than in 1996/97.

### **7.6.2 Total non-tax and recurrent capital revenue**

Total non-tax revenue is projected to decrease by just under 15,0 per cent to R2,821 billion when compared to the 1996/97 collections. This is mainly because of lower collections from mining leases and ownership, resulting from the phasing out of mining leases, and lower interest on exchequer deposits. It is expected that lower average balances will be maintained at clearing banks.

The expected dividend payment by Telkom is R400 million, compared to R302 million in 1996/97. The Strategic Fuel Fund is expected to declare a dividend of R200 million, following a R275 million payment in 1996/97.

Mainly based on past trends, the 1997/98 estimate of revenue from the sale of capital equipment and state-owned land, buildings and structures is R8,4 million.

### **7.6.3 Other receipts**

Recoveries of loans and advances are not regarded as revenue in the financial accounts, but are included in total ordinary revenue for exchequer account purposes. These recoveries are expected to be R167,3 million in 1997/98, compared to R154,0 million in 1996/97.

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<sup>2</sup> In terms of rebate item 317.04, motor vehicle manufacturers can either use import rebate credit certificates in their MIDP customs accounts to rebate the customs duty or for rebate of the duty on imported motor vehicles under rebate item 460.17. Motor vehicle manufacturers can also use any excess duty free allowance to import motor vehicles under rebate item 460.17.

## 7.7 Tax proposals

### 7.7.1 Tax rates and brackets for individuals

The objectives listed in the Third Interim Report of the Katz Commission as guidelines for the reform of personal income tax and which have been taken into account in the restructuring of the rate structure are: the reduction in the gradation of the marginal rate schedule; the reduction in the number of marginal rate brackets; the raising of the tax threshold; and the adjustment for inflation.

It is envisaged that the tax table in respect of individuals be restructured to ultimately reflect four broad categories of taxpayers. The rationale for this is to group low, low-middle, middle and high income taxpayers together in marginal tax rate brackets. Budget constraints, however, necessitate a phased approach to ultimately achieve such a goal and the rate structure proposed for the 1998 year of assessment portrays only a first step in such a direction.

The proposed rate structure in respect of income tax on individuals will cost the fiscus an estimated R2,800 billion. This will mainly be financed from improved collections resulting from the broadening of the current tax base by increasing the number of taxpayers as well as the more efficient and effective collection of taxes and duties.

Although the major portion of the tax relief is granted to persons with taxable incomes of less than R60 000 per annum, the inherent progressivity of the rate structure has the effect that any assistance granted to taxpayers in lower tax brackets automatically flows through to taxpayers in the higher brackets. It is estimated that the extent to which the different categories of taxpayers will benefit from the reduction in tax, is:

<u>Income</u>	<u>Percentage of tax relief</u>
0 - 30 000	15
30 001 - 60 000	44
60 001 - 90 000	21
90 001 - 120 000	12
120 001 and above	8

A single scale of rates for all individuals is proposed, reaching a maximum marginal rate of 45 per cent at a taxable income of R100 000. The rate structure incorporates the following changes:

- the primary rebate is increased from R2 660 to R3 215;
- relief is targeted mainly at low and low-middle income earners (persons with taxable incomes up to R60 000);
- the effect of inflation has been reduced for all taxpayers and eliminated in respect of persons with taxable incomes less than R30 000;
- the marginal rate applicable to taxpayers with taxable incomes in the range from R40 000 to R45 000 has been reduced from 41 per cent to 32 per cent; and
- the number of income brackets is reduced from 8 to 7.

The effect of the proposed table on the tax payable by a taxpayer earning R20 000 and who is under the age of 65, will be a reduction in tax liability of R255 per annum, while a taxpayer earning R60 000 will pay R805 less per year. In the case of a person over 65 years earning R30 000, the tax liability will be reduced by R440 per year, while a person earning R100 000 will pay R705 less per annum.

The effects of the proposals are illustrated in Annexure C.

### 7.7.2 Fringe benefits

The Margo Commission recommended that the Income Tax Act should tax fringe benefits in full to ensure equal tax treatment of fringe benefits and cash remuneration. This view was

endorsed by the Katz Commission and the Tax Advisory Committee. The use of fringe benefits to structure remuneration packages, the so-called "salary-sacrifice" schemes, has, however, become commonplace, resulting in a considerable loss to the fiscus. It is proposed that the following steps be taken to counter this tendency.

#### *Company cars*

The fringe benefit arising from the private use of a company car is currently taxed at a value equal to 1,2 per cent per month of the cost of the car. The private use of a company car costing R100 000, therefore, has a monthly taxable value of R1 200. This value is considerably less than the value of the benefit based on the actual cost of purchasing and maintaining such a car. It is therefore proposed that this percentage be increased to 1,8 per cent with effect from 1 July 1997.

With effect from 1 May 1995 the value to be placed on any second or subsequent vehicle which is not used primarily for business purposes, was introduced at 2 per cent per month. It is proposed that this percentage be increased to 4 per cent with effect from 1 July 1997.

The above proposals will yield an increase in revenue estimated at R150 million for 1997/98.

#### *Travelling allowances*

Travelling allowances are also widely used in the structuring of salary packages. They have become an attractive benefit, especially for employees who do not regularly use a car for business purposes. At present where a taxpayer does not keep accurate records of distances travelled and the total kilometres travelled for business and private purposes do not exceed 32 000km per year, a distance of 12 000km is deemed to be travelled for private purposes. To bring the tax treatment of allowances of this nature in line with the proposal concerning company cars, it is proposed that the deemed private kilometres be increased from 12 000 to 14 000km. It is proposed that this measure, which will yield approximately an additional R100 million for 1997/98, becomes effective from 1 March 1997.

Employees who receive an allowance to compensate them for the official or business use of their private motor vehicles must calculate the cost of such use every tax year and should this be less than the allowance received, the balance is taxable. Since such an allowance, in most cases, also compensates the employee for private use, a portion of the allowance is normally also taxable and is collected under the pay-as-you-earn system. It is proposed that the taxable portion of such allowance which is presently 35 per cent, be raised to 40 per cent as from 1 July 1997.

This proposal has no effect on the eventual tax liability, but is estimated to yield a cash flow advantage of R70 million for 1997/98.

#### *Housing and holiday accommodation*

Numerous schemes have been devised whereby the provisions relating to the determination of the taxable value of residential accommodation provided to employees by an employer are abused. It is proposed that the anti-avoidance provisions relating to this determination be strengthened to eliminate schemes of this nature.

With regard to the anti-avoidance measures, it is proposed that where the residential accommodation provided to the employee as a benefit is not owned by the employer or by a connected person in relation to the employer or where the employee has an interest in the accommodation in question, such employee be taxed on an amount equivalent to the rentals paid and other expenditure incurred by the employer in order to provide such accommodation. It is furthermore proposed that the reference to the employee's interest in the accommodation be extended to also include any connected person in relation to such employee.

These amendments will take effect from 1 March 1997. The estimated increase in revenue is R50 million.

It is proposed that the percentages which are applied to the formula determination of the taxable value of the housing benefit, be increased. It is furthermore proposed that the current percentages of 15, 16 and 17 per cent be increased to 16, 17 and 18 per cent, respectively, with effect from 1 March 1998.

The value for fringe benefits tax purposes to be placed on holiday accommodation provided by an employer to an employee, is the cost borne by the employer where the accommodation is hired by the employer. In any other case the employee is taxed on a value of R35 per person per day or at the prevailing rate where the value is lower than R35. This amount was last increased in 1990. It is proposed that it be increased to an amount of R100 with effect from 1 March 1997.

### **7.7.3 Other income tax matters**

#### *Standard income tax on employees (SITE)*

SITE was introduced in 1988 on the recommendation of the Margo Commission. The system provides that when the remuneration of a person does not exceed R50 000 per year, a tax return need not be rendered. This relieves both the taxpayer and SARS of an administrative burden. It is proposed that the limit be increased from R50 000 to R60 000 with effect from 1 March 1997. Approximately an additional 470 000 taxpayers will be relieved of their obligation to render tax returns.

No tax loss or gain is anticipated.

#### *Increase in exemption levels*

It is proposed that certain monetary limits be increased.

##### *(i) Section 10(1)(c1)*

At present the receipts and accruals of a company which develops land for residential purposes with a view to enabling any community of which at least 75 per cent of the adult members are persons who earn less than R1 500 per month, are exempt from tax. It is proposed that the amount of R1 500 be increased to R1 800 with effect from 1 July 1997.

##### *(ii) Bursaries and scholarships*

At present section 10(1)(q) provides for the exemption, under certain circumstances, of a bursary or scholarship if the employee's remuneration does not exceed R36 000 for the year and the bursary or scholarship does not exceed R1 200. It is proposed that these amounts be increased to R50 000 and R1 600, respectively.

The revenue loss as a result of these proposals is estimated at R1 million for the 1997/98 year.

#### *Shipping*

During 1986, special measures were introduced into the Income Tax Act in terms of which the Minister of Finance has the power to classify a ship as a South African ship where the ship is owned by a company managed and controlled in South Africa, provided it, in turn, is wholly owned by a South African parent company. In such a case, the provisions of section 14(1D) of the Act allow the parent company and its subsidiary to be regarded as one and the same company, thereby effectively allowing the parent company to claim the shipping allowances in its hands for tax purposes.

In her introductory speech on the Income Tax Bill, 1996, the Deputy Minister gave notice that these special provisions should be reviewed and that the matter would be taken up with the shipping industry with the view to introducing appropriate amendments during 1997.

The matter has been taken up with the industry and it is now proposed that the provisions of section 14(1D) be amended so that:



- the provisions no longer apply to ships acquired after 12 March 1997; and
- only ships acquired in terms of an agreement formally and finally signed by all parties to the agreement on or before 12 March 1997, be dealt with under the aforementioned special provisions.

#### *Exempt institutions*

The Income Tax Act presently provides for a wide variety of exemptions for various bodies, companies, institutions and associations. The necessity for such exemptions is under review. There are broadly two categories: specific exemptions which apply to a named entity, and general exemptions applicable to bodies which comply with prescribed guidelines.

In 1996, specific exemptions applying to the South African Foreign Trade Organisation, the South African Special Risks Insurance Association and Gezicor (Pty) Ltd. were withdrawn. The continued exemption of those organisations still exempt in terms of section 10(1)(t) is being thoroughly investigated. It is expected that this review will lead to several withdrawals of exemptions in 1997 from dates still to be determined.

It is also proposed that all bodies that previously enjoyed automatic exemption under the provisions of section 10(1)(cA) of the Income Tax Act should apply to the Commissioner for formal approval of their exempt status on or before 30 September 1997. Appropriate legislation in this regard will be introduced.

### **7.7.4 Retirement fund industry**

#### *Tax on retirement funds*

Following the recommendations of the Katz Commission in its *Third Interim Report*, a tax at the rate of 17 per cent was imposed on the gross interest and the net rental income of retirement funds and untaxed policy holder funds of insurers with effect from 1 March 1996. It is not Government's intention to introduce major changes to the present structure of the tax until proposals flowing from the National Retirement Consultative Forum have been considered. However a small number of detailed changes are required.

In the case of investments made by funds in unit trust schemes with property shares, such funds receive dividends via the unit trusts which are derived from property companies. As the income so received is in the form of dividends, the unit holder in such schemes is not liable for tax thereon. The dividends paid by such property companies enjoy a deduction in terms of section 11(s) of the Income Tax Act, 1962, and are, therefore, distributed before normal tax is imposed. For income tax purposes, the unit holders are liable for normal tax on such dividends received as such dividends are effectively a distribution of the rental income received by the relevant property companies. Since such dividends are distributed before taxation, the taxation of the rental income is effectively shifted to the unit holders. At present, such dividends received by funds are neither subject to normal tax in the hands of the property company, nor subject to normal tax or the tax on retirement funds in the hands of the fund. As such dividends effectively represent rental income, it is proposed that dividends received by funds from such unit trust schemes be subject to the tax on retirement funds with effect from 1 March 1997.

Secondly, where a fund lends interest-bearing instruments to a borrower, the borrower is obliged to compensate the lender for the interest received by the borrower of the instruments. At present payments from the borrower to the lender representing compensation for the loss of interest by the lender, do not constitute interest. As such payments are akin to interest, it is proposed that such payments become subject to the tax on retirement funds with effect from 1 March 1997. Similarly any fees paid by the borrower for the use of the borrowed instrument, will also become taxable from 1 March 1997.

It is estimated that these two proposals will yield an additional amount of revenue amounting to R200 million.

### *Equal tax treatment of members of public and private sector funds*

In terms of present tax rules lump sum benefits payable to members from retirement schemes established by law or for the benefit of local authorities (hereafter referred to as public sector funds), are not subject to tax. In contrast to this members of private sector retirement schemes are subject to tax on lump sum benefits derived from such schemes after the deductions allowed in terms of the Second Schedule to the Income Tax Act. Both the Katz Commission and the recently established National Retirement Consultative Forum have recommended that there should be equal treatment of lump sum benefits received by members of public and private sector funds.

It is therefore proposed that lump sum payments from public sector funds, for tax purposes, be dealt with (subject to the protection of vested rights as set out in (i) below) on the same basis as benefits from private sector funds as from 1 March 1998.

#### *Protection of vested rights*

##### *(i) Members of public sector funds*

It is proposed that the vested rights of members of public sector funds be protected on the basis as recommended by the Katz Commission and announced in paragraph 5.3.1.2 of last year's Budget Review namely:

The vested rights of members of funds contemplated in paragraphs (a) and (b) of the definition of "pension fund" in the Income Tax Act, to receive their lump sum payments on withdrawal, retirement or death will be protected by reference to the number of years' service up to the date the changes become effective as well as the final salary applied in the determination of their benefits in terms of the rules of the specific fund. Special provisions will, however, apply in the case of transfers from public sector pension funds to public sector or private sector provident funds or conversions as contemplated in the paragraph dealing with transfers of benefits, below.

This is an eminently equitable basis to protect the vested rights of this group of taxpayers is being protected.

##### *(ii) Members of private sector funds*

As the National Retirement Consultative Forum is still considering the tax treatment of private sector retirement provisions, no changes to the present system are proposed for this year.

Government, however, wishes to confirm that it will honour its undertaking given in last year's Budget Review with regard to the phasing in provisions should any new measures in this regard be introduced in future, namely that the tax free amount under the existing dispensation will be protected for a period of 5 years from the date of the introduction of any proposed new formula.

##### *(iii) Transfers of benefits from public sector pension funds to provident funds.*

The transfer of benefits from public sector pension funds to provident funds, whether of a public or private character, are becoming increasingly popular in the case of local authority funds and parastatal funds. One of the main benefits of such a transfer is that the full or major portion of the lump sum ultimately payable by the provident fund to the member will effectively be tax free.

As practices of this nature are undesirable and the Katz Commission's recommendations with regard to the uniform treatment of different funds are still being considered, it is proposed that the following interim measures be introduced.

Where any amount is transferred on or after 12 March 1997 from a public sector pension fund to a public sector or private sector provident fund for the benefit of any person, two-thirds of such amount will become taxable on the date of transfer. Where a public sector pension fund is converted to a public sector or private sector provident fund, the same measures will apply to

the amount of the actuarial value credited for the benefit of that person on the date of conversion.

These measures will apply to a person who is an employee on date of transfer or conversion and remains in the employment of the same employer and to any nominees or dependants of a deceased member.

*(iv) Benefit funds / deferred compensation*

The authorities are concerned about the tax consequences of certain medical schemes which operate on the basis that contributions to such schemes (which includes contributions by employers through salary sacrifice schemes) are credited for the benefit of employees/members in accounts earmarked as so called medical savings accounts. These accounts do not form part of the funds of the medical scheme and rank as a creditor in the books of the medical fund.

SARS is aware of schemes of this nature and holds the view that interest credited to a savings account of this nature which vests in the member is taxable in the hands of the member. Furthermore, medical schemes of this nature are also being investigated to determine the tax treatment of contributions to such a fund as well as the repayment/withdrawal of funds from such medical schemes.

### **7.7.5 Taxation of financial arrangements**

During 1995 measures in the form of section 24J of the Income Tax Act were introduced to regulate the accrual and incurral of interest on financial instruments. These measures were introduced to eliminate uncertainty with regard to the timing of deductions and accruals of interest which gave rise to the exploitation of the tax system. In essence the new rules provide that interest should be recognised for tax purposes on a day-to-day (yield to maturity) basis.

As the aforementioned section only covers interest-bearing arrangements, a sub-committee of the Tax Advisory Committee is at present investigating the international status of the taxation of derivative and hybrid instruments. A paper issued in December 1996 by the Australian Commissioner of Taxation on the taxation of financial arrangements, following up a consultative document on the subject issued in December 1993, will be taken into consideration by the sub-committee in formulating its proposals.

It appears, however, that transactions are being structured in such a manner, *inter alia*, by making use of derivative and hybrid instruments, to deliberately circumvent the accrual regime in relation to the taxation of interest bearing arrangements. Some of the schemes include arrangements involving the substitution of one type of cash flow (interest) for another, thereby purporting to influence the taxability and timing of these cash flows. Should SARS become aware of transactions or operations of this nature, the real essence of such transactions will be thoroughly investigated and the transaction or a series of related transactions will be dealt with in accordance with the substance of the matter. Furthermore, the authorities will not hesitate to apply the general anti-avoidance provisions contained in section 103 of the Act or to introduce further legislation to counter schemes of this nature.

### **7.7.6 Marketable securities tax and stamp duty on the registration of the transfer of marketable securities**

The Katz Commission recommended that marketable securities tax (MST) should be abolished together with the stamp duty on the registration of the transfer of shares. This recommendation was supported by the Joint Standing Committee on Finance which, in addition, recommended that the timing of the decision should be determined by budget considerations.

Although Government did not take a final view on the matter, the rates of both MST and stamp duty on share transactions were reduced from 1 per cent to 0,5 per cent with effect from 1 April 1996.

Government is concerned, however, at the magnitude by which the exemption from stamp duty in terms of Item 15(3)(nA) of schedule 1 of the Stamp Duties Act, 1968, in respect of the

registration of transfer of marketable securities resulting from arbitrage transactions, is being abused.

This exemption was introduced in 1980 in order to attract additional business to the Johannesburg Stock Exchange (JSE) and is limited to the purchase of marketable securities listed on the JSE by a broker in terms of an arbitrage transaction where the purchaser is not a resident in the Republic.

Notice was given in a Practice Note No. 41 dated 18 October 1995 that a practice had developed in the market whereby instruments of transfer were endorsed as being exempt from stamp duty in cases where a resident sold marketable securities through the JSE through a foreign broker, acting on behalf of a non-resident, notwithstanding the fact that such a registration of transfer did not take place in consequence of a *bona fide* arbitrage transaction. In essence the effect of the practice followed was that very few foreigners purchasing shares paid stamp duty. The Practice Note made it quite clear that the practice was not acceptable.

Despite this, the situation has not changed. It is therefore proposed that the relevant exemption in the Stamp Duties Act be deleted with effect from 1 July 1997. In consequence, the exemption contained in the Marketable Securities Tax Act in relation to the purchase of shares by persons who are not ordinary residents in the Republic, will also be deleted with effect from 1 July 1997.

It is also proposed that the rate of MST and stamp duty on share transactions be further reduced from 0,5 per cent to 0,25 per cent with effect from 1 April 1997.

The net effect of these changes is an expected loss of revenue amounting to R125 million during the 1997/98 financial year.

Table 7.2: Proposed increases in specific excise duties

Product	Proposed increase in Excise Duty	Estimated additional revenue in 1997/98 R million	Approximate percentage change in revenue duty
Beer (excluding sorghum beer)	5,15 cents per litre (about 3 cents per 340 ml can)	200	9%
Sorghum beer	2 cents per litre	14	35%
Sorghum flour	5,5 cents per kilogram	1	20%
Unfortified wine	11 cents per litre (about 9 cents per 750 ml bottle)	30	25%
Fortified wine	23 cents per litre (about 17 cents per 750 ml bottle)	8	25%
Sparkling wine	24,5 cents per litre (about 22 cents per 750 ml bottle)	2	25%
Mineral water and soft drinks	1,2 cent per litre	14	5%
Other fermented beverages (e.g. cider)	24,5 cents per litre (about 8 cents per 340 ml can)	20	30%
Wine spirits	194,25 cents per litre absolute alcohol (about 63 cents per 750 ml bottle)	34	25%
Cane spirits	208,12 cents per litre absolute alcohol (about 66 cents per 750 ml bottle)	20	3%
Grain spirits	210,58 cents per litre absolute alcohol (about 66 cents per 750 ml bottle)	1	9%
Cigarettes Cigarette tobacco	27 cents per 10 34 cents per 50 gram	438	52%
Pipe tobacco < 5kg ≥ 5kg	248 cents per kilogram 239 cents per kilogram	12	52%
Cigars	230 cents per kilogram		

**7.7.7 Customs and Excise duties and fuel levy**

*Specific excise duties*

As most excise duties are specific levies per unit of volume rather than *ad valorem* rates of tax on value, it is appropriate to reconsider these duties annually with due regard to general trends in incomes and prices. The proposed adjustments are shown in table 7.2 (page 7.15).

The proposed increase in duties on soft drinks, beer and spirits is linked to the expected inflation rate. The duties on other fermented beverages (example cider) and wine increase more substantially, but remain comparatively low in relation to other alcohol-based products.

The proposed increases in the excise duties on tobacco products are again substantially higher than the expected inflation rate and continue the process initiated in 1994 of increasing the duties on these products to reach an effective tax rate of approximately half of the retail price. This year's proposed 52 per cent increase in the rate of the duty should achieve this, bringing the tax on tobacco products, including VAT, to an expected 50 per cent of average retail prices.

The proposals will yield an increase in revenue estimated at R798 million for 1997/98.

*Ad valorem customs and excise duties*

The current *ad valorem* duties vary between 6 and 37,5 per cent, before VAT. These taxes date back to the introduction of the selective sales duty in 1969. Although the sales duty was replaced in 1978 by a general sales tax, a number of *ad valorem* tariff items were added to the traditional excisable goods. The abolition of these duties was recommended by the Margo Commission and considered by the Katz Commission again, but the revenue implications of such a step are at this stage prohibitive.

It is clear, however, that the rates of duty in several cases are too high. Unlike VAT, these duties have possible cascading effects. A high rate creates a strong incentive to evade the tax, sometimes through illicit trade and goods which once were luxury items, but which have now become general household products. In the light of the above it is proposed to lower the existing rates of 37,5 and 32,5 per cent to 15 per cent. As far as motor cycles are concerned it is proposed that the rates of 32,5 (which applies to cycles with a cylinder capacity equal or

**Table 7.3: Schedule 1, Part 2B items affected by proposed *ad valorem* tax changes**

Article description	Rate of duty	Proposed rate of duty
Essential oils	37,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%
Essential oils	32,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%
Essential oils	32,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%
Essential oils	32,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%
Essential oils	32,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%
Essential oils	32,5%	15,0%
Perfumery preparations	32,5%	15,0%
Floral water preparations	32,5%	15,0%

exceeding 800 cm<sup>3</sup>) and 17,5 per cent (which applies to cycles with a cylinder capacity of less than 800 cm<sup>3</sup>) be reduced to 15 and 7,5 per cent respectively.

Refer to table 7.3 for a list of the items affected by the proposed changes.

It is anticipated that the lower rates will curb evasion of these duties and that the loss will be partially offset by an increase in declarations. A net loss of R150 million is estimated for the 1997/98 fiscal year.

#### *Diesel refund system*

The present diesel refund system makes provision for a partial refund of the excise duty and fuel levy on distillate fuels for certain qualifying activities, such as agriculture, forestry and related road and rail transport. Since 21 March 1992 the refund in question has consisted of 3,634 cent per litre in excise duty and 16,966 cent per litre in fuel levy, or 20,6 cent per litre in total.

Experience has shown that the refund system is open to abuse. Measures introduced to maintain checks and balances have also proved to be costly and inadequate due to the difficulties of policing the use of the diesel after purchase.

On 5 March 1997 a reduction of 19 cents per litre of the pump price of diesel came into effect. In view of the above, it is proposed to discontinue the present refund system in respect of distillate fuel purchased after 12 March 1997.

#### *Fuel levy and the subsidy payable to the synthetic fuels industry*

Due to the fact that the Equalisation Fund is over-funded at present, it is proposed that the phasing-out of the Equalisation Fund levy be accelerated. The levy will, therefore, be reduced by 4 cents per litre in the case of petrol and 2,5 cents per litre in the case of diesel, with effect from 2 April 1997, while the fuel levy will be increased correspondingly. The proposal will have no effect on the pump price of fuel.

However, in accordance with the Cabinet decision of 6 December 1995 in this regard, a new system of synthetic fuel protection will be devised by a Cabinet Committee comprising of the Ministers of Minerals and Energy, Finance and Trade and Industry.

The measures proposed with regard to the diesel refund system and the subsidy to the synthetic fuel industry will yield approximately an additional R800 million in the 1997/98 financial year.

#### *Customs Administration*

Much publicity has been given in the press to the smuggling of goods. There are two reasons for this namely that smuggling is endemic in South Africa and secondly that Customs and Excise, in a number of cases, had success in apprehending smugglers and confiscating goods. The success has been such that State Warehouses are overflowing with confiscated goods. Some of the reasons for the successes are:

- Greater co-operation between the private sector members of the Customs Law Enforcement Task Group and the Government Task Group has resulted in identifying and the combatting of tax evasion.
- The assistance of seconded British Customs officials to larger offices has increased the expertise available and lead to an improvement in procedures.
- A number of measures have been introduced to improve control on the release of goods and goods in transit.

It is the intention to introduce new measures which will curb the underdeclaration of the value of goods and to reconcile the values declared for customs with that declared for foreign exchange purposes.

In the year ahead it is the intention to appoint additional investigation staff, increase training, enhance co-operation with the South African Border Police and improve enforcement at border



posts with our neighbouring countries. These efforts, together with the reduction of rates of duties on goods which are frequently smuggled, should result in a substantial reduction in smuggling.

### 7.7.8 Levy on financial services

The levy on financial services was introduced in order to impose a tax on financial institutions when VAT was introduced.

In 1996, most fee-based financial services were made subject to VAT. The banking industry was, therefore, exempt from the financial services levy with effect from 1 October 1996.

As the majority of such services supplied by the insurance and retirement fund industries are now also subject to VAT, it is proposed that the levy be abolished with effect from 1 January 1998.

The abolition of the levy will not have any effect on revenue collection in the 1997/98 financial year.

Table 7.4: Summary of tax proposals for 1997/98 financial year

	Revenue gain (+) / Revenue loss (-)	
	Full financial year R million	1997/98 financial year R million
<b>Personal income tax:</b>		
Restructuring of rates and brackets	-2 800	-2 800
<b>Fringe benefits:</b>		
Increase rate in respect of company cars	200	150
Increase deemed private kilometres in respect of travelling allowance	100	100
Increase portion of travelling allowance subject to PAYE	93	70
Housing anti-avoidance measures	50	50
Increase % in formula for housing benefits	0	0
<b>Exemption levels (increase):</b>		
Development of land for residential purposes	0	0
Scholarship or bursary exemption	-1	-1
<b>Tax on Retirement Funds:</b>		
Extend tax base to dividends distributed by property unit trusts, manufactured interest and fees in respect of scrip lending transactions	200	200
<b>Marketable securities tax:</b>		
Reduction in rate	-133	-100
Withdraw exemption in respect of foreigners	67	50
<b>Stamp duty:</b>		
Reduction in rate	-100	-75
Withdraw arbitrage exemption	0	0
<b>Customs and Excise:</b>		
Reduce <i>ad valorem</i> duties to 15%	-150	-150
Increase excise duty on tobacco products, wine, spirits and beer	798	798
Fuel levy	800	800
<b>Total revenue loss</b>	<b>-876</b>	<b>-908</b>

### **7.7.9 Improvement in collection of taxes and collection of taxes in arrear**

It is envisaged that an additional R2,500 billion will be raised during 1997/98 through improvements in the collection of taxes and tax arrears. A preliminary allocation of the projected amount is as follows:

	<u>R million</u>
Income tax on individuals	800,0
Income tax on non-mining companies	700,0
Tax on retirement fund industry	50,0
Interest on overdue income tax	100,0
Value-added tax	400,0
Stamp duties and fees	50,0
Transfer duties	50,0
Customs duties	250,0
<i>Ad valorem</i> excise duties	<u>100,0</u>
Total	<u>2,500,0</u>

### **7.8 Adjusted national budget revenue for 1997/98**

Given the total estimated revenue at existing tax rates and brackets of R160,384 billion and the net revenue gain of the tax and other proposals set out in section 7.7 of R1,592 billion, total estimated current revenue to be collected in the National Revenue Account amounts to R161,976 billion. This represents an increase of 11,1 per cent on the revised estimate for 1996/97. This would bring total revenue in 1997/98 to 26 per cent of the projected GDP, as 1996/97.

Table 7.5 summarises the major revenue sources for 1997/98. Details are provided in tables 1 to 4 in Annexure B of this Review.





## EXPENDITURE PROPOSALS

*Expenditure proposals for 1997/98 are set out in this chapter. Major increases or decreases are noted and brief remarks on policies and programmes reflected in the national Government budget votes are made.*

### 8.1 National budget expenditure in 1997/98

Expenditure of R186,747 billion is provided for on the 1997/98 national Budget, as set out in chapter 6.

Transfer payments to provinces amount to R80,806 billion, which is 43,3 per cent of the total and an increase of 9,4 per cent on the 1996/97 budget amount. This will increase to about R84,1 billion or 45,0 per cent of the budget once the amount set aside for improvements in conditions of service is distributed between provinces and departments. In chapter 9, the projected consolidated expenditure of the national government and provinces is summarised.

Provision for state debt costs amounts to R39,643 billion, or 21,2 per cent of total expenditure.

The distribution of transfers between provinces and the composition of state debt costs are set out in chapter 6.

Appropriations for departmental votes and other commitments of the national Government amount to R66,298 billion, which is 35,5 per cent of total expenditure. Details are set out in paragraph 8.2 below.

#### 8.1.1 Printed Estimate and supplementary amounts

Total expenditure includes the Printed Estimate of Expenditure and amounts identified for inclusion in the Adjustments and Supplementary Estimates, as well as standing appropriations.<sup>1</sup>

The Printed Estimate for 1997/98 amounts to R184,033 billion.

The additional expenditure items to be included in the Supplementary Estimate later in the 1997/98 financial year are:

- an additional allocation of R175 million for social grants;
- an amount of R227 million for the Durban academic hospital;

<sup>1</sup> Projected guarantee liability claims that may realise, subscription payments to the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), and valuation payments to the International Monetary Fund (IMF).

- an additional allocation of R337 million for improvements in conditions of service; and
- lower pension fund contributions resulting in savings of R400 million.

Provisional amounts set aside for inclusion in the Adjustments Estimate to be tabled at the end of the 1997/98 financial year are:

- R1,466 billion to provide for contingencies;
- R150 million for the possible financial implications of the report by the Steyn Commission on the remuneration of political office-bearers; and
- R75 million for the phasing in of a child support programme to replace the present maintenance grants;
- R300 million for poverty relief; and
- R83,4 million for integrated computer systems.

These expenditures cannot be allocated to specific budget programmes at this stage due to lack of detail and are excluded from the discussion below.

As in the past, salary increases and other improvements in remuneration are provided for in a separate vote in the Estimate of Expenditure and will be added to departmental votes and transfers to provinces at a later stage. The comparisons made in paragraphs 8.1.2 and 8.2 below are between 1996/97 and 1997/98 budget votes before improvements in conditions of service. Provisional estimates of the increases in departmental votes after salary improvements are set out in paragraph 8.3.

As the RDP Fund is no longer used to channel budget allocations to spending agencies, the Printed Estimate no longer contains a double-count of these amounts. Carry-through costs of RDP projects are, however, included in the 1997/98 transfers to provinces and in several national department votes. Details are provided in paragraph 8.4.

### **8.1.2 Main increases and decreases in national budget expenditure**

The 1997/98 Budget provides for an increase of R13,087 billion compared to the original budget for 1996/97.

Summary statements of the printed estimates for each national budget vote appears in Annexure A, setting out the main programme divisions broken down between current and capital expenditure and transfers.

Table 5 in Annexure B compares the total amounts for each vote in 1997/98 with the budget allocations for 1996/97.

The main contributors to this increase are transfers to provinces, state debt costs, the Housing vote and the allocation to the SA Police Service. The largest decreases occur in the votes of the SA National Defence Force and for improvements in conditions of service. Table 8.1 provides a summary of the main increases and decreases in national budget expenditure.

Brief remarks are made below on the 1997/98 national budget votes. It should be noted that roll-overs from 1995/96 and other additional amounts voted in the 1996/97 Adjustments Estimate are not taken into account in the comparisons made below, nor are declared savings or voted amounts which could remain unspent in 1996/97 and possibly be rolled over to 1997/98. In addition to improvements in conditions of service, such adjustments would result in divergences between actual outcomes and the printed estimates of expenditure on particular votes.

**Table 8.1: Explaining the main increases in the estimated national budget expenditure level for 1997/98**

	1996/97 R million	1997/98 R million	Increase/ decrease R million
State debt cost <sup>a)</sup>	38 070,9	38 642,8	571,9
Transfers in conditions of service	7 481,0	4 975,0	-2 506,0
Transfer payments to provinces <sup>b)</sup>	73 873,1	80 800,1	6 927,0
Police Service	372,6	31,6	-341,0
Public Administration	1 016,0	882,6	-133,4
Public Works	711,8	352,3	-359,5
Public Transport	1 574,8	4 037,3	2 462,5
Public Works	3 322,9	3 007,8	-315,1
South African Defence Force	10 146,4	9 375,7	-770,7
Public Service	9 883,9	11 919,2	2 035,3
Professional Services	2 390,6	3 319,0	928,4
Public Expenditure	1 179,9	1 021,5	-158,4
Public Expenditure	3 288,8	3 035,3	-253,5
Public Expenditure	2 352,8	2 142,9	-209,9
Expenditure not yet allocated	800,0	2 074,4	1 274,4
All other national budget votes (net)	19 545,2	19 750,6	205,4
<b>Subtotal: Budget votes and contingency provisions</b>	<b>173 690,4</b>	<b>180 440,3</b>	<b>6 749,9</b>
Public borrowing appropriations	69,0	300,0	231,0
<b>Total</b>	<b>173 759,4</b>	<b>180 740,3</b>	<b>6 980,9</b>

- a) For purposes of comparability, 1996/97 state debt cost comprises the budgeted amounts of R34,445 billion plus R1,626 billion in respect of interest on provincial debt, which has been taken over by the national government in 1997/98.
- b) Transfer payments to provinces in 1997/98 include R402 million in respect of amounts to be voted in the Supplementary Estimate.

## 8.2 Remarks on budget votes

### 8.2.1 Vote 1: President

The Budget makes provision for R24,5 million to be spent on the Office of the President, including R23,9 million to be voted and R552 000 which forms a direct charge on the National Revenue Fund in terms of the Constitution.

### 8.2.2 Vote 2: Executive Deputy President

The Budget makes provision for R16,3 million to be spent on the Office of the Executive Deputy President, including R15,8 million to be voted and R480 000 which forms a direct charge on the National Revenue Fund.

### 8.2.3 Vote 3: Executive Deputy President from the Largest Minority Party

No expenditure is appropriated on this vote.

### 8.2.4 Vote 4: Parliament

Estimated expenditure on the budget vote for Parliament is R322,4 million, including R203,1 million to be voted and R119,3 million which forms a direct charge on the National Revenue Fund.

### 8.2.5 Vote 5: Agriculture

The national budget for Agriculture provides for expenditure of R776,1 million, representing a reduction of 6,9 per cent on the 1996/97 budgeted amount.

Policy shifts which have affected the budget include:

- transfer of the farm workers' housing function to the Department of Housing;
- scaling down of financial assistance for disaster aid to the agricultural sector;
- phasing out of financial support to the Northern Transvaal Co-operative; and
- implementation of farmer support programmes.

#### *Regulatory obligations*

Spending continues for the upgrading of the Kruger National Park fence, the eradication of tuberculosis and brucellosis in animals, the establishment of mobile veterinary services, migratory pest control and plant quality control measures.

#### *Farmer support*

In the fields of agricultural financing and drought assistance, a revision of policy is taking place. Following recommendations of the Strauss Commission, the future roles of the Land Bank and the Agricultural Credit Board are under review, aimed at a restructured financial support system which will reach large numbers of clients, enhanced by farmer support and extension services in the provinces. At provincial and local level, coordination will be based on the full involvement of local structures and farmer groups. Funds have already been allocated to financial intermediaries for lending to small scale farmers.

A special grant assistance scheme for small farmer development has been introduced to help groups enhance their production efficiency by improving farming infrastructure and through farmer training.

#### *Projects in support of RDP principles*

The national Department of Agriculture has been involved in several RDP projects in co-operation with provincial departments. These include a marketing drive which aims to increase the access of emerging farmers to marketing opportunities and a project to establish a resource centre for the dissemination of information to all farmers.

#### *Deregulation of agricultural marketing*

During 1996 the process of deregulation of agricultural marketing was given impetus by the promulgation of the new Marketing of Agricultural Products Act and a restructured National Agricultural Marketing Council. The existing agricultural marketing schemes and control boards are under revision and in the process of being voluntarily phased out.

### **8.2.6 Vote 6: Arts, Culture, Science and Technology**

The budget of the Department of Arts, Culture, Science and Technology in 1997/98 amounts to R607,6 million, which is 12,6 per cent higher than the 1996/97 allocation.

The Department published a White Paper on Arts, Culture and Heritage and a White Paper on Science and Technology entitled *Preparing for the 21st Century* during 1996.

#### *Science and technology*

An amount of R304,7 million has been allocated to the main science and technology programme, most of this in the form of grants to various scientific institutions.

The National Research and Technology Audit and the related Foresight Project, have progressed significantly during the past year. These initiatives are aimed at harnessing technology more effectively for contributing to improvements in the economic well-being of all South Africans over the next ten to twenty years.

#### *Arts and culture*

An amount of R131,0 million is allocated to the arts and culture programme, and R120,7 million is voted to the heritage, film and international relations programme. A substantially increased commitment to the funding of heritage bodies is reflected in these allocations.

### **8.2.7 Vote 7: Central Economic Advisory Service**

The budget allocation for the Central Economic Advisory Service for 1997/98 amounts to R8,0 million, compared to the 1996/97 budgeted amount of R8,9 million.

The budget of the Economic Advisory Service has been reduced over recent years as its functions and personnel are being transferred to other departments.

### **8.2.8 Vote 8: Central Statistical Service**

The allocation to the Central Statistical Service (CSS) for 1997/98 is R84,9 million.

This is considerably lower than the 1996/97 budget allocation of R372,6 million, mainly because substantial non-recurring costs associated with the 1996 census were incurred last year.

The CSS has undergone a thorough restructuring, including the establishment of a new, representative management team and the modernisation of information technology systems and applications.

The establishment of a new provincial office structure will ensure an appropriate statistical service for provincial and local governments.

The CSS is making use of technical assistance from Stats Sweden and the Australian Bureau of Statistics in building capacity and developing an improved and extended statistical service.

### **8.2.9 Vote 9: Constitutional Development**

The budget of the Department of Constitutional Development decreases from a budgeted amount of R1,016 million in 1996/97 to R682,6 million in 1997/98.

It is anticipated that the amount available for RDP projects, implemented at local government level, will be supplemented by roll-overs. Actual expenditure is expected to increase.

The Department contributes to promoting development planning and coordination, more particularly in the provincial and municipal spheres of government, and has played a significant role in the decentralisation of the RDP expenditure programmes to provincial and local levels during the past year. This has improved the rate of project approval and transfer of funds.

In addition, the Department has facilitated a series of pilot projects to promote public-private partnerships at the municipal level (see paragraph 4.4.7 of chapter 4).

#### *Municipal Infrastructure Programme*

The Municipal Infrastructure Investment Programme allocated R1,4 billion to the provinces in 1996/97, of which R1,3 billion has already been committed to actual projects. A total of 1089 projects will be supported by the programme: 369 projects are currently on site; and a further 115 projects have already been completed. It is estimated that by the end of 1997 a total of 242 520 people will have been employed through the programme.

#### *Support for rural local government*

A Rural Administration Infrastructure Programme was allocated the sum of R170 million for 1996/97, which is expected to carry forward expenditure to 1997/98.

### **8.2.10 Vote 10: Correctional Services**

The 1997/98 allocation for Correctional Services amounts to R3,320 billion, representing a 28,1 per cent increase over the 1996/97 budget allocation.

During 1996/97 the number of prisoners and probationers and parolees increased substantially, for which additional funding was approved in the Adjustments Estimate.

The vote for 1997/98 provides for an average financed establishment of 31 398 personnel, compared to 30 362 in 1996/97, mainly to provide staff for new and renovated correctional centres. The budget also provides for a significant improvement in allocations for the physical

care of prisoners, monitoring of probationers and parolees and rehabilitation programmes for offenders.

A further amount of R422,2 million is included in the budget of the Department of Public Works for capital expenditure to be used for building new prisons and modernising existing facilities.

#### *RDP projects*

The Department is involved in several projects which form part of the National Crime Prevention Strategy and contribute to addressing the needs of young people at risk. These include a shift of emphasis to rehabilitation programmes, the segregation of young offenders in youth centres and the reduction of recidivism. In July 1996 the Ekuseni Youth Development Centre was commissioned and at present the Baviaanspoort Youth Development Centre is under construction, with RDP financial support. An amount of R3,8 million has been allocated for an education and training project for prisoners in 1997/98.

A business plan has also been approved for an integrated security system at 18 priority correctional centres, for which an amount of R28,9 million is provided on the vote of the Department of Public Works.

#### **8.2.11 Vote 11: Education**

The national Education vote increases by 1,2 per cent to R5,559 billion in 1997/98.

The higher education programme includes a total of R5,431 billion for transfers to universities and technikons. This includes R200 million earmarked for the National Student Financial Aid Scheme. The general subsidy formula allocations to universities and technikons increase by 12,3 per cent to R4,934 billion, which will provide for an average funding level of 65,6 per cent in 1997.

Negotiations are in progress for the channelling of available international donor finance to higher education in 1997/98. This will include an additional R100 million for the student financial aid scheme and support for redress of inequities and imbalances in the higher education system.

Enrolment in universities in 1996 numbered about 390 000 students, and in technikons about 190 000.

The National Commission on Higher Education completed its work in 1996 and a Green Paper on Higher Education Transformation has since been published for comment, including proposals for a new financing framework for higher education institutions.

A review of the further education sector, comprising senior secondary schooling and a wide range of public and private colleges and adult education activities, is in progress.

#### *Education systems development*

The South African Schools Act was passed in 1996, establishing a uniform framework for the organisation, governance and funding of schools.

Considerable progress has also been made with several other initiatives aimed at transforming the education system, in which the national Department and provincial governments have concurrent responsibilities. These include curriculum reform, the development of a National Qualifications Framework, new policies regarding the education of learners with special education needs and education support services, an audit of teacher education, a recovery programme in science, mathematics and technology, promotion of adult basic education and training, and interventions in the fields of further education and training and early childhood development.

An RDP-supported culture of learning programme is underway, focusing on refurbishing schools and promoting community responsibility through the development of governance structures.

### **8.2.12 Vote 12: Environmental Affairs and Tourism**

The estimated expenditure on Environmental Affairs and Tourism in 1997/98 is R370,5 million, representing a 13,4 per cent increase over the allocation for 1996/97.

The budget provides for increased transfers to SATOUR for the promotion of tourism and to the National Botanical Institute, as well as increased allocations for sea fisheries development, Weather Bureau services and the Antarctic Island research programme.

#### *Tourism*

The White Paper on the Development and Promotion of Tourism in South Africa was adopted by Cabinet in June 1996. The document provides a framework for the equitable distribution of tourism opportunities and benefits among all South Africans and for promoting tourism as a leading economic sector. An overhaul of the activities of the Tourism Board (SATOUR) has been initiated.

### **8.2.13 Vote 13: Finance**

The Finance vote provides for expenditure of R122,256 billion in the 1997/98 year, of which R82,255 billion is to be voted and R40,001 billion comprises amounts forming a direct charge on the National Revenue Fund.

The budget comprises:

- R80,404 billion to be transferred to the provinces, which will be supplemented by a provincial share of the improvements in conditions of service and amounts identified for inclusion in the Supplementary and Adjustments Estimates;
- commitments in respect of state debt estimated at R39,643 billion;
- an amount of R358,3 million to cover losses incurred by the Post Office; and
- other outlays amounting to R1,851 billion.

Details of the transfers to provinces and the composition of state debt costs are set out in chapter 6.

#### *Post Office losses*

Compensation of operating losses of the SA Post Office of R358,3 million is provided on the Finance vote. This amount forms part of a long term programme to achieve full commercial viability of the Post Office.

#### *Fiscal transfers*

An amount of R488,4 million is provided for 1997/98 on the fiscal transfers programme to cover statutory commitments in respect of various agreements between the Government and other authorities or institutions. These include the Government's contribution to the budget of the Independent Broadcasting Authority, the purchase of shares in the African Development Bank and certain other transfers to foreign countries in terms of international agreements.

#### *Civil pensions and contributions to funds*

An amount of R1,190 billion is included for the civil pensions and contributions to funds programme, which provides for the Government's contribution to pension funds and medical schemes in terms of certain statutory commitments.

#### *Military pensions*

Estimated expenditure of R127,6 million will be incurred for the payment of pensions to ex-servicemen, including persons identified in legislation promulgated in terms of section 189 of the interim Constitution, and their dependants.



### **8.2.14 Vote 14: Foreign Affairs**

Estimated expenditure on the Foreign Affairs vote in 1997/98 amounts to R1,289 billion, representing a 12,4 per cent increase on the comparable 1996/97 allocation.

Departmental priorities include:

- an increased humanitarian role in Africa, together with the promotion of business opportunities and infrastructure projects beneficial to both South Africa and her neighbours;
- optimal utilisation of multilateral and bilateral forums, including the South Africa - United States Binational Commission; and
- enhanced relations with the Asian region, facilitated by the establishment of a new chief directorate responsible for Asian missions.

The Department of Foreign Affairs has improved cooperation with provincial governments and several local authorities in pursuit of international relations, including a twinning programme between Canadian and South African provinces and several study tours to Latin American countries which included provincial delegates.

A Foreign Policy Discussion Document was prepared during 1996 and formed the basis for constructive discussions within Government and with the private sector. It is envisaged that this will be taken further in the form of a White Paper on Foreign Policy.

### **8.2.15 Vote 15: Health**

The 1997/98 budget of the Department of Health is R358,3 million. This is 49,7 per cent less than the budgeted allocations for 1996/97, largely because certain capital expenditure items have been transferred to provinces.

#### *Promotion of primary health care*

In early 1996, the Minister of Health released a policy document detailing a new approach to promoting universal access to primary health care. Primary health services are now free of charge at the point of delivery. A clinic building and upgrading programme has been initiated in support of this programme. During 1996, a total of 102 new clinics were built or are in the process of being constructed. The Department plans to build a further 272 new clinics and upgrade 326 in 1997. The majority of these will be in under-privileged areas.

Health services for pregnant women and children under the age of six have now been free since 1994. The removal of user fees has had the following positive impacts:

- increased attendance at most public health facilities;
- increase in attendance at antenatal clinics; and
- family planning attendance has increased.

Reports also indicate that the effects of the Primary School Nutrition Programme are significant and include improved school attendance, better concentration and alertness levels, less aggression and irritability in classes and general health improvements.

Focus areas in 1997 will include immunisation campaigns against polio and measles, an expanded programme to combat the HIV/AIDS epidemic, tuberculosis control and cervical cancer control.

The Department has made progress, together with provincial health authorities, in developing a framework for a district-based health system and in shifting resources in favour of primary health care.

#### *Hospital rehabilitation and transformation*

The Department is also focusing on the transformation of public sector hospitals. Planning is underway for reforms aimed at:

- decentralisation of management to hospitals and to departments within hospitals;
- revenue generation and retention by public hospitals; and
- increased community participation in the governance of public hospitals.

A comprehensive audit of hospitals throughout the country has been undertaken. The audit indicates the need for the rehabilitation or replacement of many hospitals and health centres, requiring expenditure of about R8 billion over a 5 to 10 year period. Financing options are being explored.

South Africa has several large academic central hospitals which provide tertiary education of medical personnel and provide referral services to the whole country. These hospitals are national assets. The Health Department will support financing arrangements consistent with the status and functions of these hospitals, together with improvements in their management and quality of services.

#### *Health insurance reform*

Work is in progress on possible reforms to the regulation of medical schemes and health insurance.

#### *Termination of Pregnancy Act*

The Choice on Termination of Pregnancy Act was passed in 1996, giving women the right to terminate a pregnancy.

### **8.2.16 Vote 16: Home Affairs**

The Home Affairs vote of R520,4 million is 32,7 per cent higher than the budget allocation for 1996/97.

This budget includes R93,3 million for a new identification card system. The new system has been developed in conjunction with the development of an automatic fingerprint identification system, which will be linked to the Population Register.

A Green Paper is being drafted on Migration, which will be tabled during May 1997 for public discussion.

### **8.2.17 Vote 17: Housing**

The Housing allocation of R4,038 billion in 1997/98 is 156,4 per cent higher than the budgeted amount of R1,575 billion in 1996/97. The increase in available funds for housing programmes, after taking into account the amount of R1,764 billion rolled over to the Housing vote in 1996/97, is 20,9 per cent.

A draft Housing Bill, which was published for comment during July 1996, will provide a framework legislation within the context of the New Constitution. The aim of the Bill is to define housing development in the context of the constitutional roles and responsibilities of the three spheres of government, to prescribe housing policy principles, and to restructure or terminate previous housing institutional and policy arrangements in line with housing policy as it has evolved to date. The proposed date of implementation of the Bill is 1 July 1997.

Provincial Task Teams were put in place in each of the provincial housing departments with the aim of streamlining housing delivery processes. The Department of Housing is also developing a National Capacitation Programme aimed at ensuring that provincial housing departments and municipalities are appropriately empowered and have the necessary capacity to execute their housing responsibilities effectively.

Between March 1994 and November 1996, 123 139 houses were built or under construction. It is expected that during 1997, 192 765 houses will be produced in the subsidy band. More than 380 000 subsidies have been reserved to date, and these projects are in various stages of development.

### **8.2.18 Vote 18: Improvements in conditions of service**

An amount of R4,875 billion has been set aside for improvements in conditions of service in 1997/98, in fulfilment of the second phase of the multi-year improvement plan for the public service agreed to in 1996. The Printed Estimate makes provision for R4,538 billion and a further R337 million is to be voted on the Supplementary Estimate. This provides for a R6,5 billion increase on a full-year basis.

### **8.2.19 Vote 19: Independent Complaints Directorate**

The 1997/98 Budget provides for R15,5 million on a new vote for the Independent Complaints Directorate, which has been established to investigate complaints against members of the SA Police Service and to propose relevant reforms.

### **8.2.20 Vote 20: Justice**

The estimated expenditure of the Department of Justice in 1997/98 amounts to R1,812 billion, representing a 15,2 per cent increase over the 1996/97 budget allocation.

Following the amalgamation of the justice departments of the former TBVC states and self-governing territories, a new head office and regional offices have to be established. Business plans have also been prepared for several projects which will form part of the reform of the criminal justice system, including training of law officers, improvement of the witness protection programme and upgrading the offices of magistrates, attorneys general and registrars of the Supreme Court.

A White Paper on the transformation of the administration of justice is in an advanced stage.

The increase in the vote of the Department is partly due to an increased allocation to the Truth and Reconciliation Commission and funds allocated in respect of RDP projects forming part of the national crime prevention campaign.

### **8.2.21 Vote 21: Labour**

The Labour vote for 1997/98 amounts to R620,5 million, which is 5,6 per cent below the budgeted amount for 1996/97.

Decreases have been occasioned by the phasing out of the Industrial Court and a reduced contribution to the National Productivity Institute.

The Department's budget for 1997/98 accommodates additional expenditure associated with the promulgation of the new Labour Relations Act and the anticipated re-registration of all labour organisations, and the establishment of the new Commission for Conciliation, Mediation and Arbitration.

During 1996 the work of the Comprehensive Labour Market Commission was completed, Green Papers were published on Employment and Occupational Equity and on Employment Standards, a report on the Unemployment Insurance Fund was compiled and considerable progress was made in developing a human resources (skills and training) strategy.

### **8.2.22 Vote 22: Land Affairs**

The budget of the Department of Land Affairs for 1997/98 amounts to R583,0 million, which represents a decrease of 9,7 per cent over the budget allocation of R645,7 million for 1996/97. Departmental reorganisation resulted in the abolition of 192 posts.

Amounts of R64,1 million, R321,8 million and R31,9 million have been allocated for restitution, redistribution and tenure reform respectively, with a further R29,3 million for other aspects of the implementation of land reform.

The self-financing Registration of Deeds Trading Account will yield an estimated gross revenue of R105 million. The absorption of the former TBVC states and self-governing territories and the modernisation of computer systems have increased its budget to a similar amount.

### *Restitution*

The Commission on the Restitution of Land Rights is processing in excess of 11 000 claims. As a result of this load, the Department is putting forward amendments to the Restitution of Land Rights Act which will allow certain claims to be heard directly by the Land Claims Court, thereby speeding up the process. The Court, which became operational in 1996, made its first award of land to the Elandskloof community in the Western Cape in December 1996.

### *Land reform and development facilitation*

Policy on land reform is set out in a White Paper published in February 1997.

The Department has introduced Bills to Parliament and seen Acts passed by Parliament, which will have a significant impact on the land and tenure rights of previously disadvantaged communities and individuals. The most recent, the Extension of Security of Tenure Bill, seeks to extend tenure rights to farm-workers and other rural dwellers and protect them from unfair and arbitrary evictions. The Restitution of Land Rights Amendment Bill and the Provision of Certain Land for Settlement Amendment Bill which seek to streamline the land reform process and thereby speed up delivery, are currently before Parliament.

The Land Reform Pilot Programme, which has almost completed its trial period of two years, has initiated a total of 312 projects affecting some 54 000 households and involving the transfer of some 1,8 million hectares.

The Development Facilitation Act passed in 1995 created a new democratic and participatory land development framework. The first of the provincial Tribunals which are to be set up to administer the Act has been established in Gauteng. The Minister will shortly announce the appointment of a Development and Planning Commission in terms of the Act.

As implementation of land reform takes place at a provincial and local level, co-operation with second and third tier government structures is a priority for the Department. Contact is generally undertaken by the Department's provincial offices. In addition, the Department continues to work constructively with non-government organisations, out-sourcing a range of both policy and implementation work.

### **8.2.23 Vote 23: Minerals and Energy**

The national budget for the Department of Minerals and Energy amounts to R807,6 million, representing an increase of 22,5 per cent relative to the 1996/97 budget allocation. This includes a sharp increase in the amount needed for the redemption of loans due in 1997/98 by the Atomic Energy Corporation.

A draft Green Paper for a Minerals and Mining Policy for South Africa was completed in 1996. A major highlight during the year was the acceptance by Parliament in May of the Mine Health and Safety Bill, providing for improved protection of all persons employed at mines.

Slower progress than had been planned was made with the completion of the draft White Paper on Energy Policy. Several initiatives are underway in the electricity distribution, liquid fuels, gas and nuclear fuel sectors, requiring coordination between these parallel policy processes.

Internationally, the Department played an active part in SADC projects in the mining and energy sectors. A regional Mining Protocol is being developed and an Energy Protocol was signed in Lesotho in August.

### *Electrification of schools and clinics*

The electrification of all schools and clinics is in progress, supported through RDP funds. Eskom undertakes the electrification of schools while clinic projects are the responsibility of the Independent Development Trust.

### *Rehabilitation of mines and small mining development*

The rehabilitation of derelict and ownerless mines remains a priority and rehabilitation of asbestos tailings dumps in the Northern Province has progressed well, with RDP assistance. Good progress has also been made with the development of small-mining operations. Kuyasa Mining (Pty) Ltd., whose directors are all black professionals, is due to commence mining coal in the Delmas area in the immediate future.

#### **8.2.24 Vote 24: Public Enterprises**

The 1997/98 budget for Public Enterprises provides for R17,2 million. This represents a reduction of 51,4 per cent, mainly because the 1996/97 budget included a non-recurring transfer to Eskom to meet the costs of normalising the operations of electricity utilities in the former TBVC states.

The Office for Public Enterprises has established sectoral task teams and other structures to take forward the process of the restructuring of state assets and the bilateral consultations required in terms of the National Framework Agreement with organised labour. A consultative process is also underway with a view to completing a protocol on corporate governance during 1997.

Progress with enterprise restructuring is summarised in section 4.8 of this Review.

#### **8.2.25 Vote 25: Public Service and Administration**

The 1997/98 budget makes provision for expenditure of R55,3 million which represents a 21,4 per cent decrease in the allocation to the Department of Public Service and Administration.

This reflects savings due to departmental right-sizing, and the discontinuation of non-recurrent expenditure on the Presidential Review Commission, the implementation of the White Paper on the Transformation of the Public Service and the National Information Project.

Further developments in public service reform are discussed in chapter 4 (paragraph 4.4) of this Review.

#### **8.2.26 Vote 26: Public Service Commission**

The budget allocation of R25,6 million for the Public Service Commission in 1997/98 is a decline of 5,6 per cent compared to the 1996/97 budget.

The revised role and functions of the Public Service Commission are summarised in chapter 4 (paragraph 4.4.2).

#### **8.2.27 Vote 27: Public Works**

The Public Works budget in 1997/98 amounts to R3,098 billion, representing a 9,7 per cent increase over the 1996/97 budget allocation. The budget includes provision for an all-encompassing National Register of State-owned Fixed Assets to be compiled.

A Green Paper on *Public Works - Towards the 21st Century* was launched in August 1996 with the intention to translate this into a White Paper by April 1997.

A document entitled "Draft Framework for Asset Procurement and Operating Partnerships" was prepared in August 1996. These guidelines are to be further developed by way of pilot projects to be identified in 1997.

A draft policy document on creating an enabling environment for enhancing the role of the construction industry in growth and development has been produced. This document is to be translated into a Green Paper which will be launched in the second quarter of 1997.

### *Procurement of construction services*

A fresh approach to the procurement of construction services and new tender documentation has greatly improved opportunities for emerging contractors. This has sharpened the need for

support mechanisms to enable access to training, credit and finance. Together with industry representatives, the Department has developed a business plan for an Emerging Contractor Development Programme which will be launched during 1997.

The Department has been engaged in extensive consultations with representatives of the construction and allied industries over the past year, and it is envisaged that a broadly representative structure to formalise interaction between the private and public sectors will be established.

#### *National Public Works Programme*

The Department of Public Works aims at transforming the construction industry with a view to increase the scope for job creation in pursuance of the objectives of the National Public Works Programme (NPWP).

The Department is managing 12 pilot projects involving 19 contracts incorporating NPWP principles in all the provinces. Draft operational guidelines for incorporating NPWP principles in infrastructure projects have been produced and disseminated for use and comment to other departments.

Together with officials from the Department of Public Works and Roads of the Eastern Cape Province, successful negotiations have been held with the Department of Finance and Overseas Economic Cooperation Fund of Japan (OECF) resulting in two projects in the Eastern Cape Province being submitted by the OECF to the government of Japan for funding. These projects will be open to international bidding.

#### *Community-based Public Works Programme*

The Community-based Public Works Programme (CBPWP) is aimed at poverty alleviation through job creation. It is being implemented by provinces and non-governmental organisations. It is expected that the present R250 million programme will be completed in May 1997.

#### **8.2.28 Vote 28: SA Communication Service**

An amount of R45,9 million is voted for the SA Communication Service in 1997/98, which is a decline of 10,6 per cent compared to the 1996/97 budget allocation.

#### **8.2.29 Vote 29: SA Management Development Institute**

The budget for the SA Management Development Institute in 1997/98 is R14,0 million. This was a new vote, created in 1996/97, as an outcome of the reorganisation of activities of the Public Service Commission and the Department for Public Service and Administration.

The Institute has a vital capacity building and training function in the transformation of the South African public service.

#### **8.2.30 Vote 30: SA National Defence Force**

Expenditure on the SANDF provided for on the Printed Estimate for 1997/98 amounts to R9,579 billion. This is a decrease of 6,5 per cent from the 1996/97 budget allocation, continuing an adjustment trend which has reduced the Defence budget from 4,5 per cent of GDP in 1989/90 to 1,5 per cent of projected GDP in 1997/98.

The several arms of the Defence Force have adjusted downwards in their share of total government spending over the past six years, achieved in part by personnel reductions and the rescheduling of acquisition projects.

#### *White Paper on Defence and the Defence Review*

A White Paper on Defence was approved by Parliament in May 1996 after extensive public discussion.

The Defence Review is a process currently underway that seeks to expand on the normative pronouncements of the White Paper and provide further details. A first report on the roles, tasks, functions and force design of the SANDF has been submitted to the Joint Standing Committee of Parliament on Defence and a second report will be presented before April 1997.

The Minister of Defence has established a Secretary for Defence as head of Department, alongside the Chief of the National Defence Force. Their separate responsibilities and authority will be clearly defined in the Defence Act.

#### *Service Corps*

An auxiliary Service Corps was launched in 1995 to provide career guidance and support and prepare ex-servicemen for integration into civil society. A total number of 1 283 students entered the Service Corps and are being trained with expiry of contracts varying from March 1997 to March 1998. A further 600 trainees are expected to join during May 1997.

The SANDF has also initiated an adult basic education and training programme for general assistants.

#### *National Crime Prevention Strategy*

The SANDF has deployed some 50 companies for border protection and the maintenance of law and order in co-operation with the Police Service, in support of the National Crime Prevention Strategy.

#### *Regional cooperation*

The Department has participated in the field of regional security within the Southern Africa Development Community and its sub-committees, and several joint exercises in support of peace operations have been conducted.

### **8.2.31 Vote 31: SA Police Service**

The allocation for 1997/98 to the South African Police Service (SAPS) amounts to R11,919 billion, which is 20,6 per cent higher than the budgeted amount for 1996/97.

Total employment in the SA Police Service is about 138 000, or about 1 member for every 320 people. Improved representativeness, together with a strong emphasis on professional discipline and career training, are key themes for the transformation in progress.

The first Annual Policing Plan was launched during the 1996/97 financial year to enhance crime prevention as a key priority for policing in South Africa. A Personnel Utilisation Plan is being developed.

#### *The National Crime Prevention Strategy (NCPS)*

The SA Police Service is involved in several initiatives of the National Crime Prevention Strategy, including implementation of the automated fingerprint identification system, training and systems design for improved crime scene handling and investigations management and pilot projects involving highly visible policing.

#### *Community policing*

In order to bring policing closer to communities, short-term assistance from the RDP fund has been sought for infrastructure development and other priorities and programmes. These include police stations, community safety centres and victim support programmes. An ongoing reorientation towards community policing and prevention of crime is in progress, and is reflected in the revised programme structure of the SAPS budget.

### **8.2.32 Vote 32: SA Revenue Service**

The 1997/98 budget of the SA Revenue Service is R947,1 million, which is a 0,3 per cent increase compared to the 1996/97 budget allocation.

The new Revenue Service was established on 1 April 1996 and is undergoing a substantial restructuring, aimed at strengthening and streamlining the Government's revenue collection capacity. Further details are included in paragraph 7.2 of chapter 7.

### **8.2.33 Vote 33: Sport and Recreation**

The Sport and Recreation Budget in 1997/98 amounts to R77,1 million.

The Department currently administrates two RDP projects, involving 126 basic sports facilities and 9 indoor sports facilities. Initial planning on the projects has been finalised and most of the facilities will be completed at the end of the year.

The Department's White Paper on Sport and Recreation is in its final stages and will be submitted to Parliament during 1997.

### **8.2.34 Vote 34: State Expenditure**

The allocation to the State Expenditure vote amounts to R1,022 billion, which is 13,4 per cent less than the 1996/97 budgeted amount.

Aspects of expenditure planning and procurement reform for which the Department of State Expenditure is responsible are noted in paragraph 4.1 of this Review.

Provision is made for R768,4 million on the secret services programme, to cover the budgeted expenditure of the National Intelligence Agency and the SA Secret Service. This is a reduction of 6,5 per cent compared to the 1996/97 allocation.

### **8.2.35 Vote 35: Trade and Industry**

The budget of the Department of Trade and Industry has decreased by 6,7 per cent to R3,049 billion in 1997/98. This decrease is mainly the result of phasing out the General Export Incentive Scheme (GEIS) and its replacement by various targeted supply-side measures.

Expenditure of R1,417 billion on the foreign trade relations and export promotion programme, which consists mainly of the GEIS liabilities, is provided for in 1997/98, and represents a 26 per cent decrease in the programme's budget.

The industrial development programme, incorporating new supply-side measures, increases by 33 per cent to R604,6 million in 1997/98. An increase is also reflected in the regional industrial development programme, which amounts to R855,5 million in 1997/98.

#### *Trade promotion*

The tariff reform process, which was introduced in 1995, has been accelerated. This involved the rationalisation of the tariff structure, and a further reduction in the average weighted rate of duty on industrial products by 9,1 per cent in 1996. Tariff reform is an integral part of a broader trade liberalisation process which is designed to enable the economy to adjust to the changing international environment.

In view of the current negotiations with the European Union, which is South Africa's most important trading partner, a number of studies have been undertaken to assess the impact of the envisaged agreement on trade and economic cooperation.

Export marketing assistance continues to be widely utilised. In view of its deficiencies with respect to smaller enterprises, a new assistance programme will be implemented in 1997.

#### *Small business promotion*

The National Small Business Act was passed in November 1996, providing for the establishment of Ntsika Enterprise Promotion Agency and a National Small Business Council. Khula Enterprise Finance is operational, and has initiated a credit guarantee scheme and a capacity building project aimed at supporting targeted retail financial intermediaries. A loans programme will get underway in 1997.



### *Industrial support measures*

New industrial support measures have been introduced to assist firms to expand or improve productivity, exports and employment, while existing programmes were amended to improve their effectiveness. These include:

- the Technology and Human Resources for Industry Programme, designed to encourage collaboration between firms and tertiary education institutions in the development of products and processes;
- the Support Programme for Industrial Innovation, currently under review and likely to be significantly improved in 1997;
- the NEDLAC-driven Workplace Challenge programme, which has already drawn more than 1000 participants from industry, labour and government;
- the Cluster Initiative, including studies for the carbon, steel, forestry, stainless steel, electronics, household ceramics and aluminium industries completed in 1996;
- two new supply side measures to be launched during 1997 - the Competitiveness Fund and the Sectoral Partnership Facility - which will enable individual firms and organisations to use consultants to help them solve problems of competitiveness;
- establishment of a non-profit company, Investment South Africa, as the national investment promotion agency;
- the accelerated depreciation schedule for investments in manufacturing plant equipment and buildings, launched in July 1996 for a three year period;
- a tax holiday scheme, which permits up to three two-year tax holidays for certain industries depending in part on their location and on labour utilisation and training; and
- a new Short Term Export Finance Guarantee Scheme for small and medium size firms which has been negotiated between the Department of Trade and Industry, the Credit Guarantee Insurance Corporation and financial institutions.

The Government launched the first spatial development initiative, the Maputo Corridor project, and began work on several other spatial development initiatives, industrial development zones, and local industrial parks in 1996.

### **8.2.36 Vote 36: Transport**

The 1997/98 budget makes provision for expenditure of R3,334 billion on the Department of Transport vote, representing an 0,3 per cent decrease over the 1996/97 budgeted amount. The budget includes R531,6 million for the roads programme, and R2,375 billion on the land transport programme, which includes subsidies payable for commuter services.

A White Paper on Transport Policy was approved by government during 1996. The Department's Business Plan for 1997 has been drafted against the background of certain policy principles contained in the Transport Policy White Paper:

- the Department will be restructured to concentrate on policy formulation and strategic planning, with a regulatory function where this is in the national interest;
- the provision of transport and related services, including construction and maintenance of the primary road network, maritime survey, safety services and aviation safety, will mainly be undertaken through commercialised agencies with appropriate autonomous governance structures;
- financing arrangements will reflect the principle of cost recovery from users, with due regard to the role of the fiscus in meeting the social benefits of basic infrastructure; and
- Government intervention will be focused on facilitation, within an enabling regulatory environment.

### **8.2.37 Vote 37: Water Affairs and Forestry**

The budget of the Department of Water Affairs and Forestry amounts to R2,143 billion, which is 8,9 per cent less than the budgeted amount for 1996/97.

The Department of Water Affairs and Forestry has three main functional areas: water resources management, community water supply and sanitation, and forestry.

The integration of the Department with the corresponding components of the former homelands has been completed, with the exception of KwaZulu-Natal. Restructuring and rightsizing will continue as direct water supply functions are devolved to water boards and local government, and the emphasis of the Department turns to support other spheres of government and regulation of norms and standards.

#### *Water resource management*

The National Water Conservation Campaign has continued to raise consciousness about the value of water resources. The "Working for Water Programme" is a successful public works programme, employing and training almost 7 000 previously unemployed women and men to eradicate invasive vegetation from water catchments and thereby regenerate water resources.

A new National Water Act will be promulgated in 1997. This will provide the basis for the management of the nation's water resources on a fair, efficient and sustainable basis into the next century.

#### *Forestry*

The publication of the Forestry White Paper in March 1996 and the establishment of the National Forestry Advisory Council during the year were major milestones.

The Department's commercial forestry operations which were taken over from the former homelands are being reorganised into proper commercial undertakings. In April 1997 a Trading Account is to be introduced to pave the way for the eventual transfer of these assets to a parastatal or the private sector.

It is anticipated that the community forestry programme will directly promote the planting of approximately one million trees annually over the next three years.

#### *Community water supply and sanitation*

The allocation on the community water supply and sanitation programme amounts to R1,207 billion, including a R500 million carry-through RDP project amount. Rolled over amounts may be available to supplement the available funds.

By the end of 1996 the projects which have been started will ensure that a total of 6,4 million people gain access to water supplies and 100 000 to adequate sanitation. Projects to serve a further 2,1 million people have recently been announced in the fourth RDP programme. It is expected that a further 1,7 million people will be served in 1997.

### **8.2.38 Vote 38: Welfare**

The budget of the Department of Welfare in 1997/98 amounts to R98,4 million. This is a 23,3 per cent increase on the budgeted amount for 1996/97.

A White Paper for Social Welfare Services was tabled in Parliament on 19 February 1997. The document provides clear directives for a national developmental welfare strategy. It is envisaged that a five-year Strategic Welfare Action Plan (SWAP) to implement this White Paper will be completed in the 1997/98 financial year.

#### *The Child and Youth Care System*

Following the work of an inter-Ministerial committee on Young People at Risk, several projects aimed at transforming the probation system and upgrading the provision of residential care of young people have been initiated. The reform of probation services has begun and will include the training and retraining of all probation personnel.

Through the National Crime Prevention Strategy process, R33 million has been allocated for the provision of Secure Care facilities in each of the nine provinces. The aim is that no juvenile be held in prison.

Programmes have also been introduced to promote public awareness of the harmful effects of drug and alcohol abuse and emphasis has been placed on activities which could contribute to the alleviation of drug demand.

#### *Developmental Programmes for Unemployed Women With Children Under five Years*

The Department of Welfare has initiated several programmes for unemployed women with young children as part of a strategy to alleviate poverty. These will focus on education and training and creation of income-earning opportunities, and are intended to become self-sustaining within three years.

#### *Social Security*

A Report on the restructuring of social security was submitted to Cabinet in February 1997, setting out recommendations for human resource development, combating fraud and corruption and improved management information systems for the social security system. These issues will be taken further in 1997, in cooperation with the provincial governments.

The fourteen different pension systems of the former welfare departments have now been amalgamated onto one transverse data system. A comparison of records with the Population Register resulted in the suspension of 46 682 beneficiaries, with a potential savings of R240,9 million per annum. Further investigations are in progress.

The Lund Committee submitted its Report on Child and Family Support in September 1996. Its main recommendation for a flat-rate child support benefit has been accepted by Cabinet and a phased transition from the present state maintenance grant system to an affordable alternative with a more effective focus on poverty alleviation will begin in 1997.

### **8.3 Provisional estimates of expenditure shifts**

As indicated in paragraph 8.1.1 above, the Printed Estimate presents both 1996/97 and 1997/98 estimates for each vote before improvements in conditions of service. Provisional estimates can be made of the likely increases or decreases in budget appropriations by adding the actual improvements in conditions of service allocated in 1996/97 to their respective votes, and distributing the budgeted amount for improvements in 1997/98 amongst the respective votes in the same proportions as the 1996/97 additions. These estimates are set out in table 5 of Annexure B.

Changes in expenditure calculated in this way for the larger national budget votes and for the total to be transferred to provinces are set out in table 8.2.

The estimates indicate that, after taking into account improvements in conditions of service, the votes for Housing, Home Affairs, Mineral and Energy, Correctional Services, the SA Police Service, Justice, Foreign Affairs and Arts, Culture, Science and Technology increase by more than 10 per cent. The votes for Health, Constitutional Development and Water Affairs and Forestry decrease by more than 10 per cent. For various reasons, however, these comparisons are potentially misleading:

- in several cases, such as Health, expenditure programmes have been devolved to provinces or shifted to other departments, resulting in budget reductions; in the case of Housing, the availability of a large roll-over amount was taken into account in determining the 1996/97 budget, and the increase in available funds between 1996/97 and 1997/98 is about 21 per cent, as noted in paragraph 8.2.17;
- in the Constitutional Development, Land Affairs and Water Affairs and Forestry budgets, substantial additional amounts are expected to be rolled over to 1997/98, offsetting the declines in new budgeted amounts;
- in the budget for Foreign Affairs, provision has had to be made for the effects of the depreciation of the rand on foreign currency-denominated outlays; and
- non-recurrent projects or new functions partially account for the budget increases in cases such as Home Affairs and Justice.

Table 8.2: Provisional estimates of changes in national budget votes, after improvements in conditions of service have been included

	1996/97 R billion	1997/98 R million	% change
Transfers to provinces <sup>a)</sup>	79 630,2	84 150,1	5,6%
SA Police	204,0	216,3	5,6%
SA Police Services	2 483,5	2 321,0	-10,1%
SA National Defence Force	1 017,2	683,5	-32,8%
SA Revenue Service	2 015,0	2 000,0	-0,7%
SA Revenue Services	2 497,1	2 501,4	0,2%
SA Police Services	1 172,9	1 304,9	11,2%
SA Revenue Services	737,0	372,0	-49,4%
SA Revenue Services	481,6	537,5	11,6%
SA Revenue Services	1 576,0	4 030,6	156,3%
SA Revenue Services	1 949,0	1 955,0	0,3%
SA Revenue Services	614,4	650,1	5,8%
SA Revenue Services	681,6	592,1	-13,1%
SA Revenue Services	678,3	619,0	-9,2%
SA Revenue Services	2 447,8	3 112,3	27,2%
SA National Defence Force	10 851,1	9 927,3	-8,5%
SA Police Services	10 978,1	12 550,8	14,3%
SA Revenue Services	997,7	977,9	-2,0%
Trade and Industry	3 329,0	3 083,6	-7,4%
Transport	3 355,9	3 341,0	-0,4%
Water Affairs and Forestry	2 468,1	2 221,0	-10,0%
All other national budget estimates (net)	41 051,3	44 126,0	7,5%
<b>Total: Main budget plus improvements in conditions of service</b>	<b>173 975,9</b>	<b>184 772,4</b>	<b>6,2%</b>

Source: Annexure B, table 5.

Note: Improvements in conditions of service in 1996/97 included the budgeted R7,481 billion and an additional R985,5 million voted at a later stage. These amounts are allocated as actually distributed between votes in 1996/97, and 1997/98 improvements are distributed in the 1996/97 proportions for the purposes of the provisional 1997/98 estimates.

a) Amounts identified for inclusion in the Supplementary and Adjustments Estimates in 1997/98 and included in the transfers to provinces, as well as the amount available for improvement in conditions of service.

## 8.4 RDP project allocations

The RDP Fund is no longer used as a channel for allocating budgeted amounts to RDP projects, and is now used only for receiving financial assistance from external donor sources. RDP projects are now provided for through the normal budgetary process.

The 1997/98 Budget provides for carry-through costs of RDP projects amounting to R4,368 billion. These are summarised in table 8.3.

Approximately 40 per cent of the total amount earmarked for RDP projects is included in the transfers to provinces.

Among the major RDP projects are the following:

- the *Primary School Nutrition Programme*, now being implemented in 12 300 schools across the country;
- the *clinic building programme*, which has delivered 297 new clinics, 47 residential units attached to existing clinics, 173 mobile units and 44 vehicles to be turned into mobile units, in addition to the planned upgrading of 2 358 clinics;

- the *culture of learning* programme which caters for the physical improvement of schools as well as improvements in school governance - more than 1 500 schools have been renovated;
- the *school building* programme, which has resulted in business plans of R1,144 billion approved for funding;
- the *urban renewal* programme, aimed at rapid and visible improvements in municipal infrastructure, which has been allocated R2,034 billion over five years and is already demonstrating progress in housing, infrastructure, social services and local economic development; and
- a cross-cutting programme of support for improvements in *policing and the criminal justice system*, including establishment of the first victim support centre in Port Elizabeth, training and leadership development projects, 43 pilot community policing stations, renovation and construction of infrastructure development and establishment of community safety centres.

Table 8.3: Allocation of RDP carry-through costs for 1997/98

National budget vote/Province	1997/98 R '000
<b>National Departments</b>	<b>2 194 432</b>
Constitutional Development	
Municipal Infrastructure	500 000
Housing	30 000
Urban renewal	244 832
Bulk Infrastructure	360 000
Land Affairs	
Land redistribution	300 000
Labour tenants	25 000
Social Expenditure	
Monitoring of projects	5 000
Transport	
National Taxi Task Team	30 000
Social development initiatives	200 000
Water Affairs & Forestry	
Rural community water programme	500 000
<b>Provinces</b>	<b>1 797 000</b>
Eastern Cape	324 448
Northern Cape	43 800
Free State	197 952
KwaZulu Natal	350 240
Free State	101 174
Mpumalanga	79 020
Northern Province	180 541
North West	315 42
Gauteng	374 307
<b>Plus: Cross cutting project (Unblocking of criminal justice system and community safety centres)</b>	<b>400 739</b>
<b>Total cost</b>	<b>4 388 171</b>

Partly as a consequence of the rigorous planning requirements set, RDP projects were slow in getting going. Good progress with implementation is now evident, which will be reflected in accelerating project delivery during 1997. As noted in chapter 4 (par. 4.1.5), experience with business planning and project management in the RDP Office and other project implementing departments has contributed to improved planning in other areas of service delivery, and has informed current work on revising the Government's approach to expenditure planning and monitoring.

Actual spending in 1994/95 and 1995/96 and RDP project allocations for 1996/97 and 1997/98 are set out in Annexure E of this Review. Table 8.4 below summarises spending and allocations of RDP funds for national departments.

Table 8.4: Allocation of RDP funds in 1994/95 to 1997/98

	Actual	Actual	Allocated	Carry-through costs
	1994/95 R '000	1995/96 R '000	1996/97 R '000	1997/98 R '000
<b>All National Departments</b>	<b>349 842</b>	<b>1 859 171</b>	<b>6 938 333</b>	<b>2 194 432</b>
General services	21 274	108 321	495 653	5 000
Protection services	1 164	180 307	83 393	-
Social services	316 035	1 388 307	4 298 820	1 124 832
Economic services	11 369	182 236	2 062 467	1 064 600

In view of the scope for advantageous cooperative arrangements with international donors and multilateral development agencies, the Government is exploring ways of streamlining the interaction between international partners and South African government entities and non-governmental organisations (see par. 4.11.5). The 1996/97 Budget includes several RDP projects for which foreign donor funding has been obtained. These come to R138,730 million in total and are listed in table 8.5.

Table 8.5: Allocation of RDP donor funding per vote for 1996/97

National Budget vote	1996/97 R '000
<b>National Expenditure</b>	<b>138 730</b>
Executive Deputy President	
- Party report	701
- Parliament	
- Constitutional Assembly	29 954
- Budget	
- Budget making project	2 000
- Education	
- Community radio broadcasting	3 139
- Health	
- Long-term health care	3 404
- Prevention of HIV/AIDS	2 654
- Justice	
- Transformation of justice	5 877
- Legal administration	
- Administration	2 535
- Labour	
- Labour issues	11 028
- Migration, Energy, Water	
- Energy	14 999
- State and Public	
- Department of Public	1 088
- Water, Energy, Electricity	
- Water supply project	3 183
- Water supply project	
- Water supply project	2 983
- Water supply project	4 487
- Transport and Logistics	
- Transport and Logistics	10 218



## CONSOLIDATED NATIONAL AND PROVINCIAL EXPENDITURE

*This chapter contains comparisons of consolidated national and provincial budget expenditure for 1996/97 and 1997/98. Remarks on the economic and functional breakdown of consolidated budget expenditure are also presented.*

### 9.1 Total consolidated expenditure

The consolidated budgets of the national and provincial governments provide for total expenditure of R190,2 billion in 1997/98.

This includes a net amount of R1,3 billion that is unallocated at this stage.<sup>1</sup> Excluding the unallocated amount, total expenditure for 1997/98 is budgeted to be 6,7 per cent higher than the comparable 1996/97 level and is equivalent to 30,4 per cent of GDP.

Allocated expenditure for the various government functions between 1994/95 to 1997/98 is summarised below.

Table 9.1: Consolidated national and provincial budget expenditure: 1994/95 to 1997/98

	1994/95	1995/96	1996/97	1997/98	Change 1997/98 1996/97
Social services	8,1	8,1	8,1	8,1	0,0%
Production services	2,9	2,9	2,9	2,9	0,0%
Essential services	1,4	1,4	1,4	1,4	0,0%
General administration	1,0	1,0	1,0	1,0	0,0%
Interest and debt	0,0	0,0	0,0	0,0	0,0%
<b>Total</b>	<b>14,4</b>	<b>14,4</b>	<b>14,4</b>	<b>15,4</b>	<b>10,7%</b>

a) Including unallocated amounts

<sup>1</sup> The unallocated amount comprises a national budget contingency reserve of R1,466 billion, and certain smaller amounts, less savings of R400 million due to a lower pension fund contribution rate.

## 9.2 Functional classification

Tables 8 and 9 in Annexure B of this Review contain details of the consolidated national and provincial budgets for 1994/95 to 1997/98, and table 10 presents a cross-tabulation of the functional and economic breakdowns of budgeted expenditure in 1997/98. Brief notes below highlight salient trends, and tables 9.2 and 9.3 summarise the consolidated estimates for 1997/98.

It should be noted that improvements in conditions of service are provisionally distributed between the various functions for the purposes of these consolidated tables.

Table 9.2: Functional classification of consolidated national and provincial expenditure (1997/98)

	1997/98 R million	1996/97 R million	Percentage GDP
<b>Social services</b>	<b>88 600,0</b>	<b>81 200,0</b>	<b>8,9</b>
- Education	40 270,5	37 800,0	6,5
- Health	20 233,4	18 700,0	3,3
- Social security and welfare	18 433,2	17 000,0	3,0
- Housing	4 167,9	3 800,0	0,7
- Other <sup>a)</sup>	5 514,0	4 900,0	0,9
<b>Protection services</b>	<b>30 620,6</b>	<b>28 100,0</b>	<b>4,5</b>
- Defence	10 718,8	10 000,0	1,7
- Police	13 058,9	12 500,0	2,1
- Prisons	3 200,0	3 000,0	0,4
- Courts of law	1 973,0	1 800,0	0,3
<b>Economic services</b>	<b>18 885,2</b>	<b>17 500,0</b>	<b>3,0</b>
- Transport and communication	7 320,8	6 800,0	1,2
- Agriculture	4 610,1	4 300,0	0,7
- Water and related services	1 863,1	1 700,0	0,3
- Export trade promotion	1 427,8	1 300,0	0,2
- Other <sup>b)</sup>	3 754,4	3 500,0	0,6
<b>General government services<sup>c)</sup></b>	<b>13 210,0</b>	<b>12 500,0</b>	<b>2,1</b>
- Interest	38 549,8	37 000,0	6,2
- Government enterprises	48,5	50,0	0,0
<b>Subtotal</b>	<b>188 822,8</b>	<b>175 000,0</b>	<b>30,4</b>
Plus: Expenditure not yet classified	1 200,0	1 200,0	0,2
<b>Total estimated expenditure</b>	<b>190 022,8</b>	<b>176 200,0</b>	<b>30,6</b>

Source: Central Statistical Service.

- a) Including recreation and culture, sewerage, sanitation and community development.
- b) Including manufacturing, regional development, tourism, labour services and other multi-purpose projects.
- c) Including foreign affairs, general research and other government services

### 9.2.1 Social services

The social services include several of the larger and faster growing functional categories of government spending. The 1997/98 allocation of R88,6 billion is 8,9 per cent more than the 1996/97 amount. Half of the total expenditure on social services will go for the remuneration of employees in 1997/98.

- Expenditure on education represents 45,5 per cent of all social services spending and remains the largest single category of government spending, although budgeted expenditure growth is just 2,8 per cent. At R40,3 billion, education will constitute 21,3 per cent of total expenditure and 6,5 per cent of GDP in 1997/98. Over 80 per cent of education is allocated to pre-primary, primary, and secondary schooling, with the remainder mainly allocated to



transfers to tertiary education institutions. Containment of personnel costs through a right sizing programme for educators has contributed to the comparatively slow growth in budgeted spending for this function. The consolidated education budget provides for school building projects amounting to R954 million.

- Expenditure on health is estimated to be R20,2 billion, which represents 10,7 per cent of total expenditure and 3,3 per cent of GDP. This is a 9,5 per cent increase compared to the previous budgets. About 56 per cent of health expenditure goes to personnel costs, while planned capital expenditure amounts to R1,8 billion.
- Expenditure on social security and welfare is estimated to be R18,4 billion, which represents 9,8 per cent of total expenditure and 3,0 per cent of GDP. About 90 per cent of the welfare budget is earmarked for social grants paid to individuals or transfers to organisations providing social assistance or welfare services. Spending in this area is expected to grow by 12,2 per cent in 1997/98, reflecting an increase in the level of social grants to keep pace with inflation, increased take-up rates and the first phase of a new child support programme.
- Of the remaining R9,7 billion budgeted for social services expenditure, R4,2 billion is for housing (2,2 per cent of total expenditure and 0,7 per cent of GDP) and the remainder is for recreation and culture, sewerage, sanitation, community development and other community services.

### **9.2.2 Protection services**

The R29,6 billion allocated to protection services in 1997/98 reflects a 5,3 per cent increase compared to the 1996/97 level. But within this total, defence expenditure is reduced, while spending for police, prisons and courts of law are budgeted to increase sharply. Remuneration of employees accounts for nearly 70 per cent of protection services expenditures in 1997/98.

The 1997/98 expenditures for protection services are allocated as follows:

- Defence: R10,7 billion or 9,4 per cent below the 1996/97 level. This represents 5,7 per cent of total expenditures and 1,7 per cent of GDP.
- Police: R13,1 billion, or 14,4 per cent above the 1996/97 level. This represents 6,9 per cent of total expenditures and 2,1 per cent of GDP.
- Prisons: R3,9 billion, or 23,5 per cent above the 1996/97 level. This is 2,0 per cent of total expenditures and 0,6 per cent of GDP.
- Courts of law: R2,0 billion, or 13,3 per cent above the 1996/97 level. This is 1,0 per cent of total expenditures and 0,3 per cent of GDP.

### **9.2.3 Economic services**

Spending on economic services has fallen 3,2 per cent and now accounts for 10,0 per cent of the consolidated budget and 3,0 per cent of GDP. Expenditure on transport and communication services remains the largest item in this category and has decreased from 4,3 per cent to 3,9 per cent of total expenditure (1,2 per cent of GDP in 1997/98.) Spending on export trade promotion has been reduced from R1,9 billion to R1,4 billion, while support for manufacturing and regional development increases from R1,6 billion to R2,0 billion. The other major components of economic services spending are support for agriculture (2,4 per cent of total expenditure) and water schemes and related services (1,0 per cent of the total).

### **9.2.4 Interest on the debt**

Interest on state debt consumes more than one-fifth of total expenditure. The 1997/98 interest bill is R38,5 billion, which is 11,3 per cent more than the 1996/97 estimate. For the first time in many years, however, interest payments have stabilised as a proportion of GDP (6,2 per cent). State debt costs will in due course fall as a share of total expenditure, as progress is made in reducing the budget deficit.

**Table 9.3: Economic classification of consolidated national and provincial expenditure (1997/98)**

	1997/98	1996/97	% of GDP
<b>Goods and services</b>	<b>198,3</b>	<b>180,0</b>	<b>15,8</b>
Remuneration	143,8	138,5	11,9
Other goods and services	54,5	41,5	4,9
Current transfers to businesses, households and the rest of the world	24,7	24,7	2,1
Current transfer payments to other levels of general government	13,1	13,1	1,1
Interest	1,2	1,2	0,1
<b>Total current expenditure</b>	<b>241,0</b>	<b>228,5</b>	<b>20,0</b>
<b>Total capital expenditure</b>	<b>14,8</b>	<b>14,8</b>	<b>1,3</b>
<b>Subtotal</b>	<b>255,8</b>	<b>243,3</b>	<b>21,3</b>
Plus: Expenditure not yet classified	1,2	1,2	0,1
<b>Total consolidated expenditure</b>	<b>257,0</b>	<b>244,5</b>	<b>21,4</b>

Source: Central Statistical Service

### 9.3 Economic classification of expenditure

Total current expenditure is estimated to be R174,1 billion, or 92,1 per cent of total expenditure and 28,0 per cent of projected GDP in 1997/98. This compares to 92,0 per cent of total expenditure and 29,1 per cent of GDP in 1996/97.

- Consolidated expenditure on goods and services is projected at R98,3 billion, comprising more than half of total expenditure (52,0 per cent) and 15,8 per cent of GDP.
- Three-quarters of expenditure on goods and services is budgeted for remuneration of employees. The total wage bill increases by 9,1 per cent from R67,6 billion to R73,8 billion, which is 39,0 per cent of total expenditure. The social services account for 59,6 per cent of total remuneration and protection services take up 28,0 per cent.
- Current transfers to households, businesses and the rest of the world amount to R24,7 billion (13,1 per cent of total expenditure). Transfers to households, mainly in the form of social grants, represent over 70 per cent of this category, with most of the remainder allocated to subsidies for non-financial public enterprises and private businesses.
- Current transfer payments to other levels of general government (i.e. extra-budgetary accounts and institutions, social security funds and local authorities) constitute 6,6 per cent of total expenditure. The largest component of this category comprises subsidy payments to universities and technikons.

Total capital expenditure is estimated to be R14,8 billion, or 7,9 per cent of total expenditure and 2,4 per cent of estimated GDP in 1997/98. This compares to 8,0 per cent of spending and 2,5 per cent of GDP in 1996/97. The bulk of capital spending will be for the acquisition of fixed capital assets, land, stock and other intangible assets. Most of the remainder comprises capital transfer payments to other levels of general government.

### 9.4 Explanatory notes

#### 9.4.1 Impact of the new budget process

The 1997/98 national budget of R186,7 billion covers the cost of functions for which the national government currently takes responsibility and transfer payments to other levels of general government (i.e. extra-budgetary accounts and institutions, social security funds, provinces and local authorities). The largest of these transfers is the R80,4 billion provided to the provinces.

Expenditure by provincial governments is funded mainly through this transfer from the national budget. But provinces also rely on own-source revenues (such as licence fees and departmental receipts), balances brought forward and loans. The 1997/98 budget was the first for which provinces were responsible for developing their own expenditure budgets, reflecting their spending priorities and commitments. The evolution of the framework for provincial financing is discussed in par. 4.2 of chapter 4.

Given this new budgeting process, the consolidation of the national and provincial budgets takes on new meaning. In the past, the combined national and provincial budgets were coordinated at the national level through function committees. New arrangements for cooperative governance between national and provincial departments have been initiated, but provincial treasuries now have a more substantial role in budget preparation and the 1997/98 consolidated figures reflect an aggregation of the outcomes of ten separate budget planning programmes.

#### **9.4.2 Additional Technical Notes**

A few other points should be noted about tables 8, 9, and 10 in Annexure B.

- The internationally standard functional classification used in these tables does not correspond fully with the division of programmes between departmental votes in the national and provincial Printed Estimates of Expenditure.
- The expenditure figures presented are budget estimates. Actual expenditure trends in recent years have diverged from budget estimates for numerous reasons, including the roll-over of unspent funds from one year to the next and unanticipated delays in project implementation.
- The 1997/98 figures in the tables are preliminary projections because the provincial budgets were not yet finalised at the time of preparing the Review. These projections are based on first drafts of budgeted expenditure by the provincial governments or extrapolations of provincial spending.
- The 1996/97 and 1997/98 figures in the accompanying tables are not strictly comparable to those for previous years, and analyses over time should be interpreted with caution. The primary reason is that the economic and functional classification of national and provincial budgets up to the financial year 1994/95 represented consolidations between revised expenditure estimates of the national government, the former three Own Administrations, the former four Provincial Administrations, the former six self-governing Territories and the former four TBVC states. Details of some of these 18 budgets were not readily available, or, in some cases, not available at all, in which case estimates were made on the basis of spending patterns in other administrations.

## **ESTIMATE OF EXPENDITURE: DEPARTMENTAL VOTES**

A summary of each vote as shown in the printed Estimate of Expenditure to be defrayed from the National Revenue Account for 1997/98, tabled by the Minister of Finance, appears below.

The amounts appearing in the summary pages are a comparison between 1996/97 (Second and Final Print, RP2 and 4) and 1997/98 (First Print, RP2). The 1996/97 data do not include expenditure voted in the Adjustments Estimate. Chapter 5 contains a summary of the additional amounts made available in the 1996/97 financial year. Similarly, the 1997/98 Estimate (First Print) does not include the supplementary budget proposals as contained in chapter 6, nor the estimate of expenditure to be included in the Adjustments Estimate for 1997/98.

All inquiries concerning the printed Estimate of Expenditure should be directed to the Department of State Expenditure.

**Vote 1  
Begrotingspos 1**

**President  
President**

**R23 909 000**

**1—1**

AIM: To enable the President to fulfil his constitutional and other functions  
Accounting officer: Director-General: Office of the President

DOEL: Om die President in staat te stel om sy grondwetlike en ander funksies te vervul  
Rekenpligtige beampste: Direkteur-generaal: Kantoor van die President

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	19 064	21 730	101	781					19 165	22 511	<b>1 Administrasie</b>
<b>2 Auxiliary and associated services</b>	4 685	4 375	59	59					4 744	4 434	<b>2 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>	<b>23 749</b>	<b>26 105</b>	<b>160</b>	<b>840</b>					<b>23 909</b>	<b>26 945</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
<b>Amount forming a direct charge on the National Revenue Fund in terms of sec. 79 of the RSA Constitution Act, 1993 (Act 200 of 1993)</b>											<b>Bedrag wat ingevolge art. 79 van die Grondwet van die RSA, 1993 (Wet 200 van 1993), regstreeks ten laste van die Nasionale Inkomstefonds kom</b>
<b>Salary of President</b>	552	552							552 <sup>a</sup>	552	<b>Salaris van President</b>
<b>Total estimated expenditure</b>	<b>24 301</b>	<b>26 657</b>	<b>160</b>	<b>840</b>					<b>24 461</b>	<b>27 497</b>	<b>Totale beraamde uitgawe</b>
<b>Increase</b>											<b>Toename</b>
<b>Decrease</b>	2 356		680						3 036		<b>Afname</b>

<sup>a</sup> Includes R115 000 car allowance.

<sup>a</sup> Sluit R115 000 motortoelae in.

**Vote 2**  
**Begrotingspos 2**

**Uitvoerende Adjunkpresident**

AIM: To enable the Executive Deputy President to fulfil his constitutional and other functions

DOEL: Om die Uitvoerende Adjunkpresident in staat te stel om sy grondwetlike en ander funksies te vervul

Accounting officer: Director-General: Office of the Executive Deputy President

Rekenpligtige beampte: Direkteur-generaal: Kantoor van die Uitvoerende Adjunkpresident

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>1 Administration</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	<b>1 Administrasie</b>
<b>2 Auxiliary and associated services</b>	12 321	9 745	280	500					12 601	10 245	<b>2 Ondersteunende en verwante dienste</b>
	3 136	2 798	100	100					3 236	2 898	
<b>AMOUNT TO BE VOTED</b>	15 457	12 543	380	600					15 837	13 143	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
<b>Amount forming a direct charge on the National Revenue Fund in terms of sec. 4(a) of the Remuneration and Allowances of Executive Deputy Presidents, Ministers and Deputy Ministers Act, 1994 (Act 53 of 1994) Salary of Executive Deputy President</b>	480	480							480a	480	<b>Bedrag wat ingevolge art. 4(a) van die Wet op die Besoldiging en Toelae van Uitvoerende Adjunkpresident, Ministers en Adjunkministers, 1994 (Wet 53 van 1994), regstreeks ten laste van die Nasionale Inkomstefonds kom Salaris van Uitvoerende Adjunkpresident</b>
<b>Total estimated expenditure</b>	15 937	13 023	380	600					16 317	13 623	<b>Totale beraamde uitgawe</b>
<b>Increase</b>	2 914								2 694		<b>Toename</b>
<b>Decrease</b>			220								<b>Afname</b>

a Includes R80 000 car allowance.

a Sluit R80 000 motortoelae in.

**Vote 3**  
**Begrotingspos 3**

**Executive Deputy President from the Largest Minority Party**  
**Uitvoerende Adjunkpresident vanuit die Grootste Minderheidsparty**

AIM: To enable the Executive Deputy President from the Largest Minority Party and the Minister for General Services to fulfil their constitutional and other functions

Accounting officer: Head: Office of the Executive Deputy President from the Largest Minority Party

DOEL: Om die Uitvoerende Adjunkpresident vanuit die Grootste Minderheidsparty en die Minister Algemene Dienste in staat te stel om hul grondwetlike en ander funksies te vervul

Rekenpligtige beampte: Hoof: Kantoor van die Uitvoerende Adjunkpresident vanuit die Minderheidsparty

Presentation according to programmes	Current Lepend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lepend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>		5 144		212							<b>1 Administrasie</b>
<b>2 Auxiliary and associated services</b>		5 320		15							<b>2 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>		10 464		227							<b>BEDRAG WAT BEWILLIG MOET WORD</b>
<b>Amount forming a direct charge on the National Revenue Fund in terms of sec. 4(a) of the Remuneration and Allowances of Executive Deputy Presidents, Ministers and Deputy Ministers Act, 1994 (Act 53 of 1994)</b>											<b>Bedrag wat ingevolge art. 4(a) van die Wet op die Besoldiging en Toelae van Uitvoerende Adjunkpresidente, Ministers en Adjunkministers, 1994 (Wet 53 van 1994), regstreeks ten laste van die Nasionale Inkomstefonds kom</b>
<b>Salary of Executive Deputy President</b>		480								480	<b>Salaris van Uitvoerende Adjunkpresident</b>
<b>Total estimated expenditure</b>		10 944		227					a	11 171	<b>Totale beraamde uitgawe</b>
<b>Increase</b>											<b>Toename</b>
<b>Decrease</b>	10 944		227						11 171		<b>Afname</b>

a Non-recurring.

a Nie-herhalend.

**Vote 4**  
**Begrotingspos 4**

**Parlement**

AIM: To enable Parliament to fulfil its constitutional function

DOEL: Om die Parlement in staat te stel om sy grondwetlike funksie te vervul

Accounting officer: Secretary to Parliament a

Rekenpligte beemple: Sekretaris van die Parlement a

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	72 825	86 332	2 406	5 342	468	4 761			75 699	96 435	<b>1 Administrasie</b>
<b>2 National Assembly</b>	38 398	7 498		416	25 027	18 087			63 425	26 001	<b>2 Nasionale Vergadering</b>
<b>3 National Council of Provinces</b>	14 503	4 319		170	22 880	20 620			37 383	25 109	<b>3 Nasionale Raad van Provinsies</b>
<b>4 Constitutional Assembly</b>	1	47 077		539					1	47 616	<b>4 Grondwetlike Vergadering</b>
<b>5 Parliamentary committees</b>	18 564								18 564		<b>5 Parlementêre komitees</b>
<b>6 Parliamentary catering</b>	7 977		32						8 009		<b>6 Parlementêre versersingsdiens</b>
<b>AMOUNT TO BE VOTED</b>	<b>152 268</b>	<b>145 226</b>	<b>2 438</b>	<b>6 467</b>	<b>48 375</b>	<b>43 468</b>			<b>203 081</b>	<b>195 161</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
<b>Amounts forming a direct charge on the National Revenue Fund in terms of the Payment of Members of Parliament Act, 1994 (Act 6 of 1994)</b>											<b>Bedrae wat ingevolge die Wet op die Betaling van Parlementslede, 1994 (Wet 6 van 1994), regstreeks ten laste van die Nasionale Inkomstefonds kom</b>
<b>Salaries, allowances and other benefits of office of office-bearers and other members</b>											<b>Salarisse, toelaes en ander ampsvoordele van ampsdraers en ander lede</b>
<b>National Assembly</b>	95 205	117 256							95 205	117 256	<b>Nasionale Vergadering</b>
<b>National Council of Provinces</b>	24 089	31 702							24 089	31 702	<b>Nasionale Raad van Provinsies</b>
<b>Total estimated expenditure</b>	<b>271 562</b>	<b>294 184</b>	<b>2 438</b>	<b>6 467</b>	<b>48 375</b>	<b>43 468</b>			<b>322 375</b>	<b>344 119</b>	<b>Totale beraamde uitgawe</b>
<b>Increase</b>					4 907						<b>Toename</b>
<b>Decrease</b>	22 622		4 029						21 744		<b>Afname</b>

a Appointed in terms of sec. 31(2) of the Powers and Privileges of Parliament Act, 1963 (Act 91 of 1963).

a Aangestel ingevolge art. 31(2) van die Wet op die Bevoegdhele en Voorregte van die Parlement, 1963 (Wet 91 van 1963).



**Vote 5  
Begrotingspos 5**

**Agriculture  
Landbou**

**R776 094 000**

**5—1**

AIM: To ensure equitable access to agriculture and promote the contribution of agriculture to the development of all communities, as well as the national economy in order to enhance income, food security, employment and quality of life in a sustainable manner

Accounting officer: Director-General: Agriculture

DOEL: Om regverdige toegang tot die landbou te verseker en die bydrae van die landbou tot die ontwikkeling van alle gemeenskappe asook die nasionale ekonomie te bevorder met die doel om inkomste, voedselsekerheid, werkverskaffing en lewensgehalte volhoubaar te verseker

Rekenpligtige beampste: Direkteur-generaal: Landbou

Presentation according to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	68 775	65 738	3 798	2 351					<b>72 573</b>	68 089	<b>1 Administrasie</b>
<b>2 Agricultural financing and information services</b>	69 617	65 738	3 082	1 392	107 667	191 443	3 000	1 200	<b>183 366</b>	259 773	<b>2 Landboufinansiering en inligtings-dienste</b>
<b>3 Resource conservation and quality control</b>	84 290	68 426	30 227	34 073	5 068	5 915	1 780	5 519	<b>121 365</b>	113 933	<b>3 Hulpbronbewaring en gehaltebeheer</b>
<b>4 Veterinary services and production inputs</b>	41 229	50 116	8 170	776	351	1			<b>49 750</b>	50 893	<b>4 Veeartsenykundige dienste en produksie-insette</b>
<b>5 Agro-economic services</b>	10 917	15 406	260	297	5 333				<b>16 510</b>	15 703	<b>5 Agro-ekonomiese dienste</b>
<b>6 Auxiliary and associated services</b>	1 981	2 148	587		303 980	306 547	25 982	16 288	<b>332 530</b>	324 983	<b>6 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>	<b>276 809</b>	<b>267 572</b>	<b>46 124</b>	<b>38 889</b>	<b>422 399</b>	<b>503 906</b>	<b>30 762</b>	<b>23 007</b>	<b>776 094</b>	<b>833 374</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	9 237		7 235				7 755				Toename
Decrease					81 507				57 280		Afname

**Vote 6**  
**Begrotingspos 6**

**Arts, Culture, Science and Technology**  
**Kuns, Kultuur, Wetenskap en Tegnologie**

AIM: To deal with matters pertaining to arts, culture, science and technology and render state archives and heraldic services and state language services at national level

Accounting officer: Director-General: Arts, Culture, Science and Technology

DOEL: Om aangeleenthede rakende kuns, kultuur, wetenskap en tegnologie te behartig en 'n staatsargief- en -heraldiekdiens en staatsaaldiens op nasionale vlak te lewer

Rekenpligtige beampte: Direkteur-generaal: Kuns, Kultuur, Wetenskap en Tegnologie

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	18 150	15 286	701	529			60	50	18 911	15 865	1 Administrasie
2 Arts and culture	4 350	4 781	110	99	126 577	134 931			131 037	139 811	2 Kuns en kultuur
3 Heritage, film and international relations	5 058	3 152	95	120	114 386	76 789	1 208	1 208	120 747	81 269	3 Erfenis, film en internasionale betrekkinge
4 National archives of South Africa	13 479	13 177	95	72					13 574	13 249	4 Nasionale argief van Suid-Afrika
5 State language services	7 325	7 220	35	35	11 270	11 270			18 830	18 525	5 Staatstaaldiens
6 Science, technology, meta-information and terminology	27 135	21 481	259	255	277 326	239 950		9 152	304 720	270 838	6 Wetenskap, tegnologie, meta-inligting en terminologie
<b>AMOUNT TO BE VOTED</b>	<b>75 497</b>	<b>65 097</b>	<b>1 295</b>	<b>1 110</b>	<b>529 559</b>	<b>462 940</b>	<b>1 268</b>	<b>10 410</b>	<b>607 619</b>	<b>539 557</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	10 400		185		66 619				68 062		Toename
Decrease							9 142				Afname

AIM: To render advice on economic policy and to promote co-ordinated economic policy making

DOEL: Advieslewering oor ekonomiese beleid ter bevordering van gekoördineerde ekonomiese beleidvoering

Accounting officer: Head: Central Economic Advisory Service

Rekenpligtige beampte: Hoof: Sentrale Ekonomiese Adviesdiens

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	1 134	2 011		70					1 134	2 081	1 Administrasie
2 Economic advice	2 562	4 075							2 562	4 075	2 Ekonomiese advies
3 Regional economic development	4 317	2 738							4 317	2 738	3 Streekekonomiese ontwikkeling
AMOUNT TO BE VOTED	8 013	8 824		70					8 013	8 894	BEDRAG WAT BEWILLIG MOET WORD
Increase											Toename
Decrease	811			70						881	Afname

Presentation according to standard items			Aanbieding volgens standaarditems	
Items	1997/98	1996/97	Items	
	R'000	R'000		
A Personnel expenditure	4 441	6 665	A Personeeluitgawes	
B Administrative expenditure	406	616	B Administratiewe uitgawes	
C Stores and livestock	150	598	C Voorrade en lewende hawe	
D Equipment	50	269	D Toerusting	
E Land and buildings			E Grond en geboue	
F Professional and special services	2 905	655	F Professionele en spesiale dienste	
G Transfer payments			G Oordragbetalings	
H Miscellaneous expenditure	61	91	H Diverse uitgawes	
Amount to be voted	8 013	8 894	Bedrag wat bewillig moet word	

**Vote 8**  
**Begrotingspos 8**

**Central Statistical Service**  
**Sentrale Statistiekdiens**

**R84 910 000**

AIM: To collect, process and make statistics available in terms of Act 66 of 1976  
Accounting officer: Head: Central Statistical Service

DOEL: Om statistiek ingevolge Wet 66 van 1976 te versamel, verwerk en beskikbaar te stel  
Rekenpligtige beampste: Hoof: Sentrale Statistiekdiens

Presentation according to programmes	Current		Capital		Transfers				Total		Aanbieding volgens programme
	Lopend		Kapitaal		Current		Capital		Totaal		
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
Main divisions											Hoofindeelings
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	15 444	20 047	2 435	427					17 879	20 474	<b>1 Administrasie</b>
<b>2 Demographic and social statistics</b>	39 464	330 886	1 690	1 850					41 154	332 736	<b>2 Demografiese en maatskaplike statistiek</b>
<b>3 Economic statistics and surveys</b>	19 233	13 704	276						19 509	13 704	<b>3 Ekonomiese statistiek en opnames</b>
<b>4 Research and development</b>	6 125	5 501	98						6 223	5 501	<b>4 Navorsing en ontwikkeling</b>
<b>5 Auxiliary and associated services</b>	145	148							145	148	<b>5 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>	<b>80 411</b>	<b>370 286</b>	<b>4 499</b>	<b>2 277</b>					<b>84 910</b>	<b>372 563</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase			2 222								Toename
Decrease	289 875								287 653		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	61 948 <sup>a</sup>	298 219	A Personeeluitgawes		
B Administrative expenditure	7 680	42 668	B Administratiewe uitgawes		
C Stores and livestock	7 412	5 745	C Voorrade en lewende hawe		
D Equipment	4 499	5 657	D Toerusting		
E Land and buildings	132	1 841	E Grond en geboue		
F Professional and special services	2 435	16 897	F Professionele en spesiale dienste		
G Transfer payments			G Oordragbetalings		
H Miscellaneous expenditure	604	1 536	H Diverse uitgawes		
Amount to be voted	84 910	372 563	Bedrag wat bewillig moet word		

<sup>a</sup> includes R nil i.o. 272 supernumerary persons.  
Departmental and miscellaneous receipts: R363 000.

<sup>a</sup> R nul i.o.v. 272 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R363 000.

AIM: To promote a democratic constitutional dispensation for all tiers of government  
Accounting officer: Director-General: Constitutional Development

DOEL: Om 'n demokratiese grondwetlike bedeling vir alle vlakke van regering te bevorder  
Rekenpligtige beempte: Direkteur-generaal: Staatkundige Ontwikkeling

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	<b>Hoofindelings</b>
1 Administration	19 756	23 441	1 310	150					21 066	23 591	1 Administrasie
2 Intergovernmental relations	10 731	12 030							10 731	12 030	2 Interowerheidsverhoudinge
3 Local government affairs	41 204	38 177			600 003	930 645			641 207	968 822	3 Plaaslike regeringsaangeleenthede
4 Auxillary and associated services	1 432	1 567	1	1	8 000	10 000	160	1	9 593	11 569	4 Ondersteunende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>73 123</b>	<b>75 215</b>	<b>1 311</b>	<b>151</b>	<b>608 003</b>	<b>940 645</b>	<b>160</b>	<b>1</b>	<b>682 597</b>	<b>1 016 012</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase			1 160				159				Toename
Decrease	2 092				332 642				333 415		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000			
A Personnel expenditure	30 149 <sup>a</sup>	30 655	A Personeeluitgawes		
B Administrative expenditure	6 250	8 582	B Administratiewe uitgawes		
C Stores and livestock	1 160	1 273	C Voorrade en lewende hawe		
D Equipment	2 282	994	D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services	34 106	33 356	F Professionele en spesiale dienste		
G Transfer payments	608 163	940 646	G Oordragbetalings		
H Miscellaneous expenditure	487	506	H Diverse uitgawes		
Amount to be voted	682 597	1 016 012	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R490 702 i.r.o. 1 supernumerary person.  
Departmental and miscellaneous receipts: R377 000.

<sup>a</sup> R490 702 t.o.v. 1 oortollige persoon ingesluit.  
Departementele en diverse ontvangste: R377 000.

**Vote 10**  
**Begrotingspos 10**

**Korrektiewe Dienste**

AIM: To render correctional services by means of the appropriate detention, control, care, utilisation, development, treatment and community re-integration of prisoners and probationers in a humane, cost-effective and least restrictive manner in order to protect the community from repeated crime

DOEL: Om korrektiewe dienste te lewer deur die toepaslike aanhouding, beheer, versorging, benutting, ontwikkeling, behandeling en gemeenskapherinskakeling van gevangenes en toesiggevalle op 'n menswaardige, koste-efektiewe en mins beperkende wyse ten einde die gemeenskap teen herhaling van misdaad te beskerm

Accounting officer: Commissioner: Correctional Services

Rekenpligige beampte: Kommissaris: Korrektiewe Dienste

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Operational management	201 371	174 208	203	624					201 574	174 832	1 Operasionele bestuur
2 Incarceration	2 138 630	1 619 616	8 318	6 806					2 146 948	1 626 422	2 Aanhouding
3 Development of offenders	249 464	189 093	46 130	32 591	3 446	2 479			299 040	224 163	3 Ontwikkeling van oortreders
4 Community corrections	103 598	90 550	219	2 209					103 817	92 759	4 Gemeenskapkorreksies
5 Auxiliary and associated services	543 695	439 699	24 167	32 290			354	354	588 216	472 343	5 Ondersteunende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>3 236 758</b>	<b>2 513 166</b>	<b>79 037</b>	<b>74 520</b>	<b>3 446</b>	<b>2 479</b>	<b>354</b>	<b>354</b>	<b>3 319 595</b>	<b>2 590 519</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	723 592		4 517		967				729 076		Toename
Decrease											Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	2 719 899 <sup>a</sup>	2 119 233	A Personeeluitgawes		
B Administrative expenditure	105 206	75 428	B Administratiewe uitgawes		
C Stores and livestock	298 468	240 862	C Voorrade en lewende hawe		
D Equipment	46 483	50 267	D Toerusting		
E Land and buildings	21	33	E Grond en geboue		
F Professional and special services	113 570	75 617	F Professionele en spesiale dienste		
G Transfer payments	3 800	2 833	G Oordragbetalings		
H Miscellaneous expenditure	32 148	26 246	H Diverse uitgawes		
Amount to be voted	<b>3 319 595</b>	<b>2 590 519</b>	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R nil i.r.o. 0 supernumerary persons.  
Departmental and miscellaneous receipts: R62 599 000.

<sup>a</sup> R nil t.o.v. 0 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R62 599 000.

**Vote 11**  
**Begrotingspos 11**

**Education**  
**Onderwys**

**R5 558 923 000**

**11—1**

AIM: To develop a national framework for the promotion of education and training  
Accounting officer: Director-General: Education

DOEL: Om 'n nasionale raamwerk vir die bevordering van onderwys en opleiding te ontwikkel  
Rekenpligtige beampste: Direkteur-generaal: Onderwys

Presentation according to to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	Hoofindelings
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	54 163	48 873	4 680	265					58 843	49 138	1 Administrasie
2 Education and training systems and resources	18 910	26 061	68	105				160 000	18 978	186 166	2 Onderwys- en opleidingstelsels en -hulpbronne
3 Education and training programmes	32 921	34 200		125	140	140			33 061	34 465	3 Onderwys- en opleidingsprogramme
4 Higher education	12 172	9 452		57	5 194 251	4 695 138	237 117	512 124	5 443 540	5 216 771	4 Hoër onderwys
5 Auxiliary and associated services	4 500	6 254	1	31					4 501	6 285	5 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	122 666	124 840	4 749	583	5 194 391	4 695 278	237 117	672 124	5 558 923	5 492 825	BEDRAG WAT BEWILLIG MOET WORD
Increase			4 166		499 113				66 098		Toename
Decrease	2 174						435 007				Afname

## Vote 12

## Begrotingspos 12

Environmental Affairs and Tourism  
Omgewingsake en Toerisme

R 970 541 000

AIM: To ensure effective protection and sustainable utilisation of the environment for the benefit of everyone in the RSA

DOEL: Om effektiewe beskerming en volhoubare benutting van die omgewing tot voordeel van almal in die RSA te verseker

Accounting officer: Director-General: Environmental Affairs and Tourism

Rekenpligtige beampste: Direkteur-generaal: Omgewingsake en Toerisme

Presentation according to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	26 946	23 893	600	234					27 546	24 127	1 Administrasie
2 Environmental management	23 521	20 649	395	566	68 987	64 102	16 279	17 114	109 182	102 431	2 Omgewingsbestuur
3 Sea fisheries management and development	63 148	54 702	2 062	2 150					65 210	56 852	3 Seevisserye-bestuur en -ontwikkeling
4 Weather bureau services	47 452	44 361	7 873	5 198					55 325	49 559	4 Weerburodienste
5 Promotion of tourism	4 353	3 279	160	100	63 619	48 824			68 132	52 203	5 Bevordering van toerisme
6 Pollution Control	8 818	8 650	600	169	2 985	2 985			12 403	11 804	6 Besoedelingsbeheer
7 Auxiliary and associated services	35 535	31 799	330	1 040			28	28	35 893	32 867	7 Ondersteunende en verwante dienste
	209 773	187 333	12 020	9 457	135 591	115 911	16 307	17 142	373 691	329 843	
Less: Internal charges	3 150	3 150							3 150	3 150	Minus: Interne heffings
AMOUNT TO BE VOTED	206 623	184 183	12 020	9 457	135 591	115 911	16 307	17 142	370 541	326 693	BEDRAG WAT BEWILLIG MOET WORD
Increase	22 440		2 563		19 680				43 848		Toename
Decrease							835				Afname



AIM: To render policy advice on state finances as well as the overall utilisation of government funds, fund the Exchequer, make funds available to public authorities and institutions and administer certain pension funds

DOEL: Om beleidsadvies oor staatsfinansies en die oorhoofse aanwending van owerheidsfondse te lewer, die Skatkis te befonds, fondse aan openbare owerhede en instellings beskikbaar te stel en sekere pensioenfondse te administreer

Accounting officer: Director-General: Finance

Rekenpligtige beampte: Direkteur-generaal: Finansies

Presentation according to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totale		Aanbieding volgens programme  Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	13 897	13 274	8	31					13 905	13 305	1 Administrasie
2 Financial and economic measures	17 223	15 193	237	177	6 619	4 002			24 079	19 372	2 Finansiële en ekonomiese maatreëls
3 Exchequer financing	3 509	3 284	267						3 776	3 284	3 Skatksfinansiering
4 Fiscal transfers					478 876	1 769 974	9 502	2 845 145	488 378	4 615 119	4 Fiskale oordragte
5 Civil pensions and contributions to funds	1 121 359	1 113 885			68 430	71 438			1 189 789	1 185 323	5 Siviele pensioene en bydraes tot fondse
6 Military pensions and other benefits	13 701	13 702			113 854	104 606			127 555	118 308	6 Militêre pensioene en ander voordele
7 Provincial transfers					74 447 803	68 554 238	5 956 326	6 944 718	80 404 129	75 498 956	7 Provinsiale oordragte
8 Associated services	3 411	3 411	65	1	1	1 672			3 477	5 084	8 Verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>1 173 100</b>	<b>1 162 749</b>	<b>577</b>	<b>209</b>	<b>75 115 583</b>	<b>70 505 930</b>	<b>5 965 828</b>	<b>9 789 863</b>	<b>82 255 088</b>	<b>81 458 751</b>	<b>BEDRAG WAT BEWILIG MOET WORD</b>
Amounts forming a direct charge on the National Revenue Fund											Bedrae wat regstreeks ten laste van die Nasionale Inkomstefonds kom
Commitments i.r.o. State Debt (sec. 20 of Act 66 of 1975)											Verpligtings t.o.v. Staatskuld (art. 20 van Wet 66 van 1975)
Interest	38 549 782	33 571 857							38 549 782	33 571 857	Rente
Management	1 043 063	857 902							1 043 063	857 902	Bestuur
Cost of raising loans	5 281 408	2 843 121							5 281 408	2 843 121	Koste van aangaan van lenings
	44 874 253	37 272 880							44 874 253	37 272 880	
Less: Discount (sec. 20 of Act 66 of 1975)	5 231 408	2 827 880							5 231 408	2 827 880	Minus: Diskonto (art. 20 van Wet 66 van 1975)
	39 642 845	34 445 000							39 642 845	34 445 000	
Post Office Losses (sec. 6 of the Post Office Act, 1958 Act 44 of 1958)					358 300	358 300			358 300	358 300	Poskantoorverliese (art. 6 van die Poswet, 1958 Wet 44 van 1958)
<b>Total estimated expenditure</b>	<b>40 815 945</b>	<b>35 607 749</b>	<b>577</b>	<b>209</b>	<b>75 473 883</b>	<b>70 864 230</b>	<b>5 965 828</b>	<b>9 789 863</b>	<b>122 256 233</b>	<b>116 262 051</b>	<b>Totale beraamde uitgawe</b>
Increase	5 208 196		368		4 609 653				5 994 182		Toename
Decrease								3 824 035			Afname

**Vote 14**  
**Begrotingspos 14**

**Foreign Affairs**  
**Buitelandse Sake**

R1 289 039 000

AIM: To maintain and promote the RSA's external relations  
Accounting officer: Director-General: Foreign Affairs

DOEL: Om die RSA se buitelandse betrekkinge te handhaaf en te bevorder  
Rekenpligtige beampste: Direkteur-generaal: Buitelandse Sake

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	118 028	102 313	12 530	10 475			1	115	130 559	112 903	1 Administrasie
2 Foreign relations	907 573	773 317	59 741	58 512					967 314	831 829	2 Buitelandse betrekkinge
3 Supporting services: Foreign representation	78 370	81 135			112 794	120 726	1	1	191 165	201 862	3 Ondersteuningsdienste: Buitelandse verteenwoordiging
<b>AMOUNT TO BE VOTED</b>	<b>1 103 971</b>	<b>956 765</b>	<b>72 271</b>	<b>68 987</b>	<b>112 794</b>	<b>120 726</b>	<b>2</b>	<b>116</b>	<b>1 289 038</b>	<b>1 146 594</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Amounts forming a direct charge on the National Revenue Fund											Bedrag wat regstreeks ten laste van die Nasionale Inkomstefonds kom
Salaries and allowances of judges seconded to governments of other countries (Act 88 of 1989)					1	1			1	1	Salarisse en toelaes van regters aan regerings van ander lande gesekondeer (Wet 88 van 1989)
<b>Total estimated expenditure</b>	<b>1 103 971</b>	<b>956 765</b>	<b>72 271</b>	<b>68 987</b>	<b>112 795</b>	<b>120 727</b>	<b>2</b>	<b>116</b>	<b>1 289 039</b>	<b>1 146 595</b>	<b>Totale beraamde uitgawe</b>
Increase	147 206		3 284						142 444		Toename
Decrease					7 932		114				Afname

**Vote 15**  
**Begrotingspos 15**

**Health**  
**Gesondheid**

**R358 329 000**

**15-1**

AIM: To promote the health of all people in the RSA through a caring and effective national health system based on the primary health care approach

Accounting officer: Director-General: Health

DOEL: Om die gesondheid van alle mense in die RSA d.m.v. 'n versorgende en effektiewe nasionale gesondheidstelsel gebaseer op die primêre gesondheidsorg benadering, te bevorder

Rekenpligtige beampte: Direkteur-generaal: Gesondheid

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	44 470	43 314	801	1 267					45 271	44 581	<b>1 Administrasie</b>
<b>2 Policy and planning</b>	66 409	63 453	1 344	867	66 147	56 377	3 500	309 693	137 400	430 390	<b>2 Beleid en beplanning</b>
<b>3 Regulation, services and programmes</b>	149 881	144 838	3 305	3 678	7 242	69 752			160 428	218 268	<b>3 Regulasie, dienste en programme</b>
<b>4 Auxiliary and associated services</b>	1 986	1 655	344	269	12 700	16 350	200	250	15 230	18 524	<b>4 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>	262 746	253 260	5 794	6 081	86 089	142 479	3 700	309 943	358 329	711 763	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	9 486										Toename
Decrease			287		56 390		306 243		353 434		Afname

AIM: To protect and regulate the interests of the inhabitants of the RSA as individuals i.r.o. their status, identity and specific rights and powers and to render a supporting service

Accounting officer: Director-General: Home Affairs

DOEL: Om die belange van die inwoners van die RSA as individue t.o.v. hulle status, identiteit en bepaalde regte en bevoegdhede te beskerm en te behartig en 'n ondersteunende diens te lewer

Rekenpligtige beampste: Direkteur-generaal: Binnelandse Sake

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Hoofindelings
1 Administration	75 839	69 641	1 112	834					76 951	70 475	1 Administrasie
2 Services to citizens	238 897	176 869	67 177	2 585					306 074	179 454	2 Burgerdienste
3 Migration	107 035	102 772	2 874	5 104	82	82			109 991	107 958	3 Migrasie
4 Auxiliary and associated services	9 489	16 717	4 490	2 581	13 194	14 999	240	2	27 413	34 299	4 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	431 260	365 999	75 653	11 104	13 276	15 081	240	2	520 429	392 186	BEDRAG WAT BEWILLIG MOET WORD
Increase	65 261		64 549				238		128 243		Toename
Decrease					1 805						Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	318 487 <sup>a</sup>	291 547	A Personeeluitgawes		
B Administrative expenditure	36 683	36 852	B Administratiewe uitgawes		
C Stores and livestock	39 175	14 855	C Voorrade en lewendes hawe		
D Equipment	77 073	13 977	D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services	30 280	15 728	F Professionele en spesiale dienste		
G Transfer payments	13 516	15 083	G Oordragbetalings		
H Miscellaneous expenditure	5 215	4 144	H Diverse uitgawes		
Amount to be voted	520 429	392 186	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R nil i.r.o. 480 supernumerary persons.  
Departmental and miscellaneous receipts: R64 933 000.

<sup>a</sup> R nul t.o.v. 480 oortollige persone ingestuit.  
Departementele en diverse ontvangste: R64 933 000.



AIM: To make provision for expenditure resulting from improved conditions of service of officers and employees of the Public Service and other persons whose service dispensations are co-ordinated by the Public Service Commission and whose remuneration is paid or subsidised fully or partly by the State or who are attached to institutions which are financed fully or partly from the National Revenue Fund by way of the calculation and payment of allocations

Accounting officer: Director-General: Department of Public Service and Administration

PROGRAMME DESCRIPTION:

transfer of money from this Vote to an accounting officer of another vote, who will be accountable for the utilisation of such allocation, for financing authorised improvement of conditions of service of officers and employees of the Public Service and other persons whose service dispensations are co-ordinated by the Public Service Commission and whose remuneration is paid fully or partly from the National Revenue Fund on bases to which the Commission has assented

transfer of money from this Vote to an accounting officer of another vote, who will be accountable for the utilisation of such allocation, i.r.o. increased employers contributions to pension and provident funds and contributions to the Civil Pensions Stabilisation Account which may result from improved conditions of service of personnel whose service dispensations are co-ordinated by the Public Service Commission and whose remuneration is paid from the National Revenue Fund on bases to which the Commission has assented

transfer of money from this Vote to the Provincial Revenue Accounts

DOEL: Om voorsiening te maak vir uitgawes voortspruitend uit die verbetering van diensvoorwaardes van beampes en werknemers van die Staatsdiens en ander persone wie se diensbedelings deur die Staatsdienskommissie gekoördineer word en wie se besoldiging ten volle of gedeeltelik deur die Staat betaal of gesubsideer word of wat verbonde is aan instellings wat geheel of gedeeltelik uit die Nasionale Inkomstefonds gefinansier word deur die berekening en betaling van toekennings

Rekenpligtige beampste: Direkteur-generaal: Departement van Staatsdiens en Administrasie

PROGRAMBESKRYWING:

oordrag van geld uit hierdie Begrotingspos aan 'n rekenpligtige beampste van 'n ander begrotingspos, wat rekenpligtig sal wees vir die aanwending van sodanige toekenning, ter finansiering van goedgekeurde verbeterde diensvoorwaardes van beampes en werknemers van die Staatsdiens en ander persone wie se diensbedelings deur die Staatsdienskommissie gekoördineer word en wie se besoldiging ten volle of gedeeltelik uit die Nasionale Inkomstefonds betaal word op grondslae waartoe die Kommissie ingestem het

oordrag van geld uit hierdie Begrotingspos aan 'n rekenpligtige beampste van 'n ander begrotingspos, wat rekenpligtig sal wees vir die aanwending van sodanige toekenning, t.o.v. verhoogde werkgewersbydraes tot pensioen en voorsorgfondse en bydraes tot die Stabilisiererekening vir Siviele Pensioene wat mag voortspruit uit verbeterde diensvoorwaardes van personeel wie se diensbedelings deur die Staatsdienskommissie gekoördineer word en wie se besoldiging uit die Nasionale Inkomstefonds betaal word op grondslae waartoe die Kommissie ingestem het

oordrag van geld uit hierdie Begrotingspos aan die Provinsiale Inkomsterekenings

Vote 19  
Begrotingspos 19

Independent Complaints Directorate  
Onafhanklike Klagtes Direktooraat

R15 491 000

100

AIM: To investigate complaints of misconduct and offences allegedly committed by members of the SA Police Service (SAPS) and propose reforms to reduce the incidence of behaviour giving rise to complaints

Accounting officer: Executive Director: Independent Complaints Directorate

DOEL: Om beweerde klagtes en beweringe van wangedrag teen lede van die SA Polisie diens (SAPD) te ondersoek en aanbevelings te maak om die gedragpatrone wat aanleiding gee tot sulke beweringe en klagtes uit te skakel

Rekenpligtige beampste: Uitvoerende Direkteur: Onafhanklike Klagtes Direktooraal

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
Main divisions											Hoofindelings
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	881		168						1 049		1 Administrasie
2 Investigation of complaints	8 713		4 608						13 321		2 Onderzoek van klagtes
3 Auxiliary and associated services	786		335						1 121		3 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	10 380		5 111						15 491		BEDRAG WAT BEWILLIG MOET WORD
Increase	10 380		5 111						15 491		Toename
Decrease											Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	9 659 <sup>a</sup>		A Personeeluitgawes		
B Administrative expenditure	478		B Administratiewe uitgawes		
C Stores and livestock	110		C Voorrade en lewende hawe		
D Equipment	5 111		D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services			F Professionele en spesiale dienste		
G Transfer payments			G Oordragbetalings		
H Miscellaneous expenditure	133		H Diverse uitgawes		
Amount to be voted	15 491		Bedrag wat bewillig moet word		

<sup>a</sup> Includes R nil i.o.o. 0 supernumerary persons.  
Departmental and miscellaneous receipts: R1 000.

<sup>a</sup> R nul t.o.v. 0 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R1 000.





**Vote 21**  
**Begrotingspos 21**

**Labour**  
**Arbeid**

**R620 470 000**

**21—1**

AIM: To play a significant role in reducing unemployment, poverty and inequality through policies and programmes developed in consultation with social partners, which are aimed at improved economic efficiency and productivity, skills development and employment creation, sound labour relations, eliminating inequality and discrimination in the workplace, alleviating poverty in the workplace as well as the protection and enhancement of worker rights and benefits

DOEL: Om 'n deurslaggewende rol te speel in die vermindering van werkloosheid, armoede en ongelikheid deur beleid en programme wat ontwikkel is in samewerking met sosiale vennote, wat gemik is op verbeterde ekonomiese doeltreffendheid en produktiwiteit, vaardighedsontwikkeling en werkskepping, gesonde arbeidsverhoudinge, eliminerig van ongelikheid en diskriminasie in die werkplek, verligting van armoede in die werkplek asook die beskerming en bevordering van die werker se regte en voordele

Accounting officer: Director-General: Labour

Rekenpligtige beampste: Direkteur-generaal: Arbeid

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	88 385	90 711	10 483	10 980					<b>98 868</b>	101 691	<b>1 Administrasie</b>
<b>2 Occupational health and safety of persons</b>	25 109	24 188	889	889					<b>25 998</b>	25 077	<b>2 Beroepsgesondheid en veiligheid van persone</b>
<b>3 Social insurance</b>	12 674	13 784			7 000	7 000			<b>19 674</b>	20 784	<b>3 Bestaansversekering</b>
<b>4 Human resources development</b>	47 481	41 154	2 469	2 285	151 336	189 679			<b>201 286</b>	233 118	<b>4 Menslike hulpbronontwikkeling</b>
<b>5 Career services and special employment programmes</b>	33 616	39 563	956	492	2 864	4 027			<b>37 436</b>	44 082	<b>5 Loopbaandienste en spesiale indiens-plasingsprogramme</b>
<b>6 Labour relations</b>	86 232	92 108	3 215	1 270	99 000	78 761			<b>188 447</b>	172 139	<b>6 Arbeidsverhoudinge</b>
<b>7 Labour policy</b>	3 994	4 329	208	172					<b>4 202</b>	4 501	<b>7 Arbeidsbeleid</b>
<b>8 Auxiliary and associated services</b>	3 302	3 304	2 898	4 910	36 449	45 730	1 910	2 000	<b>44 559</b>	55 944	<b>8 Ondersteunende en verwante dienste</b>
<b>AMOUNT TO BE VOTED</b>	<b>300 793</b>	<b>309 141</b>	<b>21 118</b>	<b>20 998</b>	<b>296 649</b>	<b>325 197</b>	<b>1 910</b>	<b>2 000</b>	<b>620 470</b>	<b>657 336</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase			120								Toename
Decrease	8 348				28 548		90		36 866		Afname

**Vote 22**  
**Begrotingspos 22**

**Grondsake**

R562 954 900

AIM: To create and establish an equitable and fair land dispensation and to secure and promote the effective use of land as a resource within the context of sustainable rural development

DOEL: Om 'n billike en regverdigde grondbedeling te skep en te vestig en die doelmatige berutting van grond as 'n hulpbron binne die raamwerk van standhoudende landelike ontwikkeling te verseker en te bevorder

Accounting officer: Director-General: Land Affairs

Rekenpligtige beampste: Direkteur-generaal: Grondsake

Presentation according to to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	Hoofindelings
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	56 576	52 698	3 841	3 649					60 417	56 347	1 Administrasie
2 Surveys and land information	62 969	61 681	4 268	4 097					67 237	65 778	2 Opmetings en grondinligting
3 Restitution of land rights	13 847	19 453	300	293			50 000	95 984	64 147	115 730	3 Herstel van grondregte
4 Redistribution of land	5 757	8 307	4	12	1		316 046	320 352	321 808	328 671	4 Herverdeling van grond
5 Tenure reform	6 554	10 141	345	364			25 000		31 899	10 505	5 Besitreghervorming
6 Implementation of land reform	29 218	27 131	100	216					29 318	27 347	6 implementering van grondhervorming
7 Land use planning and development	7 664	14 256	112	112		18 000			7 776	32 368	7 Grondgebruikbeplanning en -ontwikkeling
8 Auxiliary and associated services		8 214	100	463	1	1	251	279	352	8 957	8 Ondersteuende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>182 585</b>	<b>201 881</b>	<b>9 070</b>	<b>9 206</b>	<b>2</b>	<b>18 001</b>	<b>391 297</b>	<b>416 615</b>	<b>582 954</b>	<b>645 703</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase											Toename
Decrease	19 296		136		17 999		25 318		62 749		Afname

AIM: To formulate and implement an overall mineral and energy policy in order to ensure the optimum utilisation of mineral and energy resources

Accounting officer: Director-General: Minerals and Energy

DOEL: Om 'n oorhoofse mineraal- en energiebeleid te formuleer en te implementeer ten einde die optimale benutting van mineraal- en energiebronne te verseker

Rekenpligtige beampste: Direkteur-generaal: Minerale en Energie

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	28 453	23 727	2 466	1 681					30 919	25 408	1 Administrasie
2 Promotion of mine safety and health	50 279	48 627	826	3 640					51 105	52 267	2 Bevordering van mynbouveiligheid en -gesondheid
3 Mineral development	39 675	35 585	415	412					40 090	35 997	3 Mineraalontwikkeling
4 Energy management	21 966	24 830			6 000				27 966	24 830	4 Energiebestuur
5 Associated services	186	148	407	180	453 250	472 901	203 642	47 744	657 485	520 973	5 Verwante dienste
AMOUNT TO BE VOTED	140 559	132 917	4 114	5 913	459 250	472 901	203 642	47 744	807 565	659 475	BEDRAG WAT BEWILLIG MOET WORD
Increase	7 642						155 898		148 090		Toename
Decrease			1 799		13 651						Afname

## Vote 24

## Begrotingspos 24

Public Enterprises  
Openbare Ondernemings

R17 216 000

AIM: To manage the state's interest and shareholdings in public enterprises  
Accounting officer: Head: Office for Public Enterprises

DOEL: Om die staat se belange en aandele in openbare ondernemings te bestuur  
Rekenpligtige beampste: Hoof: Kantoor vir Openbare Ondernemings

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	7 816	7 223				25 211			7 816	32 434	1 Administrasie
2 Restructuring of public enterprises	9 400	3 000							9 400	3 000	2 Herstrukturering van openbare ondernemings
AMOUNT TO BE VOTED	17 216	10 223				25 211			17 216	35 434	BEDRAG WAT BEWILLIG MOET WORD
Increase	6 993										Toename
Decrease					25 211				18 218		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000			
A Personnel expenditure	4 767 <sup>a</sup>	4 133	A Personeeluitgawes		
B Administrative expenditure	1 102	2 902	B Administratiewe uitgawes		
C Stores and livestock	85	535	C Voorrade en lewende hawe		
D Equipment	51	51	D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services	11 151	2 553	F Professionele en spesiale dienste		
G Transfer payments		25 211	G Oordragbetalings		
H Miscellaneous expenditure	80	49	H Diverse uitgawes		
Amount to be voted	17 216	35 434	Bedrag wat bewillig moet word		

<sup>a</sup> Including R nil i.r.o. 0 supernumerary persons.  
Departmental and miscellaneous receipts: R87 261 000.

<sup>a</sup> R Nul t.o.v. 0 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R87 261 000.

AIM: To advise the Minister for the Public Service and Administration on government policy i.r.o. the Public Service

DOEL: Om die Minister vir die Staatsdiens en Administrasie oor regeeringsbeleid t.o.v. die Staatsdiens te adviseer

Accounting officer: Director-General: Public Service and Administration

Rekenpligtige beampte: Direkteur-generaal: Staatsdiens en Administrasie

Presentation according to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	17 461	18 752	60	395					17 521	19 147	1 Administrasie
2 Functional assistance to the Minister	37 599	51 052	50		30	30			37 679	51 082	2 Funksionele bystand aan die Minister
3 Auxiliary and associated services	70	70			7				70	77	3 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	55 130	69 874	110	395	30	37			55 270	70 306	BEDRAG WAT BEWILLIG MOET WORD
Increase											Toename
Decrease	14 744		285		7				15 036		Afname

Presentation according to standard items		Aanbieding volgens standaarditems	
Items	1997/98 R'000	1996/97 R'000	Items
A Personnel expenditure	40 794 <sup>a</sup>	43 077	A Personeeluitgawes
B Administrative expenditure	7 349	6 812	B Administratiewe uitgawes
C Stores and livestock	1 830	1 963	C Voorrade en lewende hawe
D Equipment	750	1 052	D Toerusting
E Land and buildings			E Grond en geboue
F Professional and special services	3 889	16 765	F Professionele en spesiale dienste
G Transfer payments	30	37	G Oordragbetalings
H Miscellaneous expenditure	628	600	H Diverse uitgawes
Amount to be voted	55 270	70 306	Bedrag wat bewillig moet word

<sup>a</sup> Includes R126 000 i.r.o. 4 supernumerary persons.  
Departmental and miscellaneous receipts: R1 000.

<sup>a</sup> R126 000 t.o.v. 4 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R1 000.

**Vote 26**  
**Begrotingspos 26**

**Public Service Commission**  
**Staatsdienskommissie**

**R25 572 000**

AIM: To promote the constitutional values and principles of public administration in the Public Service

DOEL: Om die konstitusionele waardes en beginsels van publieke administrasie in die Staatsdiens te bevorder

Accounting officer: Director-General: Public Service Commission

Rekenpligtige beampte: Direkteur-generaal: Staatsdienskommissie

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Administration</b>	11 529	11 149	1	217					11 530	11 366	<b>1 Administrasie</b>
<b>2 Functional assistance to the Public Service Commission</b>	14 042	15 728							14 042	15 728	<b>2 Funksionele bystand aan die Staatsdienskommissie</b>
<b>AMOUNT TO BE VOTED</b>	25 571	26 877	1	217					25 572	27 094	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase											Toename
Decrease	1 306		216						1 522		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	20 726 <sup>a</sup>	22 079	A Personeeluitgawes		
B Administrative expenditure	2 838	2 744	B Administratiewe uitgawes		
C Stores and livestock	461	463	C Voorrade en lewende hawe		
D Equipment	271	487	D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services	956	996	F Professionele en spesiale dienste		
G Transfer payments			G Oordragbetalings		
H Miscellaneous expenditure	320	325	H Diverse uitgawes		
Amount to be voted	25 572	27 094	Bedrag wat bewillig moet word		

<sup>a</sup> includes R120 000 i.r.o. 3 supernumerary persons.  
Departmental and miscellaneous receipts: R74 000.

<sup>a</sup> R120 000 t.o.v. 3 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R74 000.

**Vote 27**  
**Begrotingspos 27**

**Public Works**  
**Openbare Werke**

**R3 097 910 000**

AIM: To provide, in accordance with prescribed standards and directives, accommodation, housing, land and infrastructural needs of national departments as well as to render associated and supporting services and to promote the National Public Works Programme

Accounting Officer: Director-General: Public Works

DOEL: Om, ooreenkomstig voorgeskrewe standarde en voorskrifte, in akkommodasie, grond- en infrastruktuurbehoefes van nasionale departemente te voorsien asook verwante ondersteunende dienste te lewer en om die Nasionale Openbare Werke-program te bevorder.

Rekenpligtige beampste: Direkteur-generaal: Openbare Werke

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Hoofindelings
1 Administration	67 226	59 391	3 200	2 474					70 426	61 865	1 Administrasie
2 Provision of buildings, structures and equipment	1 497 035	1 406 919	1 054 162	836 748		100 000			2 551 197	2 343 667	2 Voorsiening van geboue, strukture en toerusting
3 Auxilliary and associated services	405 966	356 638	6 400	6 388	58 921	54 245	5 000	113	476 287	417 384	3 Ondersteunende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>1 970 227</b>	<b>1 822 948</b>	<b>1 063 762</b>	<b>845 610</b>	<b>58 921</b>	<b>154 245</b>	<b>5 000</b>	<b>113</b>	<b>3 097 910</b>	<b>2 822 916</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	147 279		218 152				4 887		274 994		Toename
Decrease					95 324						Afname

**Vote 28**  
**Begrotingspos 28**

**SA Communication Services**  
**SA Kommunikasiediens**

**R45 903 000**

AIM: To render a co-ordinated and relevant government information and client service in order to promote meaningful involvement and dialogue between the government and all other relevant national institutions, organisations and populations nationally and internationally

Accounting officer: Head: SA Communication Service

DOEL: Om 'n gekoördineerde en relevante regeeringsinligtings- en kliëntediens te lewer ter bevordering van betekenisvolle betrokkenheid en dialoog tussen die regering en alle ander betrokke nasionale instellings, organisasies en die bevolkings, nasionaal en internasionaal

Rekenpligtige beampte: Hoof: SA Kommunikasiediens

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Corporate services	10 435	11 172		408			132	176	10 567	11 756	1 Korporatiewe dienste
2 Communication execution	19 514	20 693		89					19 514	20 782	2 Kommunikasie-uitvoering
3 Communication support	15 822	18 495		340					15 822	18 835	3 Kommunikasie-ondersteuning
<b>AMOUNT TO BE VOTED</b>	<b>45 771</b>	<b>50 360</b>		<b>837</b>			<b>132</b>	<b>176</b>	<b>45 903</b>	<b>51 373</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase											Toename
Decrease	4 589			837			44		5 470		Afname



AIM: To provide practical training and develop interventions which contribute to the improvement of the Public Service

Accounting officer: Head: SA Management Development Institute

DOEL: Om praktiese opleiding te verskaf en intervensies te ontwikkel wat bydra tot die verbetering van die Staatsdiens

Rekenpligtige beampste: Hoof: SA Instituut vir Bestuursontwikkeling

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	6 385	5 403	130	106					6 515	5 509	1 Administrasie
2 Training	7 485	38 195	30	119					7 515	38 314	2 Opleiding
3 Auxiliary and associated services	4	11	1				1	1	6	12	3 Ondersteunende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>13 874</b>	<b>43 609</b>	<b>161</b>	<b>225</b>			<b>1</b>	<b>1</b>	<b>14 036</b>	<b>43 835</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase											Toename
Decrease	29 735		64						29 799		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	10 104 <sup>a</sup>	39 854	A Personeeluitgawes		
B Administrative expenditure	1 212	1 214	B Administratiewe uitgawes		
C Stores and livestock	454	455	C Voorrade en lewende hawe		
D Equipment	511	520	D Toerusting		
E Land and buildings			E Grond en geboue		
F Professional and special services	1 591	1 628	F Professionele en spesiale dienste		
G Transfer payments	1	1	G Oordragbetalings		
H Miscellaneous expenditure	163	163	H Diverse uitgawes		
Amount to be voted	14 036	43 835	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R nil i.r.o. 0 supernumerary persons.  
Departmental and miscellaneous receipts: R1 000.

<sup>a</sup> R nul t.o.v. 0 oortollige persone ingesluit.  
Departementele en diverse ontvangste: R1 000.

**Vote 30**  
**Begrotingspos 30**

**SA National Defence Force**  
**SA Nasionale Weermag**

**R9 578 736 600**

AIM: To discourage or combat any hostile militant action, whatever its nature, against the RSA  
Accounting officer: Chief of the SA National Defence Force

DOEL: Om enige militante optrede van watter aard ook al teen die RSA te ontmoedig of te bekamp  
Rekenpligtige beampte: Hoof van die SA Nasionale Weermag

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	Hoofindelings
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>1 Command and control</b>	449 242	475 002							<b>449 242</b>	475 002	<b>1 Bevel en beheer</b>
<b>2 Landward defence</b>	3 745 557	3 542 360							<b>3 745 557</b>	3 542 360	<b>2 Landwaartse verdediging</b>
<b>3 Air defence</b>	1 921 987	2 021 619							<b>1 921 987</b>	2 021 619	<b>3 Lugwaartse verdediging</b>
<b>4 Maritime defence</b>	793 123	714 385							<b>793 123</b>	714 385	<b>4 Maritieme verdediging</b>
<b>5 Medical support</b>	798 640	1 026 729							<b>798 640</b>	1 026 729	<b>5 Mediese steun</b>
<b>6 General support</b>	455 774	421 005			181 041	191 041			<b>636 815</b>	612 046	<b>6 Algemene steun</b>
<b>7 Special Defence Account</b>					1 533 372	1 854 278			<b>1 533 372</b>	1 854 278	<b>7 Spesiale Verdedigingsrekening</b>
Total commitment authority	8 164 323	8 201 100			1 714 413	2 045 319			<b>9 878 736</b>	10 246 419	Totale verpligtingsmagtigings
Less: Estimated under-expenditure a					300 000				<b>300 000</b>		Minus: Beraamde onderbesteding a
<b>AMOUNT TO BE VOTED</b>	<b>8 164 323</b>	<b>8 201 100</b>			<b>1 414 413</b>	<b>2 045 319</b>			<b>9 578 736b</b>	10 246 419	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase											Toename
Decrease	36 777				630 906				667 683		Afname

a The commitment authority on the Special Defence Account is R1 533 372 000 against which expenditure of R1 233 372 000 is expected. R1 233 372 000 must therefore be voted on the Special Defence Account.

b Sec. 1A of the Defence Special Account Act (Act 6 of 1974) refers.

a Die verpligtingsmagtigings op die Spesiale Verdedigingsrekening is R1 533 372 000 waarteenoor besteding van R1 233 372 000 verwag word. R1 233 372 000 moet dus op die Spesiale Verdedigingsrekening bewillig word.

b Art. 1A van die Wet op Spesiale Verdedigingsrekening (Wet 6 van 1994) het betrekking.

AIM: To prevent crime, investigate offences and preserve internal safety and security

DOEL: Om misdaad te voorkom, misdrywe te ondersoek en binnelandse veiligheid en sekuriteit te handhaaf

Accounting officer: National Commissioner: South African Police Service

Rekenpligtige beampte: Nasionale Kommissaris: Suid-Afrikaanse Polisie diens

Presentation according to programmes	Current		Capital		Transfers				Total		Aanbieding volgens programme
	Lopend		Kapitaal		Current		Capital		Totaal		
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>											<b>Hoofindelings</b>
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	59 412	41 207	3 492	3 028					62 904	44 235	1 Administrasie
2 National crime prevention and response service	6 737 881	5 277 917	227 208	328 171					6 965 089	5 606 088	2 Nasionale misdaadvoorkoming en reaksie diens
3 National detective services	2 104 132	1 736 292	97 788	130 194					2 201 920	1 866 486	3 Nasionale speurdienste
4 National human resources management	408 261	348 513	4 779	7 081					413 040	355 594	4 Nasionale menslike hulpbronnbestuur
5 National support services	2 031 418	1 813 637	244 798	197 895					2 276 216	2 011 532	5 Nasionale ondersteuningsdienste
<b>AMOUNT TO BE VOTED</b>	<b>11 341 104</b>	<b>9 217 566</b>	<b>578 065</b>	<b>666 369</b>					<b>11 919 169</b>	<b>9 883 935</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	2 123 538								2 035 274		Toename
Decrease			88 304								Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	9 489 242 <sup>a</sup>	7 445 716	A Personeeluitgawes		
B Administrative expenditure	334 738	355 137	B Administratiewe uitgawes		
C Stores and livestock	760 695	655 126	C Voorrade en lewende hawe		
D Equipment	795 881	893 292	D Toerusting		
E Land and buildings	453	398	E Grond en geboue		
F Professional and special services	395 094	418 545	F Professionele en spesiale dienste		
G Transfer payments			G Oordragbetalings		
H Miscellaneous expenditure	143 066	115 721	H Diverse uitgawes		
Amount to be voted	<b>11 919 169</b>	<b>9 883 935</b>	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R nil i.r.o. 0 supernumerary persons.  
Departmental and miscellaneous receipts: R230 000 000.

<sup>a</sup> R nil i.o.v. 0 oortollige persone ingestuit.  
Departementele en diverse ontvangste: R230 000 000.



AIM: To improve the physical and mental well-being of the community by the promotion of internal sport and recreation as well as international sport and recreation relations and participation

DOEL: Om die liggaamlike en geestelike welsyn van die gemeenskap te verhoog deur die bevordering van binnelandse sport en rekreasie asook internasionale sport- en rekreasieverhoudings en deelname

Accounting officer: Director-General: Sport and Recreation

Rekenpligtige beampte: Direkteur-generaal: Sport en Rekreasie

Presentation according to programmes Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	10 711	9 632	771	870			270		11 752	10 502	1 Administrasie
2 Sport advancement	3 076	1 703	60	122	16 936	15 738			20 072	17 563	2 Sportbevordering
3 Recreation advancement	2 374	1 370	10	22	5 368	4 000			7 752	5 392	3 Rekreasiebevordering
4 Sport services	3 180	2 917	100	48	6 317	4 000	27 900	28 232	37 497	35 197	4 Sportdienste
<b>AMOUNT TO BE VOTED</b>	<b>19 341</b>	<b>15 622</b>	<b>941</b>	<b>1 062</b>	<b>28 621</b>	<b>23 738</b>	<b>28 170</b>	<b>28 232</b>	<b>77 073</b>	<b>68 654</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase	3 719				4 883				8 419		Toename
Decrease			121				62				Afname

Presentation according to standard items		Aanbieding volgens standaarditems	
Items	1997/98	1996/97	Items
	R'000	R'000	
A Personnel expenditure	11 702 <sup>a</sup>	10 310	A Personeeluitgawes
B Administrative expenditure	4 915	3 015	B Administratiewe uitgawes
C Stores and livestock	541	269	C Voorrade en lewende hawe
D Equipment	1 373	2 058	D Toerusting
E Land and buildings			E Grond en geboue
F Professional and special services	1 325	550	F Professionele en spesiale dienste
G Transfer payments	56 791	51 970	G Oordragbetalings
H Miscellaneous expenditure	426	482	H Diverse uitgawes
Amount to be voted	77 073	68 654	Bedrag wat bewillig moet word

<sup>a</sup> Includes R nil i.r.o. 0. supernumerary persons.  
Departmental and miscellaneous receipts: R185 000.

<sup>a</sup> R nul i.o.v. 0 oortollige persone ingesluit.  
Departementale en diverse ontvangste: R185 000.

**Vote 34**  
**Begrotingspos 34**

**State Expenditure**  
**Staatsbesteding**

AIM: To promote public accountability and economic efficiency in the management of the State's finances and movable property, as well as the rendering of an effective computer service

DOEL: Om openbare rekenpligtigheid en ekonomiese effektiwiteit in die bestuur van die Staat se finansies en roerende staatsgoed te bevorder asook die lewering van 'n effektiewe rekenaardiens

Accounting officer: Chief Director: Corporate Services

Rekenpligtige beampste: Hoofdirekteur: Korporatiewe Dienste

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
					Current Lopend		Capital Kapitaal				
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	
<b>Main divisions</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	25 736	35 727	182	233					25 918	35 960	1 Administrasie
2 Expenditure management	20 703	22 761	83	99					20 786	22 860	2 Bestedingsbestuur
3 Purchase management and logistics control	13 952	12 972	473	167					14 425	13 139	3 Aankoopbestuur en logistiekebeheer
4 Financial management and reporting	112 863	111 298	3 678	1 412					116 541	112 710	4 Finansiële bestuur en verslaggewing
5 Computer services	2 499	2 431	675	675	5 220	1 811	52 650	58 350	61 044	63 267	5 Rekenaardienste
6 Auxiliary and associated services	9 661	29 002	1	1	773 094	868 504		34 500	782 756	932 007	6 Ondersteunende en verwante dienste
<b>AMOUNT TO BE VOTED</b>	<b>185 414</b>	<b>214 191</b>	<b>5 092</b>	<b>2 587</b>	<b>778 314</b>	<b>870 315</b>	<b>52 650</b>	<b>92 850</b>	<b>1 021 470</b>	<b>1 179 943</b>	<b>BEDRAG WAT BEWILLIG MOET WORD</b>
Increase			2 505								Toename
Decrease	28 777				92 001		40 200		158 473		Afname

AIM: To promote the development and maintenance of an economically viable industrial structure, create conditions which are favourable and conducive to the sound development of internal and foreign trade and to protect consumer interests in the RSA

Accounting officer: Director-General: Trade and Industry

DOEL: Om die ontwikkeling en instandhouding van 'n ekonomiese lewensvatbare nywerheidsstruktuur te bevorder, toestande te skep wat gunstig en bevorderlik vir gesonde ontwikkeling van die binnelandse en buitelandse handel is en verbruikersbelange in die RSA te beskerm

Rekenpligtige beampte: Direkteur-generaal: Handel en Nywerheid

Presentation according to programmes  Main divisions	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totale		Aanbieding volgens programme  Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	36 659	31 134	3 170	3 565					39 829	34 699	1 Administrasie
2 Industrial development	54 309	32 882	1 610	324	497 915	370 580	50 769	50 365	604 603	454 151	2 Nywerheidsontwikkeling
3 Internal trade and consumer affairs	28 016	26 505	1 773	796	5 636	6 445			35 425	33 746	3 Binnelandse handel en verbruikersake
4 Foreign trade relations and export promotions	126 130	155 958	3 202	1 114	1 287 790	1 768 003			1 417 122	1 925 075	4 Buitelandse handelsbetrekkings en uitvoerbevordering
5 Regional industrial development	12 225	11 686	1 093	633	842 175	714 855			855 493	727 174	5 Streeknywerheidsontwikkeling
6 Small business development	5 571	6 709	95		83 392	80 346			89 058	87 055	6 Kleinsake-ontwikkeling
7 Associated services	6 373	5 478	368	222	251	1 182	1	1	6 993	6 883	7 Verwante dienste
AMOUNT TO BE VOTED	269 283	270 352	11 311	6 654	2 717 159	2 941 411	50 770	50 366	3 048 523	3 268 783	BEDRAG WAT BEWILLIG MOET WORD
Increase			4 657				404				Toename
Decrease	1 069				224 252				220 260		Afname

**Vote 36**  
**Begrotingspos 36**

**Transport**  
**Vervoer**

RS 356104 000

AIM: To promote efficient transport systems on national level  
Accounting officer: Director-General: Transport

DOEL: Om doeltreffende vervoerstelsels op nasionale vlak te bevorder  
Rekenpligtige beampte: Direkteur-generaal: Vervoer

Presentation according to programmes	Current		Capital		Transfers				Total		Aanbieding volgens programme
	Lopend		Kapitaal		Oordragte				Totaal		
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Hoofindelings
1 Administration	26 923	29 598	2 607	405					29 530	30 003	1 Administrasie
2 Civil aviation authority	26 410	22 622	348	6 134	1 175				27 933	28 756	2 Burgerlugvaartowerheid
3 Shipping	56 613	56 923	845	316		269			57 727	57 508	3 Skeepvaart
4 Roads	132	132			197 832		333 664	517 292	531 628	517 424	4 Paaie
5 Land transport	9 260	10 803	48	42	2 222 485	2 246 884	143 380	60 452	2 375 173	2 318 181	5 Landvervoer
6 Road traffic	74 308	70 682	17 880	36 281					92 168	106 963	6 Padvervoer
7 Research and development	18 018	18 051	50						18 068	18 051	7 Navorsing en ontwikkeling
8 Auxiliary and associated services	508	601	337	337	200 000	265 100	1 112	1 195	201 957	267 233	8 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	212 172	209 412	22 095	43 515	2 621 761	2 512 253	478 156	578 939	3 334 184	3 344 119	BEDRAG WAT BEWILLIG MOET WORD
Increase	2 760				109 508						Toename
Decrease			21 420				100 783		9 935		Afname



AIM: To ensure the availability and supply of water on a national level and promote development of forestry

DOEL: Om die beskikbaarheid en voorsiening van water op nasionale vlak te verseker en ontwikkeling van bosbou te bevorder

Accounting officer: Director-General: Water Affairs and Forestry

Rekenpligtige beampte: Direkteur-generaal: Waterwese en Bosbou

Presentation according to programmes  Main divisions	Current Lepend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme  Hoofindelings
	1997/98	1996/97	1997/98	1996/97	Current Lepend		Capital Kapitaal		1997/98	1996/97	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
1 Administration	91 591	77 778	5 004	4 605			5 300	4 443	101 895	86 826	1 Administrasie
2 Water resource assessment	56 252	47 974	5 200	8 242					61 452	56 216	2 Waterbronevaluering
3 Water resource planning	36 922	36 475	37 659	40 059					74 581	76 534	3 Waterbronbeplanning
4 Water resource development	5 384	4 451	211 396	222 089			2 000	4 531	218 780	231 071	4 Waterbronontwikkeling
5 International projects			206				58 374	40 597	58 580	40 597	5 Internasionale projekte
6 Water resource management	109 470	74 966	19 487	18 387	1	1	13 922	42 323	142 880	135 677	6 Waterbronbestuur
7 Community water supply and sanitation	395 525	387 339	714 212	1 036 288	97 000	109 630			1 206 737	1 533 257	7 Gemeenskapswatervoorsiening en sanitasie
8 Forestry	116 897	186 016	1 950	6 300	159 115	275			277 962	192 591	8 Bosbou
AMOUNT TO BE VOTED	812 041	814 999	995 114	1 335 970	256 116	109 906	79 596	91 894	2 142 867	2 352 769	BEDRAG WAT BEWILLIG MOET WORD
Increase					146 210						Toename
Decrease	2 958		340 856				12 298		209 902		Afname

Presentation according to standard items			Aanbieding volgens standaarditems		
Items	1997/98	1996/97	Items	1997/98	1996/97
	R'000	R'000		R'000	R'000
A Personnel expenditure	578 204 <sup>a</sup>	628 590	A Personeeluitgawes		
B Administrative expenditure	121 451	109 432	B Administratiewe uitgawes		
C Stores and livestock	80 555	71 038	C Voorrade en lewendende hawe		
D Equipment	34 562	42 704	D Toerusting		
E Land and buildings	1 910	7 599	E Grond en geboue		
F Professional and special services	982 017	1 286 751	F Professionele en spesiale dienste		
G Transfer payments	335 712	201 800	G Oordragbetalings		
H Miscellaneous expenditure	8 456	4 855	H Diverse uitgawes		
Amount to be voted	2 142 867	2 352 769	Bedrag wat bewillig moet word		

<sup>a</sup> Includes R30 000 000 i.r.o. 1 500 supernumerary persons.  
Departementale and miscellaneous receipts: R250 000 000.

<sup>a</sup> R30 000 000 t.o.v. 1 500 oortollige persone ingesluit.  
Departementale en diverse ontvangste: R250 000 000.

**Vote 38**  
**Begrotingspos 38**

**Welfare**  
**Welsyn**

**R98 438 000**

AIM: To develop a welfare system on national level for the development of human capacity and self-reliance of all South Africans

DOEL: Om op 'n nasionale grondslag 'n welsynsbestel vir die ontwikkeling van menslike vermoëns en selfstandigheid van alle Suid-Afrikaners te ontwikkel

Accounting officer: Director-General: Welfare

Rekenpligtige beampste: Direkteur-generaal: Welsyn

Presentation according to programmes	Current Lopend		Capital Kapitaal		Transfers Oordragte				Total Totaal		Aanbieding volgens programme
	1997/98	1996/97	1997/98	1996/97	Current Lopend		Capital Kapitaal		1997/98	1996/97	
Main divisions	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Hoofindelings
1 Administration	19 625	20 797	677	696					20 302	21 493	1 Administrasie
2 Population unit	10 719	10 996	122	144					10 841	11 140	2 Bevolkingseenheid
3 Strategic policy development and planning	5 595	5 841	208	79	9 000	11 758			14 803	17 678	3 Strategiese beleidsontwikkeling en beplanning
4 Social development	6 512	6 837	106	328	9 291	11 015			15 909	18 180	4 Maatskaplike ontwikkeling
5 Social welfare services	36 280	11 034	173	200					36 453	11 234	5 Maatskaplike welsyndienste
6 Auxiliary and associated services			120	50	10	10		60	130	120	6 Ondersteunende en verwante dienste
AMOUNT TO BE VOTED	78 731	55 505	1 406	1 497	18 301	22 783		60	98 438	79 845	BEDRAG WAT BEWILLIG MOET WORD
Increase	23 226								18 593		Toename
Decrease			91		4 482		60				Afname

## STATISTICAL TABLES

### National Budget (National Revenue Account)

<b>Table 1</b>	<b>Total revenue: Main components according to Exchequer classification</b>	<b>B.1</b>
	Main components of actual collections (1975/76 to 1995/96), a comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98 (First and Second Printed Estimates) presented on the basis of the Exchequer classification method, i.e. Inland Revenue and Customs and Excise.	
<b>Table 2</b>	<b>Total revenue: Main components according to GFS classification</b>	<b>B.5</b>
	Main components of actual collections (1975/76 to 1995/96), a comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98 (First and Second Printed Estimates) presented on a standard accounting basis (as set out in the International Monetary Fund's "Manual on Government Finance Statistics").	
<b>Table 3a</b>	<b>Total revenue: Detailed statements according to Exchequer classification</b>	<b>B.9</b>
	Detailed statements of actual collections for the period 1984/85 to 1995/96 presented on the basis of the Exchequer classification method, i.e. Inland Revenue and Customs and Excise.	
<b>Table 3b</b>	<b>Total revenue: Detailed statements according to Exchequer classification</b>	<b>B.19</b>
	Detailed comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98 (First and Second Printed Estimates) presented on the basis of the Exchequer classification method, i.e. Inland Revenue and Customs and Excise.	
<b>Table 4a</b>	<b>Total revenue: Detailed statements according to GFS classification</b>	<b>B.29</b>
	Detailed statements of actual collections for the period 1984/85 to 1995/96 presented on the GFS basis.	
<b>Table 4b</b>	<b>Total revenue: Detailed statements according to GFS classification</b>	<b>B.39</b>
	Detailed comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98 (First and Second Printed Estimates) presented on the GFS basis.	
<b>Table 5</b>	<b>Total expenditure: Budget votes and statutory amounts</b>	<b>B.49</b>
	Estimated expenditure (including statutory amounts) per budget vote for 1996/97 and 1997/98	
<b>Table 6</b>	<b>Borrowing requirement and financing of national budget</b>	<b>B.51</b>
	Actual revenue collections, expenditure, budget deficit and financing activity for the period 1974/75 to 1995/96, a comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98	
<b>Table 7a</b>	<b>National budget balances</b>	<b>B.55</b>
	Actual figures for the period 1987/88 to 1995/96, a comparison between budgeted and revised estimates for 1996/97 and budgeted figures for 1997/98	

<b>Table 7b</b>	<b>National budget balances</b>	B.57
	Information in table 7 expressed as percentages of GDP	

### **Consolidated budgets (National and Provincial Revenue Accounts)**

<b>Table 8</b>	<b>Economic classification of expenditure</b>	B.59
	Main Budget figures for the period 1994/95 to 1996/97 and projected figures for 1997/98	
<b>Table 9</b>	<b>Functional classification of expenditure</b>	B.63
	Main Budget figures for the period 1994/95 to 1996/97 and projected figures for 1997/98	
<b>Table 10</b>	<b>Economic and functional classification of expenditure</b>	B.65
	Projected figures for 1997/98	

### **Government debt**

<b>Table 11</b>	<b>Total government debt</b>	B.67
	Main components of total debt of government for the period 1968/69 to 1995/96	
<b>Table 12</b>	<b>Direct financial guarantees furnished by national government</b>	B.71
	Details of direct financial guarantees furnished by the national government	

## Explanatory notes on the statistical tables

### General remarks

The 1993 Constitution required substantial changes in the composition of South Africa's public finances at the various levels of general government. Some of these changes were already reflected in the 1994/95 national and provincial budgets and in 1995/96 further structural changes came into effect. These structural changes imply that statistics on activities of the various levels of government are not comparable from year to year. At this stage, three sets of official published data on South Africa's public finances exist, namely:

- (i) actual, audited figures for the period up to 1993/94, i.e. according to the previous constitutional dispensation;
- (ii) actual, audited figures for the 1994/95 financial year, based on the "first stage" of implementing financial and fiscal relations between the various levels of general government according to the 1993 Constitution; and
- (iii) figures from the 1995/96 financial year onwards, based on the further implementation financial and fiscal relations between the various levels of general government.

After full implementation of financial and fiscal relations between the various levels of government according to the new Constitution, statistics on the various levels of general government will again change.

This statistical annexure is an attempt to present as comprehensive and comparable as possible a picture of government finances at national level. All national budget figures (tables 1 to 7) are presented, for purposes of comparability, *on the basis of the figures from 1995/96 onwards*. On the revenue and expenditure sides of the national budget the actual, audited figures prior to 1994/95 were adjusted by:

- (i) not subtracting diversions<sup>1</sup> from revenue (income tax, general sales tax, value-added tax and payments in terms of the Customs Union Agreement) and standing allocations<sup>2</sup> (fuel levy and ordinary levy) to the former self-governing territories and TBVC states, but treating these as transfer payments to these authorities on the expenditure side;
- (ii) including "own revenue" collections of the former Own Affairs Administrations in revenue and adding equal amounts on the expenditure side as transfer payments to these authorities; and
- (iii) including income taxes on individuals<sup>3</sup> and companies, general sales tax, value-added tax, non-resident shareholders tax, stamp duties and fees and mining leases previously collected in the Revenue Accounts of the former self-governing territories and TBVC states in revenue and adding equal amounts on the expenditure side as transfer payments to these authorities.

The adjustments to the 1994/95 national budget figures are discussed in detail in chapter 3 of the March 1995 Budget Review. In summary, the 1994/95 revenue and expenditure figures were adjusted by:

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<sup>1</sup> This revenue was previously collected at national level on behalf of the former self-governing territories and TBVC states and then paid over to their respective Revenue Accounts.

<sup>2</sup> This revenue was previously collected at national level and paid over to the former self-governing territories and TBVC states. However, because they were standing allocations, they were treated as Part II revenue (i.e. they did not form part of national budget revenue (Part I)).

<sup>3</sup> For purposes of analysis historical collections of general, local, special and employees taxes were regarded as income tax on individuals.

- (i) not subtracting diversions from revenue which took place before 27 April 1994 to the former TBVC states in terms of the Customs Union Agreement and treating these as transfer payments to these authorities on the expenditure side; and
- (ii) including income taxes, general sales tax, value-added tax, non-resident shareholders tax, stamp duties and fees and mining leases previously collected in the Revenue Accounts of the former self-governing territories and TBVC states in revenue and adding equal amounts on the expenditure side as transfer payments to these authorities.

Since more than 60 per cent of total expenditure on the national budget comprises transfer payments to other levels of general government, economic and functional classifications of national budget expenditure do not present a comprehensive picture. For purposes of analysis, it would be preferable to present economic and functional classifications of the expenditure of the *general government*. This requires information on expenditure at all levels of general government and on the financing thereof by way of revenue, balances brought forward and transfer payments (mainly from the national budget). This information is not readily and timeously available – especially at the third level of general government – which makes it impossible to present consolidated general government finances when the national budget is tabled in Parliament. Historical data on general government finances are, however, published by the South African Reserve Bank in its Quarterly Bulletin and by the Central Statistical Service.

To present as comprehensive as possible a picture on government expenditure when the national budget is tabled in Parliament, a consolidation between the national budget and the provincial budgets is done.<sup>4</sup> For purposes of analysis, only the budgeted figures are shown in tables 8, 9 and 10.

#### **Treatment of RDP-related expenditure on the national budget**

The Reconstruction and Development Act (Act 7 of 1994) provided for the transfer of funds from the National Revenue Account (the national budget's contribution) to the Reconstruction and Development Programme Fund (RDP Fund) and receipts in the RDP Fund of grants and interest earned on investment of RDP Fund monies. RDP-related expenditure (including transfers to other levels of government) was appropriated in the national budget on the vote "Promoting the Reconstruction and Development Programme", and was financed by transfers from the RDP Fund back to the National Revenue Account.

The flow of funds described above implies that government's contribution to RDP-related expenditure in a specific year was, in practice, counted twice on both the revenue and expenditure sides of the National Revenue Account. To eliminate this double counting, the National Revenue Account and RDP Fund have to be consolidated. This consolidation implies that the national budget's contribution to finance RDP-related expenditure on the RDP vote is subtracted from the total estimated expenditure contained in the Printed Estimate of Expenditure. If some of the outlays are specifically to be financed through funds other than the national budget contribution received into the RDP Fund, these monies have to be included on the revenue side of the national budget in the consolidation.

Double counting in respect of the national budget contribution to the RDP Fund is eliminated and grants that finance specific programmes are taken into account on the revenue side of the national budget in this statistical annexure.

The closing of the RDP Office during 1996 implies that, from 1997/98 onwards, the Printed Estimate of Expenditure does not include any double counting of the national budget's

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<sup>4</sup> The consolidation implies that expenditure at provincial government level, financed through own revenue collections and balances brought forward, is also included. Since this consolidation includes transfer payments to extra-budgetary institutions and funds and local authorities, but not total expenditure of these entities, it does not represent all general government expenditure.

contribution to the RDP Fund. RDP-related expenditure are voted only once on the various national budget votes (including the transfers to the provinces).

### **Treatment of premium on consolidation, repurchases and "switching" of government stock**

In a continuous process of state debt management and market-making actions, existing government stock is consolidated, repurchased and switched into new government stock. In this process government may either make a capital profit, which is regarded as revenue, or earn a premium, which is in fact only a book-entry in treating the discount on government stock. If the discount on the redeemed government stock is greater than the discount on the new stock, this premium arises.<sup>5</sup> In the government's accounting system, this premium is credited to Inland Revenue ("departmental activities") in the National Revenue Account. However, since the premium does not represent an actual cash flow, it is treated here, for purposes of analysis, as (negative) loan redemptions. Total redemptions are, therefore, reduced by this premium.

### **Sources of information**

The information on the national government's finances contained in tables 1 to 7 was obtained from the following sources:

- (i) Reports of the Auditor-General on the Appropriation and Miscellaneous Accounts in respect of General Affairs (1974/75 to 1993/94);
- (ii) Reports of the Auditor-General on the Accounts of the National Government (1994/95 and 1995/96);
- (iii) Reports of the Auditor-General on the Revenue Accounts of the former self-governing territories and TBVC states;
- (iv) Printed Estimates of Revenue and Expenditure for the national budget;
- (v) Printed Estimates of Revenue for the budgets of the former self-governing territories and TBVC states;
- (vi) the Development Bank of Southern Africa; and
- (vii) Annual Statements of the Branches: Inland Revenue and Customs and Excise (previously of the Department of Finance and presently consolidated into the South African Revenue Service).

In the case of some of the former self-governing territories and TBVC states, the information included in tables 1 to 7 is either preliminary or budgeted figures. Where no information could be obtained, collections of a particular tax have been adjusted by the average growth in collections of that tax in the rest of the self-governing territories and TBVC states. For these reasons, information contained in tables 1 to 7 cannot be regarded as actual and audited.

### **National budget revenue (tables 1 to 4)**

Tables 1 and 2 summarise the detailed presentations of national budget revenue collections in tables 3 and 4. National budget revenue collections are presented according to the Exchequer classification method (i.e. per collector: Inland Revenue and Customs and Excise) in tables 1 and 3, while tables 2 and 4 contain exactly the same information, classified according to the international standard set out in the International Monetary Fund's Manual on Government Finance Statistics (GFS).

The Exchequer classification method (tables 1 and 3) reflects receipts in the National Revenue Account, after the appropriate adjustments were made to the historical figures. These receipts include:

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<sup>5</sup> When the discount on the government stock redeemed is smaller than the discount on the new stock, it is treated as part of the "cost of raising loans".

- (i) tax and non-tax revenue collections by Inland Revenue and Customs and Excise;
- (ii) recoveries of loans and advances<sup>6</sup>, as well as capital revenue (such as proceeds from sales of fixed capital assets); and
- (iii) money transferred from the RDP Fund, as explained above.

Other extraordinary receipts (transfers from the Strategic Fuel Fund and the National Supplies Procurement Fund, proceeds from the privatisation and restructuring of state assets, premiums earned on transactions in government stock, as well as transfers from the IMF Deposit Account and the Tax Reserve Account) are, by law, paid into the National Revenue Account. Details of these receipts are shown as memorandum items in Table 3, but are regarded as *financing* for purposes of analysis<sup>7</sup>.

Receipts included under (iii) are not regarded as part of national budget "ordinary revenue collections" – a definition of revenue used in past national budgetary documents. These grants are, however, included in calculating the national budget deficit and borrowing requirement.

Tables 2 and 4, which reflect national budget revenue according to the GFS classification, are presented for purposes of analysis. The GFS classification distinguishes between current revenue (tax and non-tax revenue), capital revenue<sup>8</sup> and grants. Certain receipts into the National Revenue Account are, however, not regarded as revenue and are shown as memorandum items in Table 4. These include recoveries of loans and advances, proceeds from privatisation and restructuring of state assets, transfers from the IMF Deposit Account, the Tax Reserve Account and the premiums earned on transactions in government stock.

#### **National budget expenditure per budget vote (table 5)**

Due to the recent constitutional changes, various shifts of functions between budget votes and renaming of budget votes over the years, it is not possible to present a consistent series on expenditure per budget vote. For this reason, table 5 contains only information on the 1996/97 and 1997/98 financial years.

For purposes of analysis, a *provisional* distribution of the 1997/98 drawings on Improvements of Conditions of Service is also provided. The actual distribution of these amounts has still to be determined.

#### **Borrowing requirement and financing of the national budget (table 6)**

Table 6 summarises financial activities of national government over the past twenty years on the basis of the national budget as from 1995/96 onwards. Since the same amounts are added on both the revenue and expenditure sides in adjusting the figures prior to 1994/95 for purposes of comparability, the national budget deficit is unchanged. However, the size of the national budget deficit presented here differs from that presented in budgets prior to 1995/96 because of the inclusion of "below-the-line" expenditure. In the past these typically included transfer payments to government pension funds, the Gold and Foreign Exchange Contingency Reserve Account, and standing appropriations (realised guarantee liabilities, subscription payments to the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), as well as valuation-adjustment payments to the IMF).

Since the "budget vote and statutory appropriations" figures represent the actual audited figures, they exclude unauthorised expenditure in that specific year and, for this reason, may differ from those presented in table 7. Unauthorised expenditure can only be taken into

<sup>6</sup> According to the GFS classification of revenue, these do not form part of revenue, but are regarded as "net lending".

<sup>7</sup> Up to and including the 1996/97 Budget, these receipts were included above the line as part of revenue. The budget deficits indicated in the previous Budget Reviews will thus differ from those in this Review.

<sup>8</sup> Unlike in tables 1 and 3, the transfers from the Strategic Fuel Fund and the National Supplies Procurement Fund (i.e. the sales of strategic supplies) are regarded as capital revenue according to the GFS classification method.



account once it has been authorised by Parliament, hence the item "late authorisation of expenditure" in table 6.

Under loan redemptions and financing, "short-term loans" include the net result of transactions in treasury bills, special bills and "short-dated" bills.

Under loan redemptions "long-term loans" include total transactions in government stock and bonds (i.e. repayments on maturity, consolidations, repurchases and "switching"), after subtraction of the premiums earned on transactions in government stock as described above. Long-term financing includes total transactions in government stock and bonds (i.e. financing of the budget deficit and roll-overs).

From the 1997/98 Budget onwards, transfers from the Strategic Fuel Fund and the National Supplies Procurement Fund, as well as proceeds from the privatisation and restructuring of state assets are treated as financing items.

Transfers between the former State Revenue Account, the Stabilisation Account and the Tax Reserve Account are shown in table 6 as changes in the balances of these accounts.

### **National budget balances (tables 7a and 7b)**

The main purpose of table 7a is to present the conventional, current and primary balances for the national budget, for purposes of analysis, on the basis of the 1995/96 Budget. The same information is given as percentages of GDP in table 7b. The expenditure figure and thus the conventional deficit for specific years might differ from those indicated in table 6 due to inclusion of unauthorised expenditure.

The conventional budget balance is calculated as the difference between total receipts<sup>9</sup> and total expenditure (a positive balance in the table indicates a deficit). The current budget balance is calculated as the difference between total current revenue and total current expenditure (a negative balance in the table indicates saving and a positive balance, dissaving). The primary, or non-interest, budget balance is calculated as the difference between total receipts and total non-interest expenditure.

### **Consolidated national and provincial budgets (tables 8,9 and 10)**

Tables 8 and 9 show, respectively, economic and functional classifications of the Main Budget expenditure (i.e. *excluding* additional funds made available in the Adjustments Budgets) at national and provincial government levels, while table 10 represents an economic and functional classification of projected total national and provincial government expenditure for 1997/98.

In analysing and comparing the figures from one year to another, the following important factor should be kept in mind: figures up to and including 1994/95 represent a consolidation of the national budget, the former Own Affairs Administrations, the former Provincial Administrations, the former self-governing territories and the former TBVC states. Since very little or no detail were available on the actual budgets of the former self-governing territories and TBVC states, estimates had to be obtained from the DBSA and Department of State Expenditure. Even further assumptions had to be made by CSS, who did these classifications. Since 1995/96 the figures represent a consolidation of the national budget and the new nine provincial budgets - a classification based on the actual available budgets and accordingly the most accurate version of expenditure at first and second tiers of government yet. Due to this, figures from 1995/96 onwards should not directly be compared with those before.

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<sup>9</sup> Total revenue plus certain items that are not regarded as revenue according to the GFS system, as discussed above.

**Total government debt (table 11)**

Table 11 shows the major components of government debt. The basic source of this table is the Quarterly Bulletin of the South African Reserve Bank. The 1997/98 projection was done by the Department of Finance, based on the revised national budget figures.

**Financial guarantees by government (table 12)**

The national government furnishes guarantees to various institutions. These guarantees will realise as liabilities to the state only if the institutions on whose behalf the guarantees were furnished, are unable to meet their commitments. It is not possible to determine which portion of these guarantees will, in fact, realise as liabilities to the national government and are therefore disclosed only as contingent liabilities in government's Statement of Liabilities and Financially Related Assets. Amounts drawn in respect of guarantees and interest on these amounts, if guaranteed, are disclosed.

**Note:**

Data in these spreadsheet tables have been rounded to one decimal point and some may thus not add up to the totals.



**TABLE 1**  
**TOTAL REVENUE: NATIONAL**  
**REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

R million

Source of Revenue	ACTUAL COLLECTIONS							
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
<b>Inland Revenue</b>								
Income tax:								
Gold mines	466,1	296,1	347,6	666,1	1 167,3	2 794,8	1 542,1	1 278,2
Other mines	51,6	75,2	109,0	127,4	345,5	277,0	147,0	219,6
Companies (other than mining)	1 452,6	1 568,8	1 680,6	1 549,7	1 835,0	2 418,7	3 126,0	3 681,3
Secondary tax on companies	-	-	-	-	-	-	-	-
Tax on retirement fund industry	-	-	-	-	-	-	-	-
Persons and individuals	1 394,3	1 748,3	1 954,0	2 092,0	2 054,3	2 220,6	3 367,1	4 589,7
Interest on overdue tax	4,5	6,2	6,5	6,8	6,8	7,3	8,5	14,3
Value-added tax/Sales tax	-	-	-	660,9	1 259,1	1 666,5	2 136,5	3 213,5
Non-resident shareholders' tax	90,4	84,8	92,9	110,7	165,0	305,1	332,1	250,4
Stamp duties and fees	73,1	71,4	83,3	94,9	124,4	138,8	146,1	149,9
Transfer duties	60,7	52,6	47,6	53,2	89,4	153,9	171,5	190,7
Levy on financial services	-	-	-	-	-	-	-	-
Mining leases and ownership	183,5	118,8	104,5	204,5	356,7	873,0	649,4	394,8
Interest and dividends	217,4	557,8	529,0	649,2	662,3	571,8	501,2	571,8
Other	377,1	439,7	449,1	557,8	624,7	636,3	607,5	740,8
<b>Total: Inland Revenue</b>	<b>4 371,2</b>	<b>5 019,6</b>	<b>5 403,8</b>	<b>6 773,1</b>	<b>8 690,7</b>	<b>12 063,9</b>	<b>12 734,9</b>	<b>15 294,8</b>
<b>Customs and Excise</b>								
Customs duties	352,5	323,8	302,6	370,7	453,0	735,8	1 082,2	890,5
Surcharge on imports	-	0,3	369,4	359,4	250,6	-2,8	100,4	598,3
Excise duties	616,7	832,5	871,5	978,4	1 029,2	1 267,0	1 536,1	1 686,2
Fuel levy	-	-	-	-	-	-	-	-
Ordinary levy	-	-	-	-	-	-	-	-
Miscellaneous revenue	217,5	275,3	345,9	125,6	7,6	23,6	17,8	7,1
<b>Gross total: Customs and Excise</b>	<b>1 186,7</b>	<b>1 431,8</b>	<b>1 889,4</b>	<b>1 834,1</b>	<b>1 740,4</b>	<b>2 023,6</b>	<b>2 736,4</b>	<b>3 182,0</b>
Less: Namibia: Central Revenue Fund	30,1	36,0	46,2	47,6	44,5	41,5	257,9	250,0
Customs Union Agreement	57,9	42,7	113,3	162,6	228,7	260,1	243,8	314,7
<b>Net total: Customs and Excise</b>	<b>1 098,7</b>	<b>1 353,0</b>	<b>1 729,9</b>	<b>1 623,8</b>	<b>1 467,2</b>	<b>1 722,0</b>	<b>2 234,8</b>	<b>2 617,3</b>
<b>Total ordinary revenue</b>	<b>5 469,9</b>	<b>6 372,7</b>	<b>7 133,7</b>	<b>8 397,0</b>	<b>10 158,0</b>	<b>13 785,9</b>	<b>14 969,7</b>	<b>17 912,2</b>
Grants (RDP)	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>5 469,9</b>	<b>6 372,7</b>	<b>7 133,7</b>	<b>8 397,0</b>	<b>10 158,0</b>	<b>13 785,9</b>	<b>14 969,7</b>	<b>17 912,2</b>
Items not regarded as revenue	-	-	-	-	48,1	41,2	-	-
Composition of total receipts:								
Direct taxes	3 476,8	3 797,6	4 207,0	4 571,0	5 593,7	8 038,0	8 539,9	10 054,0
Indirect taxes (net)	1 298,1	1 553,2	1 941,9	2 522,5	3 060,0	3 808,4	4 813,2	6 336,2
Other receipts	695,0	1 021,8	984,8	1 303,4	1 504,2	1 939,4	1 616,6	1 522,0

- 1) Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).
- 2) In the Exchequer, revenue collections are classified per collector, i.e. Inland Revenue and Customs and Excise.
- 3) Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.
- 4) Including non-resident tax on interest, undistributed profits tax, donations tax, estate duties, marketable securities tax, levies, recoveries of loans and advances, as well as departmental income.
- 5) Including allocations from the fuel levy to the former TBVC states, treated as Part II revenue before 1994/95.
- 6) Including allocations from the ordinary levy to the former TBVC states, treated as Part II revenue before 1994/95.
- 7) Including sales duty, which was replaced by a general sales tax in July 1978.
- 8) Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.
- 9) Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditures in a specific financial year.
- 9) These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as part of their ordinary revenue collections. In this Review, these receipts are treated as financing items.
- 11) Payments to the Central Revenue Fund of Namibia and payments in terms of the Customs Union Agreement are excluded.

**TABLE 1**  
**TOTAL REVENUE: NATIONAL**  
**REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

million								Source of Revenue
ACTUAL COLLECTIONS								
1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	
								<b>Inland Revenue</b>
								<b>Income tax:</b>
1 701,0	1 598,9	2 453,4	2 523,5	2 074,6	1 694,7	1 016,1	644,4	Gold mines
188,3	322,6	577,2	1 028,6	963,3	1 312,8	1 791,5	2 246,0	3) Other mines
3 278,6	3 820,1	4 855,3	5 113,5	5 868,8	8 236,0	11 013,3	11 870,5	3) Companies (other than mining)
-	-	-	-	-	-	-	-	Secondary tax on companies
-	-	-	-	-	-	-	-	Tax on retirement fund industry
5 764,2	7 850,9	9 078,4	10 467,7	12 686,9	14 910,4	20 008,8	24 149,6	3) Persons and individuals
21,1	29,2	54,8	62,7	73,0	113,4	163,2	237,6	Interest on overdue tax
3 921,3	5 943,6	8 156,7	9 045,8	10 313,3	13 123,0	16 752,1	18 260,7	3) Value added tax / Sales tax
272,4	256,2	357,5	416,6	425,0	394,9	435,4	429,8	3) Non-resident shareholders' tax
213,1	243,8	272,8	321,1	439,0	469,3	685,2	657,3	3) Stamp duties and fees
316,6	285,6	266,1	288,7	450,8	544,8	675,3	766,4	Transfer duty
-	-	-	-	-	-	-	-	Levy on financial services
560,1	382,0	633,4	846,2	820,1	642,4	541,3	432,5	3) Mining leases and ownership
508,8	500,8	363,4	295,0	222,3	307,9	463,7	65,8	Interest and dividends
582,2	883,5	1 020,2	1 362,8	1 497,5	1 410,7	1 534,2	2 011,3	4) Other
<b>17 327,7</b>	<b>22 117,1</b>	<b>28 089,2</b>	<b>31 772,2</b>	<b>35 814,7</b>	<b>43 160,4</b>	<b>55 080,0</b>	<b>61 771,8</b>	<b>Total: Inland Revenue</b>
								<b>Customs and Excise:</b>
1 085,0	1 337,7	1 176,0	1 367,7	1 768,9	2 466,0	2 193,8	2 502,3	Customs duties
226,0	-5,1	498,6	837,8	742,6	1 875,6	2 625,4	2 075,3	Surcharge on imports
1 782,0	1 964,6	1 926,4	1 890,8	2 183,5	2 508,8	2 842,0	3 344,5	Excise duties
-	-	-	-	692,8	2 555,6	4 080,7	4 103,8	5) Fuel levy
-	-	-	-	-	-	70,1	110,2	6) Ordinary levy
-3,5	2,6	13,7	21,7	11,6	17,2	14,5	9,7	7) Miscellaneous revenue
3 089,5	3 299,8	3 614,6	4 118,0	5 399,4	9 423,1	11 826,4	12 145,9	Gross collections: Customs and Excise
250,0	250,0	300,0	350,0	350,0	394,2	447,8	111,8	Less: Namibia: Central Revenue Fund
390,8	462,5	472,1	496,9	577,3	719,8	918,0	1 689,1	8) Customs Union Agreement
<b>2 448,6</b>	<b>2 587,4</b>	<b>2 842,6</b>	<b>3 271,1</b>	<b>4 472,1</b>	<b>8 309,1</b>	<b>10 460,5</b>	<b>10 345,0</b>	<b>Total: Customs and Excise</b>
<b>19 776,3</b>	<b>24 704,5</b>	<b>30 931,7</b>	<b>35 043,3</b>	<b>40 286,8</b>	<b>51 469,5</b>	<b>65 540,6</b>	<b>72 116,8</b>	<b>Total ordinary revenue</b>
-	-	-	-	-	-	-	-	9) Grants (RDP)
<b>19 776,3</b>	<b>24 704,5</b>	<b>30 931,7</b>	<b>35 043,3</b>	<b>40 286,8</b>	<b>51 469,5</b>	<b>65 540,6</b>	<b>72 116,8</b>	<b>TOTAL RECEIPTS</b>
59,0	258,8	628,2	1 445,6	559,9	600,0	3 772,0	333,6	10) Items not regarded as revenue
11 248,5	13 916,2	17 417,6	19 654,9	22 109,2	26 671,1	34 430,7	39 580,9	Composition of total receipts
7 075,5	9 242,5	11 957,9	13 290,5	16 075,3	22 733,0	28 940,9	30 374,4	11) Direct taxes
1 452,2	1 545,8	1 556,2	2 098,0	2 102,3	2 065,4	2 168,9	2 161,5	Indirect taxes (net)
								Other receipts

1) Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).

2) In the Exchequer, revenue collections are classified per collector, i.e. Inland Revenue and Customs and Excise.

3) Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.

4) Including non-resident tax on interest, undistributed profits tax, donations tax, estate duties, marketable securities tax, levies, recoveries of loans and advances, as well as departmental income.

5) Including allocations from the fuel levy to the former TBVC states, treated as Part II revenue before 1994/95.

6) Including allocations from the ordinary levy to the former TBVC states, treated as Part II revenue before 1994/95.

7) Including sales duty, which was replaced by a general sales tax in July 1978.

8) Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.

9) Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditures in a specific financial year.

10) These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as part of their ordinary revenue collections. In this Review, these receipts are treated as financing items.

11) Payments to the Central Revenue Fund of Namibia and payments in terms of the Customs Union Agreement are excluded.

TABLE 1 (continued)  
**TOTAL REVENUE: NATIONAL  
 REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

R million

Source of Revenue	ACTUAL COLLECTIONS					1996/97		
	1991/92	1992/93	1993/94	1994/95	1995/96	Second Print	Revised Estimate	Deviation
<b>Inland Revenue</b>								
Income tax:								
Gold mines	523,7	421,5	622,5	1 172,7	893,7	865,0	605,0	-260,0
Other mines 3)	1 048,9	575,7	508,6	457,2	714,8	1 354,0	1 354,0	0,0
Companies (other than mining) 3)	12 490,8	12 126,0	10 359,3	11 961,3	14 059,0	16 385,0	18 100,0	1 715,0
Secondary tax on companies	-	-	876,7	1 303,6	1 262,2	1 000,0	1 275,0	275,0
Tax on retirement fund industry	-	-	-	-	-	2 725,0	2 400,0	-325,0
Persons and individuals 3)	29 968,9	33 833,0	37 805,3	44 972,8	51 179,3	57 975,0	57 640,0	-335,0
Interest on overdue tax	285,3	326,7	367,6	657,8	542,9	750,0	650,0	-100,0
Value-added tax/Sales tax 3)	18 791,8	17 506,1	25 449,0	29 288,4	32 768,2	36 930,0	36 150,0	-780,0
Non-resident shareholders' tax 3)	343,6	276,3	392,9	479,4	232,3	-	-	-
Stamp duties and fees 3)	712,2	760,4	846,7	942,9	1 024,8	1 040,0	1 215,0	175,0
Transfer duties	842,6	920,1	1 076,7	1 413,5	1 528,7	1 650,0	1 750,0	100,0
Levy on financial services	72,6	329,4	368,3	390,5	478,3	455,0	500,0	45,0
Mining leases and ownership 3)	325,1	187,9	295,5	224,9	217,1	77,0	108,0	31,0
Interest and dividends	77,4	240,1	745,6	536,7	1 433,2	861,4	1 897,8	1 036,4
Other 4)	1 709,2	2 286,7	2 161,4	2 073,6	1 940,3	1 629,3	2 095,8	466,5
<b>Total: Inland Revenue</b>	<b>67 192,0</b>	<b>69 790,0</b>	<b>81 876,0</b>	<b>95 875,4</b>	<b>108 274,8</b>	<b>123 696,7</b>	<b>125 740,6</b>	<b>2 043,9</b>
<b>Customs and Excise</b>								
Customs duties	2 736,1	2 961,1	3 413,4	4 247,0	5 325,9	6 230,0	6 820,0	590,0
Surcharge on imports	1 455,5	1 520,9	1 756,1	1 170,8	456,7	-	-	-
Excise duties	3 825,3	4 435,9	4 967,0	5 804,2	6 475,3	6 918,0	6 795,6	-122,4
Fuel levy 5)	5 421,3	7 083,1	7 860,2	8 351,5	8 928,0	10 360,0	10 500,0	140,0
Ordinary levy 6)	69,2	79,4	65,4	51,3	56,3	35,0	27,0	-8,0
Miscellaneous revenue 7)	60,3	83,4	12,0	137,2	330,8	100,0	149,0	49,0
<b>Gross total: Customs and Excise</b>	<b>13 567,7</b>	<b>16 163,8</b>	<b>18 074,1</b>	<b>19 762,1</b>	<b>21 572,9</b>	<b>23 643,0</b>	<b>24 291,6</b>	<b>648,6</b>
Less: Namibia: Central Revenue Fund Customs Union Agreement 8)	2 760,3	2 984,1	3 089,4	3 248,8	3 890,1	4 362,7	4 362,7	0,0
<b>Net total: Customs and Excise</b>	<b>10 807,5</b>	<b>13 179,6</b>	<b>14 984,7</b>	<b>16 513,3</b>	<b>17 682,8</b>	<b>19 280,3</b>	<b>19 928,9</b>	<b>648,6</b>
<b>Total ordinary revenue</b>	<b>77 999,5</b>	<b>82 969,6</b>	<b>96 860,7</b>	<b>112 388,7</b>	<b>125 957,6</b>	<b>142 977,0</b>	<b>145 669,5</b>	<b>2 692,5</b>
Grants (RDP) 9)	-	-	-	1,0	123,3	-	138,7	138,7
<b>Total receipts</b>	<b>77 999,5</b>	<b>82 969,6</b>	<b>96 860,7</b>	<b>112 389,7</b>	<b>126 080,9</b>	<b>142 977,0</b>	<b>145 808,3</b>	<b>2 831,3</b>
Items not regarded as revenue 10)	963,1	1 185,5	1 497,4	1 321,2	1 609,6	2 080,0	2 763,0	
Composition of total receipts:								
Direct taxes	44 661,6	47 559,4	50 933,7	61 004,7	68 884,2	81 054,0	82 024,0	970,0
Indirect taxes (net) 11)	31 541,7	33 001,6	43 191,3	49 255,1	53 482,7	59 801,3	60 186,4	385,1
Other receipts	1 796,1	2 408,6	2 735,7	2 129,8	3 714,0	2 121,7	3 597,8	1 476,2

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TABLE 1 (continued)  
TOTAL REVENUE: NATIONAL  
REVENUE ACCOUNT 1)  
According to the Exchequer classification 2)

1996/97	1997/98						Source of Revenue
	% of GDP	First Print	% change on revised 1996/97	% of GDP	Second Print	% change on revised 1996/97	
							<b>Inland Revenue</b>
							Income tax:
0,1%	800,0	32,2%	0,1%	800,0	32,2%	0,1%	Gold mines
0,2%	1 354,0	0,0%	0,2%	1 354,0	0,0%	0,2%	Other mines
3,2%	20 400,0	12,7%	3,3%	21 100,0	16,6%	3,4%	Companies (other than mining)
0,2%	1 300,0	2,0%	0,2%	1 300,0	2,0%	0,2%	Secondary tax on companies
0,4%	2 450,0	2,1%	0,4%	2 700,0	12,5%	0,4%	Tax on retirement fund industry
10,3%	66 700,0	15,7%	10,7%	65 069,0	12,9%	10,5%	Persons and individuals
0,1%	600,0	-7,7%	0,1%	700,0	7,7%	0,1%	Interest on overdue tax
6,5%	39 880,0	10,3%	6,4%	40 280,0	11,4%	6,5%	Value added tax / Sales tax
							Non-resident shareholders' tax
0,2%	1 300,0	7,0%	0,2%	1 275,0	4,9%	0,2%	Stamp duties and fees
0,3%	1 802,0	3,0%	0,3%	1 852,0	5,8%	0,3%	Transfer duty
0,1%	400,0	-20,0%	0,1%	400,0	-20,0%	0,1%	Levy on financial services
0,0%	105,0	-2,8%	0,0%	105,0	-2,8%	0,0%	Mining leases and ownership
0,3%	1 550,7	-18,3%	0,2%	1 550,7	-18,3%	0,2%	Interest and dividends
0,4%	2 010,5	-4,1%	0,3%	1 960,5	-6,5%	0,3%	Other
<b>22,5%</b>	<b>140 652,2</b>	<b>11,9%</b>	<b>22,6%</b>	<b>140 446,2</b>	<b>11,7%</b>	<b>22,6%</b>	<b>Total: Inland Revenue</b>
							<b>Customs and Excise:</b>
1,2%	6 965,0	2,1%	1,1%	7 115,0	4,3%	1,1%	Customs duties
0,0%							Surcharge on imports
1,2%	7 031,0	3,5%	1,1%	7 879,0	15,9%	1,3%	Excise duties
1,9%	10 795,0	2,8%	1,7%	11 595,0	10,4%	1,9%	Fuel levy
0,0%	28,0	3,7%	0,0%	28,0	3,7%	0,0%	Ordinary levy
0,0%	150,0	0,7%	0,0%	150,0	0,7%	0,0%	Miscellaneous revenue
4,3%	24 969,0	2,8%	4,0%	26 767,0	10,2%	4,3%	Gross collections: Customs and Excise
0,8%	5 237,2	20,0%	0,8%	5 237,2	20,0%	0,8%	Less: Namibia: Central Revenue Fund Customs Union Agreement
<b>3,6%</b>	<b>19 731,8</b>	<b>-1,0%</b>	<b>3,2%</b>	<b>21 529,8</b>	<b>8,0%</b>	<b>3,5%</b>	<b>Total: Customs and Excise</b>
<b>26,0%</b>	<b>160 384,0</b>	<b>10,1%</b>	<b>25,8%</b>	<b>161 976,0</b>	<b>11,2%</b>	<b>26,0%</b>	<b>Total ordinary revenue</b>
0,0%							Grants (RDP)
<b>26,0%</b>	<b>160 384,0</b>	<b>10,0%</b>	<b>25,8%</b>	<b>161 976,0</b>	<b>11,1%</b>	<b>26,0%</b>	<b>TOTAL RECEIPTS</b>
	1 450,0			1 966,0			Items not regarded as revenue
							Composition of total receipts
14,6%	93 604,0	14,1%	15,0%	93 023,0	13,4%	15,0%	Direct taxes
10,7%	63 783,6	6,0%	10,3%	65 956,6	9,6%	10,6%	Indirect taxes (net)
0,6%	2 996,4	-16,7%	0,5%	2 996,4	-16,7%	0,5%	Other receipts

Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).

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Including non-resident tax on interest, undistributed profits tax, donations tax, estate duties, marketable securities tax, levies, recoveries of loans and advances, as well as departmental income.

Including allocations from the fuel levy to the former TBVC states, treated as Part II revenue before 1994/95.

Including allocations from the ordinary levy to the former TBVC states, treated as Part II revenue before 1994/95.

Including sales duty, which was replaced by a general sales tax in July 1978.

Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.

Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditures in a specific financial year.

These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as part of their ordinary revenue collections. In this Review, these receipts are treated as financing items.

Payments to the Central Revenue Fund of Namibia and payments in terms of the Customs Union Agreement are excluded.

**TABLE 2**  
**TOTAL REVENUE: NATIONAL**  
**REVENUE ACCOUNT 1)**  
 According to GFS classification 2)

R million

Source of Revenue	ACTUAL COLLECTIONS							
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
<b>1. Taxes on income and profits</b>	<b>3 476,8</b>	<b>3 797,6</b>	<b>4 207,0</b>	<b>4 571,0</b>	<b>5 593,7</b>	<b>8 038,0</b>	<b>8 539,9</b>	<b>10 054,0</b>
Persons and individuals 3)	1 394,3	1 748,3	1 954,0	2 092,0	2 054,3	2 220,6	3 367,1	4 589,7
Gold mines	466,1	296,1	347,6	666,1	1 167,3	2 794,8	1 542,1	1 278,2
Other mines 3)	51,6	75,2	109,0	127,4	345,5	277,0	147,0	219,6
Companies (other than mining) 3)	1 452,6	1 568,8	1 680,6	1 549,7	1 836,0	2 418,7	3 126,0	3 681,3
Secondary tax on companies	-	-	-	-	-	-	-	-
Tax on retirement fund industry	-	-	-	-	-	-	-	-
Other 3,4)	112,2	109,2	115,9	135,9	191,6	326,9	357,8	285,3
<b>4. Taxes on property</b>	<b>112,6</b>	<b>109,7</b>	<b>106,9</b>	<b>115,9</b>	<b>172,4</b>	<b>250,8</b>	<b>264,6</b>	<b>316,7</b>
Donations tax	1,3	1,3	1,7	1,8	1,5	2,0	2,1	2,7
Estate duty	37,9	43,3	45,4	45,5	57,9	61,3	66,8	85,3
Marketable securities tax	12,7	12,5	12,2	15,4	23,7	33,6	24,2	38,1
Transfer duties	60,7	52,6	47,6	53,2	89,4	153,9	171,5	190,7
<b>5. Domestic taxes on goods and services</b>	<b>836,6</b>	<b>1 109,5</b>	<b>1 210,9</b>	<b>1 765,2</b>	<b>2 295,0</b>	<b>2 939,6</b>	<b>3 679,1</b>	<b>4 905,2</b>
Value-added tax/sales tax 3,5)	215,8	273,4	335,6	781,9	1 260,3	1 667,1	2 136,7	3 213,6
Excise duties	616,7	832,5	871,5	978,4	1 029,2	1 267,0	1 536,1	1 686,2
of which the fuel levy	-	-	-	-	-	-	-	-
Levy on financial services	-	-	-	-	-	-	-	-
Other 6)	4,1	3,7	3,7	4,9	5,5	5,6	6,3	5,4
<b>6. Taxes on international trade and transactions</b>	<b>363,8</b>	<b>341,4</b>	<b>700,4</b>	<b>756,7</b>	<b>741,4</b>	<b>780,8</b>	<b>1 225,1</b>	<b>1 529,1</b>
Customs duties	352,5	323,8	302,6	370,7	453,0	735,8	1 082,2	890,5
Import surcharges	-	0,3	369,4	359,4	250,6	(2,8)	100,4	598,3
Other 7)	11,3	17,4	28,3	26,6	37,8	47,8	42,5	40,4
<b>7. Stamp duties and fees</b>	<b>73,1</b>	<b>71,4</b>	<b>83,3</b>	<b>94,9</b>	<b>124,4</b>	<b>138,8</b>	<b>146,1</b>	<b>149,9</b>
Less: Customs Union Agreement 8)	4 862,9	5 429,6	6 308,4	7 303,8	8 926,9	12 148,1	13 854,7	16 954,9
	88,0	78,8	159,5	210,3	273,2	301,6	501,7	564,7
<b>Total tax revenue (net)</b>	<b>4 774,8</b>	<b>5 350,9</b>	<b>6 148,9</b>	<b>7 093,5</b>	<b>8 653,8</b>	<b>11 846,5</b>	<b>13 353,1</b>	<b>16 390,2</b>
Non-tax revenue 3)	621,9	925,3	927,0	1 230,7	1 378,7	1 831,1	1 563,2	1 465,2
<b>Total current revenue</b>	<b>5 396,7</b>	<b>6 276,2</b>	<b>7 075,9</b>	<b>8 324,2</b>	<b>10 032,5</b>	<b>13 677,6</b>	<b>14 916,3</b>	<b>17 855,4</b>
Capital revenue 9)	2,6	1,7	3,4	3,4	0,5	3,0	3,4	5,1
<b>Total revenue</b>	<b>5 399,3</b>	<b>6 277,8</b>	<b>7 079,4</b>	<b>8 327,6</b>	<b>10 033,0</b>	<b>13 680,6</b>	<b>14 919,7</b>	<b>17 860,4</b>
Grants (RDP) 10)	-	-	-	-	-	-	-	-
<b>Total revenue and grants</b>	<b>5 399,3</b>	<b>6 277,8</b>	<b>7 079,4</b>	<b>8 327,6</b>	<b>10 033,0</b>	<b>13 680,6</b>	<b>14 919,7</b>	<b>17 860,4</b>
Items not regarded as revenue 11)	70,6	94,9	54,4	69,3	173,0	146,5	50,0	51,7
<b>Composition of current revenue:</b>								
Direct taxes	3 476,8	3 797,6	4 207,0	4 571,0	5 593,7	8 038,0	8 539,9	10 054,0
Indirect taxes (net)	1 298,1	1 553,2	1 941,9	2 522,5	3 060,0	3 808,4	4 813,2	6 336,2
Non-tax revenue	621,9	925,3	927,0	1 230,7	1 378,7	1 831,1	1 563,2	1 465,2

- 1) Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).
- 2) The International Monetary Fund's Manual on Government Finance Statistics was used to classify revenue collections.
- 3) Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.
- 4) Including interest on overdue income tax, non-resident shareholders tax, non-resident tax on interest and tax on undistributed profits.
- 5) Including sales duty, which was replaced by a general sales tax in July 1978.
- 6) Including levies, mining lease rights and licences, cinematographic tax and other special levies imposed since 1974/75.
- 7) Including diamond export duties, miscellaneous Customs and Excise income, as well as ordinary levy collections.
- 8) Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement. Payments to the Central Revenue Fund of Namibia up to independence are included.
- 9) Comprise proceeds from sales of fixed capital assets and strategic reserves, i.e. transfers from the National Supplies Procurement Fund and Strategic Fuel Fund.
- 10) Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditure in a specific financial year.
- 11) These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as revenue according to the GFS classification method. In this Review, these receipts are treated as financing items.



**TABLE 2**  
**TOTAL REVENUE: NATIONAL**  
**REVENUE ACCOUNT 1)**  
 According to GFS classification 2)

ACTUAL COLLECTIONS								Source of Revenue
1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	
11 248,5	13 916,2	17 417,6	19 654,9	22 109,2	26 671,1	34 430,7	39 580,9	1. Taxes on income and profits
6 764,2	7 850,9	9 078,4	10 467,7	12 666,9	14 910,4	20 008,8	24 149,6	3) Persons and individuals
1 701,0	1 598,9	2 453,4	2 523,5	2 074,6	1 694,7	1 016,1	644,4	Gold mines
188,3	322,6	577,2	1 028,6	963,3	1 312,8	1 791,5	2 246,0	3) Other mines
3 278,6	3 820,1	4 855,3	5 113,5	5 868,8	8 236,0	11 013,3	11 870,5	3) Companies, other than mining
-	-	-	-	-	-	-	-	Secondary tax on companies
-	-	-	-	-	-	-	-	Tax on retirement fund industry
316,4	323,7	453,3	521,6	535,5	517,2	601,1	670,4	3,4) Other
447,9	421,3	467,3	580,8	824,3	823,0	1 033,6	1 098,2	4. Taxes on property
3,5	4,7	3,2	3,9	5,5	3,2	4,3	6,5	Donations tax
86,9	100,4	139,4	147,3	142,6	136,5	75,9	82,0	Estate duty
40,9	30,6	58,6	141,0	225,5	138,5	278,1	243,3	Marketable securities tax
316,6	285,6	266,1	288,7	450,8	544,8	675,3	766,4	Transfer duties
5 708,3	7 913,3	10 244,9	10 959,9	13 197,2	18 196,0	23 684,1	25 722,3	5. Domestic taxes on goods and services
3 921,4	5 943,6	8 156,7	9 045,8	10 313,3	13 123,0	16 752,1	18 260,7	3,5) Value added tax / sales tax
1 782,0	1 964,6	1 926,4	1 890,8	2 876,4	5 064,4	6 922,7	7 448,3	Excise duties
-	-	-	-	692,8	2 555,6	4 080,7	4 103,8	of which the fuel levy
4,9	5,1	161,8	23,3	7,5	8,6	9,3	13,3	6) Levy on financial services
-	-	-	-	-	-	-	-	Other
1 347,0	1 376,6	1 745,0	2 275,6	2 542,1	4 358,8	4 903,7	4 697,6	6. Taxes on international trade and transactions
1 085,0	1 337,7	1 176,0	1 367,7	1 768,9	2 466,0	2 193,8	2 502,3	Customs duties
226,0	(5,1)	498,6	837,8	742,6	1 875,6	2 625,4	2 075,3	Import surcharges
36,1	44,0	70,4	70,1	30,7	17,2	84,6	119,9	7) Other
213,1	243,8	272,8	321,1	439,0	469,3	685,2	657,3	7. Stamp duties and fees
18 964,9	23 871,1	30 147,6	33 792,3	39 111,8	50 518,1	64 737,4	71 756,2	
640,8	712,5	772,1	846,9	927,3	1 114,0	1 365,8	1 800,9	8) Less: Customs Union Agreement
18 324,1	23 158,7	29 375,5	32 945,4	38 184,5	49 404,1	63 371,6	69 955,3	Total tax revenue (net)
1 388,6	1 492,6	1 493,2	1 885,8	1 876,0	2 029,5	2 081,6	2 035,0	3) Non-tax revenue
19 712,7	24 651,2	30 868,7	34 831,2	40 060,6	51 433,7	65 453,2	71 990,3	Total current revenue
11,2	6,2	6,3	1 021,5	229,9	28,6	6,0	340,2	9) Capital revenue
19 724,0	24 657,5	30 875,0	35 852,7	40 290,4	51 462,2	65 459,2	72 330,6	Total revenue
-	-	-	-	-	-	-	-	10) Grants (RDP)
19 724,0	24 657,5	30 875,0	35 852,7	40 290,4	51 462,2	65 459,2	72 330,6	Total revenue and grants
111,3	305,8	685,0	636,2	556,3	607,3	3 853,3	119,9	11) Items not regarded as revenue
11 248,5	13 916,2	17 417,6	19 654,9	22 109,2	26 671,1	34 430,7	39 580,9	Composition of current revenue:
7 075,5	9 242,5	11 957,9	13 290,5	16 075,3	22 733,0	28 940,9	30 374,4	Direct taxes
1 388,6	1 492,6	1 493,2	1 885,8	1 876,0	2 029,5	2 081,6	2 035,0	Indirect taxes (net)
-	-	-	-	-	-	-	-	Non-tax revenue

- 1) Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).
- 2) The International Monetary Fund's Manual on Government Finance Statistics was used to classify revenue collections.
- 3) Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.
- 4) Including interest on overdue income tax, non-resident shareholders tax, non-resident tax on interest and tax on undistributed profits.
- 5) Including sales duty, which was replaced by a general sales tax in July 1978.
- 6) Including levies, mining lease rights and licences, cinematographic tax and other special levies imposed since 1974/75.
- 7) Including diamond export duties, miscellaneous Customs and Excise income, as well as ordinary levy collections.
- 8) Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement. Payments to the Central Revenue Fund of Namibia up to independence are included.
- 9) Comprise proceeds from sales of fixed capital assets and strategic reserves, i.e. transfers from the National Supplies Procurement Fund and Strategic Fuel Fund.
- 10) Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditure in a specific financial year.
- 11) These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as revenue according to the GFS classification method. In this Review, these receipts are treated as financing items.

TABLE 2 (continued)  
TOTAL REVENUE: NATIONAL  
REVENUE ACCOUNT 1)  
According to GFS classification 2)

Source of Revenue	ACTUAL COLLECTIONS					1996/97		
	1991/92	1992/93	1993/94	1994/95	1995/96	Second Print	Revised Estimate	Deviation
	R million							
<b>1. Taxes on income and profits</b>	<b>44 661,6</b>	<b>47 559,4</b>	<b>50 933,7</b>	<b>61 004,7</b>	<b>68 883,8</b>	<b>81 054,0</b>	<b>82 024,0</b>	<b>970,0</b>
Persons and individuals 3)	29 968,9	33 833,0	37 805,3	44 972,8	51 179,3	57 975,0	57 640,0	-335,0
Gold mines	523,7	421,5	622,5	1 172,7	893,7	865,0	605,0	-260,0
Other mines 3)	1 048,9	575,7	508,6	457,2	714,8	1 354,0	1 354,0	0,0
Companies (other than mining) 3)	12 490,8	12 126,0	10 359,3	11 961,3	14 059,0	16 385,0	18 100,0	1 715,0
Secondary tax on companies	-	-	876,7	1 303,6	1 262,2	1 000,0	1 275,0	275,0
Tax on retirement fund industry	-	-	-	-	-	2 725,0	2 400,0	-325,0
Other 3,4)	629,3	603,1	761,4	1 137,1	774,8	750,0	650,0	-100,0
<b>4. Taxes on property</b>	<b>1 127,8</b>	<b>1 187,5</b>	<b>1 500,9</b>	<b>2 074,7</b>	<b>2 233,9</b>	<b>2 047,0</b>	<b>2 353,0</b>	<b>306,0</b>
Donations tax	6,8	18,0	39,0	104,4	61,0	47,0	48,0	1,0
Estate duty	78,7	84,9	118,3	125,3	181,3	150,0	165,0	15,0
Marketable securities tax	199,8	164,5	267,0	431,4	462,9	200,0	390,0	190,0
Transfer duties	842,6	920,1	1 076,7	1 413,5	1 528,7	1 650,0	1 750,0	100,0
<b>5. Domestic taxes on goods and services</b>	<b>28 140,9</b>	<b>29 383,2</b>	<b>38 686,1</b>	<b>43 880,0</b>	<b>48 682,7</b>	<b>54 712,0</b>	<b>53 985,1</b>	<b>-726,9</b>
Value-added tax/sales tax 3,5)	18 791,8	17 506,1	25 449,0	29 288,4	32 768,2	36 930,0	36 150,0	-780,0
Excise duties	9 246,6	11 519,1	12 827,2	14 155,7	15 403,3	17 278,0	17 295,6	17,6
of which the fuel levy	5 421,3	7 083,1	7 860,2	8 351,5	8 828,0	10 360,0	10 500,0	140,0
Levy on financial services	72,6	329,4	368,3	390,5	478,3	455,0	500,0	45,0
Other 6)	29,9	38,7	41,6	45,3	33,0	49,0	39,5	-9,5
<b>6. Taxes on international trade and transactions</b>	<b>4 321,1</b>	<b>4 644,7</b>	<b>5 246,9</b>	<b>5 606,4</b>	<b>6 169,6</b>	<b>6 385,0</b>	<b>6 996,0</b>	<b>631,0</b>
Customs duties	2 736,1	2 961,1	3 413,4	4 247,0	5 325,9	6 230,0	6 820,0	590,0
Import surcharges	1 455,5	1 520,9	1 756,1	1 170,8	456,7	-	0,0	0,0
Other 7)	129,5	162,7	77,3	188,5	387,1	135,0	176,0	41,0
<b>7. Stamp duties and fees</b>	<b>712,2</b>	<b>760,4</b>	<b>846,7</b>	<b>942,9</b>	<b>1 024,8</b>	<b>1 040,0</b>	<b>1 215,0</b>	<b>175,0</b>
	78 963,6	83 545,1	97 214,4	113 508,6	126 994,9	145 218,0	146 573,1	1 355,1
Less: Customs Union Agreement 8)	2 760,3	2 984,1	3 089,4	3 248,8	3 890,1	4 362,7	4 362,7	0,0
Total tax revenue (net)	76 203,4	80 561,0	94 125,0	110 259,8	123 104,8	140 855,3	142 210,4	1 355,1
Non-tax revenue 3)	1 662,3	2 197,9	2 548,3	1 912,8	2 698,1	1 936,3	3 313,4	1 377,2
Total current revenue	77 865,6	82 758,9	96 673,3	112 172,7	125 802,8	142 791,6	145 523,9	2 732,3
Capital revenue 9)	834,0	1 104,9	1 434,9	15,5	1 359,1	1 896,4	1 611,4	-285,0
<b>Total revenue</b>	<b>78 699,6</b>	<b>83 863,7</b>	<b>98 108,2</b>	<b>112 188,2</b>	<b>127 161,9</b>	<b>144 688,0</b>	<b>147 135,3</b>	<b>2 447,3</b>
Grants (RDP) 10)	-	-	-	1,0	123,3	-	138,7	138,7
<b>Total revenue and grants</b>	<b>78 699,6</b>	<b>83 863,7</b>	<b>98 108,2</b>	<b>112 189,2</b>	<b>127 285,2</b>	<b>144 688,0</b>	<b>147 274,0</b>	<b>2 586,0</b>
Items not regarded as revenue 11)	263,0	291,4	249,9	1 521,6	405,2	369,0	1 237,3	868,3
Composition of current revenue:								
Direct taxes	44 661,6	47 559,4	50 933,7	61 004,7	68 883,8	81 054,0	82 024,0	970,0
Indirect taxes (net)	31 541,7	33 001,6	43 191,3	49 255,1	54 221,0	59 801,3	60 186,4	385,1
Non-tax revenue	1 662,3	2 197,9	2 548,3	1 912,8	2 698,1	1 936,3	3 313,4	1 377,2

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TABLE 2 (continued)  
TOTAL REVENUE: NATIONAL  
REVENUE ACCOUNT 1)  
According to GFS classification 2)

1996/97	1997/98						Source of Revenue
	% of GDP	First Print	% change on revised 1996/97	% of GDP	Second Print	% change on revised 1996/97	
14,6%	93 604,0	14,1%	15,0%	93 023,0	13,4%	15,0%	1. Taxes on income and profits
10,3%	66 700,0	15,7%	10,7%	65 069,0	12,9%	10,5%	3) Persons and individuals
0,1%	800,0	32,2%	0,1%	800,0	32,2%	0,1%	Gold mines
0,2%	1 354,0	0,0%	0,2%	1 354,0	0,0%	0,2%	3) Other mines
3,2%	20 400,0	12,7%	3,3%	21 100,0	16,6%	3,4%	3) Companies, other than mining
0,2%	1 300,0	2,0%	0,2%	1 300,0	2,0%	0,2%	Secondary tax on companies
	2 450,0	2,1%	0,4%	2 700,0	12,5%	0,4%	Tax on retirement fund industry
0,1%	600,0	-7,7%	0,1%	700,0	7,7%	0,1%	3,4) Other
0,4%	2 432,0	3,4%	0,4%	2 432,0	3,4%	0,4%	4. Taxes on property
0,0%	35,0	-27,1%	0,0%	35,0	-27,1%	0,0%	Donations tax
0,0%	195,0	18,2%	0,0%	195,0	18,2%	0,0%	Estate duty
0,1%	400,0	2,6%	0,1%	350,0	-10,3%	0,1%	Marketable securities tax
0,3%	1 802,0	3,0%	0,3%	1 852,0	5,8%	0,3%	Transfer duties
9,6%	58 145,8	7,7%	9,3%	60 193,8	11,5%	9,7%	5. Domestic taxes on goods and services
6,5%	39 880,0	10,3%	6,4%	40 280,0	11,4%	6,5%	3,5) Value added tax / sales tax
3,1%	17 826,0	3,1%	2,9%	19 474,0	12,6%	3,1%	Excise duties
1,9%	10 795,0	2,8%	1,7%	11 595,0	10,4%	1,9%	of which the fuel levy
0,1%	400,0	-20,0%	0,1%	400,0	-20,0%	0,1%	Levy on financial services
0,0%	39,8	0,8%	0,0%	39,8	0,8%	0,0%	6) Other
1,2%	7 143,0	2,1%	1,1%	7 293,0	4,2%	1,2%	6. Taxes on international trade and transactions
1,2%	6 965,0	2,1%	1,1%	7 115,0	4,3%	1,1%	Customs duties
0,0%							Import surcharges
0,0%	178,0	1,1%	0,0%	178,0	1,1%	0,0%	7) Other
0,2%	1 300,0	7,0%	0,2%	1 275,0	4,9%	0,2%	7. Stamp duties and fees
26,2%	162 624,8	11,0%	26,1%	164 216,8	12,0%	26,4%	
0,8%	5 237,2	20,0%	0,8%	5 237,2	20,0%	0,8%	8) Less: Customs Union Agreement
25,4%	157 387,6	10,7%	25,3%	158 979,6	11,8%	25,6%	Total tax revenue (net)
0,6%	2 820,7	-14,9%	0,5%	2 820,7	-14,9%	0,5%	3) Non-tax revenue
26,0%	160 208,3	10,1%	25,8%	161 800,3	11,2%	26,0%	Total current revenue
0,3%	1 258,4	-21,9%	0,2%	1 258,4	-21,9%	0,2%	9) Capital revenue
26,3%	161 466,7	9,7%	26,0%	163 058,7	10,8%	26,2%	Total revenue
0,0%							10) Grants (RDP)
26,3%	161 466,7	9,6%	26,0%	163 058,7	10,7%	26,2%	Total revenue and grants
	367,3			883,3			11) Items not regarded as revenue
14,6%	93 604,0	14,1%	15,0%	93 023,0	13,4%	15,0%	Composition of current revenue:
10,7%	63 783,6	6,0%	10,3%	65 956,6	9,6%	10,6%	Direct taxes
0,6%	2 820,7	-14,9%	0,5%	2 820,7	-14,9%	0,5%	Indirect taxes (net)
							Non-tax revenue

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2) The International Monetary Fund's Manual on Government Finance Statistics was used to classify revenue collections.

3) Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.

4) Including interest on overdue income tax, non-resident shareholders tax, non-resident tax on interest and tax on undistributed profits.

5) Including sales duty, which was replaced by a general sales tax in July 1978.

6) Including levies, mining lease rights and licences, cinematographic tax and other special levies imposed since 1974/75.

7) Including diamond export duties, miscellaneous Customs and Excise income, as well as ordinary levy collections.

8) Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement. Payments to the Central Revenue Fund of Namibia up to independence are included.

9) Comprise proceeds from sales of fixed capital assets and strategic reserves, i.e. transfer from the National Supplies Procurement Fund and Strategic Fuel Fund.

10) Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditure in a specific financial year.

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TABLE 3a  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>INLAND REVENUE:</b>						
Income tax:						
Gold mines	1 598 923	2 453 442	2 523 482	2 074 632	1 694 670	1 016 072
Diamond mines	541	726	27 596	98 216	458	10 715
Other mines	3) 322 038	576 470	1 001 008	865 132	1 312 365	1 780 806
Persons and individuals	3) 7 850 900	9 078 377	10 487 750	12 666 880	14 910 393	20 008 790
Companies (other than mining)	3) 3 820 090	4 855 334	5 113 476	5 868 829	8 236 045	11 013 255
Secondary tax on companies	-	-	-	-	-	-
Tax on retirement fund industry	-	-	-	-	-	-
Interest on overdue tax	29 208	54 784	62 692	72 974	113 407	183 191
	13 621 701	17 019 133	19 196 004	21 646 642	26 287 337	33 992 629
Value-added tax/Sales tax	3) 5 943 558	8 156 726	9 045 809	10 313 329	13 123 032	16 752 099
Other taxes:						
Non-resident shareholders' tax	3) 256 233	357 466	416 614	425 031	394 927	435 371
Non-resident tax on interest	3) 36 418	38 197	37 081	35 480	7 162	1 691
Undistributed profits tax	1 821	2 839	5 168	2 057	1 661	858
Donations tax	4 721	3 180	3 852	5 473	3 223	4 330
Estate duty	100 383	139 360	147 279	142 608	136 453	75 907
Marketable securities tax	30 625	58 614	140 968	225 457	139 536	278 073
Stamp duties and fees	3) 243 793	272 764	321 093	439 010	489 274	685 218
Transfer duties	285 580	266 095	288 720	450 779	544 779	675 333
Levy on financial services	-	-	-	-	-	-
Other	4) 6	154 548	15 761	35	-	-
	959 580	1 293 065	1 376 533	1 725 927	1 696 015	2 156 781
Mining leases and ownership:						
Gold mines	374 871	599 314	655 409	550 522	481 867	327 028
Diamond mines	2 200	1 578	105 978	34 320	42 040	29 379
Other mines	3) 4 898	32 548	84 801	235 211	118 479	184 855
	381 969	633 439	846 188	820 054	642 386	541 262
Interest and dividends:						
Interest:						
Border area development	2 767	3 065	3 668	4 271	4 466	3 669
Broadcasting	1 285	1 355	1 343	1 311	1 269	1 206
Farming industry	204	7 142	14 141	7 130	14 001	14 050
State land	1 091	3 383	939	1 482	396	309
Transport	441 135	295 029	156 056	164 067	120 183	135 718
Communication	21 569	20 775	19 913	16 076	20 817	16 912
Local loans	135	8 665	991	1 389	2 952	5 629
Cash balances	391	1 045	773	677	1 133	1 797
Exchequer deposits	-	-	-	-	-	-
Corporation for Public Deposits	-	-	-	-	-	-
Other	29 766	20 651	30 080	21 809	11 312	41 492

TABLE 3a  
TOTAL REVENUE:  
NATIONAL REVENUE ACCOUNT 1)  
According to the Exchequer classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
644 367	523 709	421 502	622 492	1 172 675	893 680	<b>INLAND REVENUE:</b>
24 211	21 008	55 077	13 270	35 698	17 942	Income tax:
2 221 767	1 027 873	520 600	495 341	421 528	696 833	Gold mines
24 149 637	29 968 889	33 833 027	37 805 278	44 972 795	51 179 289	Diamond mines
11 870 475	12 490 833	12 126 047	10 359 264	11 961 336	14 058 998	Other mines
-	-	-	876 675	1 303 595	1 262 242	Persons and individuals
237 615	285 326	326 676	367 627	657 799	542 927	Companies (other than mining)
39 148 071	44 317 639	47 292 929	50 539 948	60 525 427	68 851 911	Secondary tax on companies
18 280 701	18 791 794	17 506 058	25 448 988	29 268 397	32 768 180	Tax on retirement fund industry
429 850	343 593	276 329	392 881	479 393	232 252	Interest on overdue tax
719	38	17	378	-349	-399	
2 251	366	90	503	242	8	
6 508	6 829	17 968	38 956	104 382	60 997	
81 961	78 696	84 922	118 312	125 308	181 345	
243 288	199 756	184 508	266 967	431 450	462 924	
657 267	712 155	760 384	846 735	942 939	1 024 825	
766 441	842 559	920 126	1 076 675	1 413 515	1 528 675	
-	72 599	329 379	368 287	390 498	478 269	
2 186 284	2 256 591	2 553 724	3 109 713	3 887 376	3 968 897	
183 120	150 902	67 312	196 087	175 422	97 959	
69 823	75 660	31 297	29 918	20 565	72 982	
179 525	98 533	89 314	69 517	28 926	46 138	
432 468	325 094	187 922	295 521	224 913	217 078	
6 244	-	1 090	-	-	-	
763	-	-	-	-	-	
7 164	21 030	14 136	14 349	16 132	12 990	
734	906	2 230	2 906	1 848	1 391	
15 789	8 596	1 424	-	-	-	
1 731	3 292	19 024	23 057	25 169	16 586	
8 098	4 473	2 123	1 524	3 160	7 156	
-	-	-	414 240	309 225	779 098	
-	-	-	8 063	8 239	13 640	
23 141	37 308	83 033	30 572	35 198	123 206	

**INLAND REVENUE:**

## Income tax:

Gold mines  
Diamond mines  
Other mines  
Persons and individuals  
Companies (other than mining)  
Secondary tax on companies  
Tax on retirement fund industry  
Interest on overdue tax

## Value-added tax/Sales tax

## Other taxes:

Non-resident shareholders' tax  
Non-resident tax on interest  
Undistributed profits tax  
Donations tax  
Estate duty  
Marketable securities tax  
Stamp duties and fees  
Transfer duties  
Levy on financial services  
Other

## Mining leases and ownership:

Gold mines  
Diamond mines  
Other mines

## Interest and dividends:

## Interest:

Border area development  
Broadcasting  
Farming industry  
State land  
Transport  
Communication  
Local loans  
Cash balances  
Exchequer deposits  
Corporation for Public Deposits  
Other

TABLE 3a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Dividends:</b>						
Broadcasting	2 276	2 276	2 276	2 276	2 276	2 276
Iscor	-	-	64 857	-	64 000	240 619
Telkom	-	-	-	-	-	-
Industrial Development Corporation	-	-	-	-	-	-
Denel	-	-	-	-	-	-
Strategic Fuel Fund	-	-	-	-	-	-
Other	136	1	1	1 824	65 143	0
	<b>500 755</b>	<b>363 388</b>	<b>295 038</b>	<b>222 311</b>	<b>307 947</b>	<b>463 678</b>
<b>Levies:</b>						
Diamond export rights	41 365	56 735	48 381	19 070	16	3
Mining lease rights and licences	2 612	4 242	4 188	3 885	4 775	5 350
Licences	2 478	3 040	3 361	3 546	3 612	3 999
	<b>46 455</b>	<b>64 017</b>	<b>55 930</b>	<b>26 500</b>	<b>8 602</b>	<b>9 351</b>
<b>Recovery of loans and advances:</b>						
Communication	8 722	9 431	10 185	13 780	8 685	12 789
Local loans	1 044	1 764	198	722	-	-
SWAWEC	-	-	71 948	84 948	-51 552	13 448
Other	23 724	28 253	108 681	92 013	27 419	38 326
	<b>33 491</b>	<b>39 449</b>	<b>191 012</b>	<b>191 463</b>	<b>-15 248</b>	<b>64 563</b>
<b>Departmental activities:</b>						
<b>Sale of products:</b>						
Agriculture and forestry	61 789	1 870	1 694	1 886	2 451	2 298
Other	5 523	11 913	15 098	17 352	20 282	19 184
Sale of capital equipment	317	17	22	181	6	784
<b>State property rights:</b>						
Leasing and property rights money	35 756	35 628	44 173	47 809	53 206	70 008
Sale of state-owned land, buildings and structures	5 919	6 312	9 465	21 685	28 588	5 253
Revenue from Trust property	-	-	-	-	-	-
<b>Monies prescribed by law:</b>						
Registration and inspection fees	6 880	6 642	8 733	12 565	13 782	18 038
Fines and forfeitures	5 337	35 277	37 780	46 620	58 839	65 331
Witness fees	20	36	28	32	32	34
Pension contributions	2 679	2 858	3 213	3 791	2 520	2 513
Other	83 035	64 877	50 780	50 850	61 608	102 759
<b>Monies not prescribed by law:</b>						
Leasing	528	1 425	716	758	674	403
Domestic services	5 164	5 709	5 378	8 149	6 452	8 254
Profits on trading accounts	49 227	66 171	67 012	86 773	186 841	164 975
Commission	5 688	8 623	8 800	11 710	12 411	14 666
Other	33 256	24 270	44 173	31 747	17 999	20 751
<b>Miscellaneous revenue:</b>						
Recoveries	13 500	17 302	11 650	12 919	22 535	16 762
<b>Exchange profits/losses:</b>						
Soweto foreign loan	-	-	0	77 593	78 298	34 128
Other foreign loans	-	-	-	-	-	234
Profit on consolidation/repurchase/ "switching" of government stock	-	-	-	-	-	-
Reserve Bank profit	33 270	55 120	4 458	23 448	24 131	48 659

TABLE 3a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
2 111	1 780	1 780	1 780	1 780	1 780	Dividends:
0	0	13 285	0	0	-	Broadcasting
-	-	102 000	102 648	-	323 400	Iscoor
-	-	-	80 934	63 900	67 000	Telkom
-	-	-	60 000	60 000	70 000	Industrial Development Corporation
-	-	-	-	-	-	Denel
-	-	-	5 500	12 080	17 000	Strategic Fuel Fund
-	-	-	-	-	-	Other
<b>65 774</b>	<b>77 386</b>	<b>240 127</b>	<b>745 574</b>	<b>536 732</b>	<b>1 433 248</b>	
1	0	0	1	1	-	Levies:
5 932	21 430	29 519	31 565	34 608	18 127	Diamond export rights
7 360	8 437	9 151	10 085	10 740	14 872	Mining lease rights and licences
-	-	-	-	-	-	Licences
<b>13 293</b>	<b>29 867</b>	<b>38 670</b>	<b>41 651</b>	<b>45 348</b>	<b>32 999</b>	
13 913	15 135	10 448	-	-	-	Recovery of loans and advances:
-	8 237	16 514	17 973	20 710	14 246	Communication
6 500	14 838	14 838	14 838	14 838	6 500	Local loans
70 298	38 353	68 772	76 014	105 855	53 827	SWAWEC
-	-	-	-	-	-	Other
<b>90 711</b>	<b>76 563</b>	<b>110 571</b>	<b>108 825</b>	<b>141 403</b>	<b>74 573</b>	
2 296	3 084	4 453	990	896	45 002	Departmental activities:
30 658	41 824	53 957	117 509	116 336	85 153	Sale of products:
22	2 211	220	17	1 847	998	Agriculture and forestry
-	-	-	-	-	-	Other
78 660	102 191	114 080	100 448	108 685	124 573	Sale of capital equipment
20 807	22 547	68 542	28 801	13 670	22 375	State property rights:
-	-	53 079	-	-	-	Leasing and property rights money
-	-	-	-	-	-	Sale of state-owned land, buildings and structures
19 396	19 314	14 210	18 067	19 575	13 448	Revenue from Trust property
201 541	94 955	95 825	103 570	111 641	124 459	Monies prescribed by law:
35	43	49	50	48	39	Registration and inspection fees
5 620	2 593	2 114	2 225	3 240	4	Fines and forfeitures
56 950	139 863	163 217	110 872	85 443	61 070	Witness fees
-	-	-	-	-	-	Pension contributions
2 003	686	3 565	121	75	130	Other
8 257	7 756	24 196	30 770	24 091	31 644	Monies not prescribed by law:
145 057	178 225	199 973	227 703	157 842	173 113	Leasing
17 529	10 831	11 998	38 368	30 227	33 511	Domestic services
26 393	50 126	59 607	30 168	47 027	32 746	Profits on trading accounts
-	-	-	-	-	-	Commission
14 961	32 561	31 438	49 791	59 058	56 774	Other
-2 032	-32 553	-18 384	-2 862	2 558	-	Miscellaneous revenue:
6	5 814	28 336	-	47	4 392	Recoveries
-	20 524	56 705	100 336	30 851	22 416	Exchange profits/losses:
147 098	70 876	116 098	169 946	60 575	73 302	Soweto foreign loan
-	-	-	-	-	-	Other foreign loans
-	-	-	-	-	-	Profit on consolidation/repurchase/ "switching" of government stock
-	-	-	-	-	-	Reserve Bank profit

TABLE 3a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
Miscellaneous revenue (continued):						
Sishen/Saldanha project	-	15 222	160 282	119 523	108 097	130 794
Corporation for Public Deposits	-	-	13 712	13 609	19 344	26 828
State Oil Fund	142 280	11 320	-	-	-	-
Strategic Mineral Fund	-	-	-	-	-	-
Iscor (mineral rights)	-	-	-	-	-	-
National Energy Council	-	-	-	-	-	-
Maize Board	-	-	-	-	-	-
Wool Board	-	-	-	-	-	-
Own Affairs Administrations	21 616	77 468	118 824	143 624	195 393	314 408
Unspecified	117 794	73 699	159 731	135 644	216 853	32 383
	629 579	519 958	765 722	868 469	1 130 342	1 099 447
<b>TOTAL FOR INLAND REVENUE</b>	<b>22 117 088</b>	<b>28 089 174</b>	<b>31 772 236</b>	<b>35 814 696</b>	<b>43 160 413</b>	<b>55 080 010</b>
<b>GRANTS (RDP)</b> 6)	-	-	-	-	-	-

Continues on page B.15



TABLE 3a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
206 931	72 925	-	-	-	-	Miscellaneous revenue (continued):
35 588	28 510	24 863	33 520	51 170	20 657	Sishen/Saldanha project
-	-	-	-	-	-	Corporation for Public Deposits
-	-	4 940	-	-	-	State Oil Fund
12 631	1 790	-	-	-	-	Strategic Mineral Fund
-	34 280	145 817	-	-	-	Iscor (mineral rights)
-	-	-	-	-	-	National Energy Council
-	-	-	54 855	-	-	Maize Board
340 598	318 839	392 847	147 344	87 326	-	Wool Board
201 527	87 286	218 259	223 209	213 548	202 082	Own Affairs Administrations
-	-	-	-	-	-	Unspecified
<b>1 572 531</b>	<b>1 317 101</b>	<b>1 870 003</b>	<b>1 585 794</b>	<b>1 225 775</b>	<b>1 127 887</b>	
<b>81 771 834</b>	<b>67 192 035</b>	<b>69 790 003</b>	<b>81 876 014</b>	<b>95 875 370</b>	<b>106 274 773</b>	<b>TOTAL FOR INLAND REVENUE</b>
-	-	-	-	1 010	123 284	<sup>6)</sup> GRANTS (RDP)

Continues on page B.16

TABLE 3a (continued)

## TOTAL REVENUE:

## NATIONAL REVENUE ACCOUNT 1)

According to the Exchequer classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>CUSTOMS AND EXCISE:</b>						
Customs duties	1 337 663	1 175 968	1 367 747	1 768 854	2 465 968	2 193 751
Surcharge on imports	-5 091	498 627	837 813	742 578	1 875 599	2 625 354
Excise duties:	1 964 631	1 926 365	1 890 786	2 183 530	2 508 757	2 841 970
Beer	459 932	471 795	516 785	590 923	687 861	850 648
Sorghum beer and sorghum flour	-	-	-	-	-	-
Wine and other fermented beverages	11 753	11 896	12 679	12 953	12 996	14 973
Mineral water	22 464	21 130	21 246	23 717	25 266	66 795
Spirits	262 722	248 622	242 349	245 267	281 488	323 408
Cigarettes and cigarette tobacco	409 489	411 834	425 301	468 647	540 156	593 233
Pipe tobacco and cigars	16 831	15 468	14 793	14 723	16 546	13 838
Petroleum products	296 711	289 209	305 489	443 679	479 652	470 856
Motor cars	217 635	184 036	80 396	80 412	89 976	43 759
Ad valorem: Schedule 1, Part 2B	194 215	185 802	183 154	188 901	215 302	263 601
Chemical products	-	-	-	-	-	-
Revenue from neighbouring countries 7)	72 879	86 573	88 595	114 407	159 495	200 858
Fuel levy 8)	-	-	-	692 833	2 555 625	4 080 688
Ordinary levy 9)	-	-	-	-	-	70 101
Miscellaneous	2 621	13 687	21 695	11 605	17 168	14 499
<b>Gross total for Customs and Excise</b>	<b>3 299 825</b>	<b>3 814 647</b>	<b>4 118 041</b>	<b>5 399 400</b>	<b>9 423 118</b>	<b>11 826 363</b>
Less:						
Amount to the credit of Central Revenue						
Fund of Namibia (sec. 22(1) of Act 25 of 1969)	250 000	300 000	350 000	350 000	394 200	447 800
Payments in terms of Customs Union						
Agreements (sec. 51(2) of Act 91						
of 1964) 10)	462 451	472 091	496 933	577 286	719 797	918 022
<b>TOTAL FOR CUSTOMS AND EXCISE (NET)</b>	<b>2 587 374</b>	<b>2 842 556</b>	<b>3 271 108</b>	<b>4 472 114</b>	<b>8 309 120</b>	<b>10 460 541</b>
<b>GRAND TOTAL:</b>						
<b>NATIONAL REVENUE ACCOUNT 8)</b>	<b>24 704 462</b>	<b>30 931 731</b>	<b>35 043 344</b>	<b>40 286 810</b>	<b>51 469 533</b>	<b>65 540 550</b>
Less:						
Grant received into the RDP Fund 6)	-	-	-	-	-	-
<b>TOTAL ORDINARY REVENUE:</b>						
<b>NATIONAL REVENUE ACCOUNT</b>	<b>24 704 462</b>	<b>30 931 731</b>	<b>35 043 344</b>	<b>40 286 810</b>	<b>51 469 533</b>	<b>65 540 550</b>
<b>MEMORANDUM ITEMS</b>						
Receipts that are not regarded as revenue: 12)						
Transfer from National Supplies Procurement Fund	-	-	-	-	-	-
Transfer from Strategic Fuel Fund	-	-	1 012 000	208 000	-	-
Proceeds from sales of state assets	258 800	195 000	-	-	600 000	2 989 180
Transfer from IMF Deposit Account	-	93 825	433 571	351 882	-	-
Transfer from Tax Reserve Account	-	339 422	-	-	-	-
Premium on consolidation/repurchase/ "switching" of government stock 13)	-	-	-	-	-	782 785
	<b>258 800</b>	<b>628 247</b>	<b>1 445 571</b>	<b>559 882</b>	<b>600 000</b>	<b>3 771 965</b>

TABLE 3a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
2 502 339	2 736 133	2 961 082	3 413 384	4 246 990	5 325 877	<b>CUSTOMS AND EXCISE:</b>
2 075 343	1 455 502	1 520 895	1 756 141	1 170 848	456 680	Customs duties
3 344 486	3 825 332	4 435 941	4 966 972	5 804 237	6 475 284	Surcharge on imports
1 006 950	1 178 318	1 364 604	1 452 242	1 764 400	2 010 441	Excise duties:
	799	14 149	27 335	33 405	36 258	Beer
14 826	23 509	72 037	103 405	136 963	190 641	Sorghum beer and sorghum flour
73 735	99 946	162 461	181 277	214 042	232 222	Wine and other fermented beverages
381 310	407 212	432 407	507 008	591 846	667 912	Mineral water
693 965	816 434	938 072	1 022 176	1 210 433	1 515 268	Spirits
20 312	18 196	18 585	19 929	21 737	28 193	Cigarettes and cigarette tobacco
443 016	462 423	480 806	479 733	520 169	541 512	Pipe tobacco and cigars
67 670	126 963	306 066	529 082	693 251	606 695	Petroleum products
455 937	465 249	336 490	338 679	372 940	400 239	Motor cars
110	503	1 843	6 155	7 215	7 145	Ad valorem: Schedule 1, Part 2B
186 654	225 782	308 421	299 951	237 835	238 758	Chemical products
4 103 821	5 421 269	7 083 109	7 860 237	8 351 492	8 928 010	Revenue from neighbouring countries
110 233	69 209	79 352	65 357	51 278	56 290	<sup>7)</sup> Fuel levy
9 658	60 287	83 389	11 971	137 249	330 783	<sup>8)</sup> Ordinary levy
						<sup>9)</sup> Miscellaneous
12 145 880	13 567 732	16 163 788	18 074 083	19 762 093	21 572 924	Gross total for Customs and Excise
111 750	-	-	-	-	-	Less:
1 889 140	2 760 251	2 984 140	3 089 376	3 248 803	3 890 137	Amount to the credit of Central Revenue Fund of Namibia (sec. 22(1) of Act 25 of 1969)
10 344 990	10 807 481	13 179 628	14 984 687	16 513 289	17 682 787	Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)
						<sup>10)</sup>
						<b>TOTAL FOR CUSTOMS AND EXCISE</b>
72 116 824	77 999 516	82 969 831	96 880 701	112 388 670	126 080 854	<b>GRAND TOTAL:</b>
						<b>NATIONAL REVENUE ACCOUNT</b>
						Less:
				1 010	123 294	Extraordinary capital receipts and grants:
						Grant received into the RDP Fund
						<sup>6)</sup>
72 116 824	77 999 516	82 969 831	96 880 701	112 388 680	125 957 560	<b>TOTAL ORDINARY REVENUE:</b>
						<b>NATIONAL REVENUE ACCOUNT</b>
						<sup>11)</sup>
319 400	544 754	255 607	665 000	-	104 400	<b>MEMORANDUM ITEMS</b>
-	264 471	780 519	741 067	-	1 231 334	<sup>12)</sup> Receipts that are not regarded as revenue:
-	-	107 692	-	-	-	Transfer from National Supplies Procurement Fund
-	-	-	-	-	-	Transfer from Strategic Fuel Fund
-	-	-	-	-	-	Proceeds from sales of state assets
-	-	-	-	-	-	Transfer from IMF Deposit Account
-	-	-	-	-	-	Transfer from Tax Reserve Account
14 247	153 847	41 655	91 290	1 321 165	273 869	Premium on consolidation/repurchase/ "switching" of government stock
333 847	963 072	1 185 473	1 497 357	1 321 165	1 608 603	<sup>13)</sup>

- 1) *Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).*
- 2) *In the Exchequer, revenue collections are classified per collector, i.e. Inland Revenue and Customs and Excise.*
- 3) *Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.*
- 4) *In 1984/85 a late payment in respect of cinematography tax, which was abolished earlier, was received. The collections for 1985/86 to 1987/88 are in respect of a once-off levy on life assurers and banking institutions.*
- 5) *The decline after 1984/85 was because revenue from the production and processing of wood was shifted to a trading account.*
- 6) *Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditure.*
- 7) *Excise duties which are collected by the BLNS countries, former self-governing territories and TBVC states. It is paid over to the National Revenue Account (formerly the State Revenue Account) since it accrues to the Customs Union pool.*
- 8) *Including allocations from the fuel levy to the former TBVC states, treated as Part II revenue before 1994/95.*
- 9) *Including allocations from the ordinary levy to the former TBVC states, treated as Part II revenue before 1994/95.*
- 10) *Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.*
- 11) *Including grants received into the RDP Fund to finance RDP related expenditure in that specific financial year.*
- 12) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as part of their revenue collections. In this Review these receipts are treated as financing items.*
- 13) *This premium arises when the discount on government stock redeemed is greater than the discount on the new stock issued. It is only a book-entry and does not represent an actual cash flow. For purposes of analysis, it is regarded as "negative" loan redemptions (i.e. subtracted from loan redemptions).*

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TABLE 3b  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print: Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>INLAND REVENUE:</b>						
<b>Income tax:</b>						
Gold mines	1 172 675	893 680	865 000	605 000	-32,3%	-260 000
Diamond mines	35 698	17 942	154 000	154 000	758,3%	0
Other mines	421 528	696 833	1 200 000	1 200 000	72,2%	0
Persons and individuals	44 972 795	51 179 289	57 975 000	57 640 000	12,6%	-335 000
Companies (other than mining)	11 961 336	14 058 998	16 385 000	18 100 000	28,7%	1 715 000
Secondary tax on companies	1 303 595	1 262 242	1 000 000	1 275 000	1,0%	275 000
Tax on retirement fund industry	-	-	2 725 000	2 400 000	-	-325 000
Interest on overdue tax	657 799	542 927	750 000	650 000	19,7%	-100 000
	<b>60 525 427</b>	<b>68 851 911</b>	<b>81 054 000</b>	<b>82 024 000</b>	<b>19,5%</b>	<b>970 000</b>
Value-added tax/Sales tax	29 288 397	32 768 190	36 930 000	36 150 000	10,3%	-780 000
<b>Other taxes:</b>						
Non-resident shareholders' tax	479 393	232 252	-	-	-	-
Non-resident tax on interest	-349	-399	-	-	-	-
Undistributed profits tax	242	8	-	-	-	-
Donations tax	104 382	60 997	47 000	48 000	-21,3%	1 000
Estate duty	125 308	181 345	150 000	165 000	-9,0%	15 000
Marketable securities tax	431 450	462 924	200 000	390 000	-15,8%	190 000
Stamp duties and fees	942 939	1 024 825	1 040 000	1 215 000	18,6%	175 000
Transfer duties	1 413 515	1 528 675	1 650 000	1 750 000	14,5%	100 000
Levy on financial services	390 498	478 269	455 000	500 000	4,5%	45 000
Other	-	-	-	-	-	-
	<b>3 887 376</b>	<b>3 968 897</b>	<b>3 542 000</b>	<b>4 068 000</b>	<b>2,5%</b>	<b>526 000</b>
<b>Mining leases and ownership:</b>						
Gold mines	175 422	97 959	2 000	3 000	-96,9%	1 000
Diamond mines	20 585	72 982	30 000	60 000	-17,8%	30 000
Other mines	28 926	46 138	45 000	45 000	-2,5%	0
	<b>224 913</b>	<b>217 078</b>	<b>77 000</b>	<b>108 000</b>	<b>-50,2%</b>	<b>31 000</b>
<b>Interest and dividends:</b>						
<b>Interest:</b>						
Border area development	-	-	-	-	-	-
Broadcasting	-	-	-	-	-	-
Farming industry	16 132	12 990	10 000	10 000	-	-
State land	1 848	1 391	2 200	2 200	-	-
Transport	-	-	-	-	-	-
Communication	-	-	-	-	-	-
Local loans	25 169	16 586	18 000	18 000	-	-
Cash balances	3 160	7 156	4 700	4 700	-	-
Exchequer deposits	309 225	779 088	300 000	1 000 000	-	-
Corporation for Public Deposits	8 239	13 640	9 500	73 000	-	-
Other	35 198	123 206	41 000	41 000	-	-

TABLE 3b  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

1997/98				Source of Revenue
First Print: Estimate	% change on revised 1996/97	Second Print: Estimate	% change on revised 1996/97	
R'000		R'000		
800 000	32,2%	800 000	32,2%	<b>INLAND REVENUE:</b>
154 000	0,0%	154 000	0,0%	Income tax:
1 200 000	0,0%	1 200 000	0,0%	Gold mines
66 700 000	15,7%	65 069 000	12,9%	Diamond mines
20 400 000	12,7%	21 100 000	16,6%	Other mines
1 300 000	2,0%	1 300 000	2,0%	Persons and individuals
2 450 000	2,1%	2 700 000	12,5%	Companies (other than mining)
600 000	-7,7%	700 000	7,7%	Secondary tax on companies
				Tax on retirement fund industry
				Interest on overdue tax
93 804 000	14,1%	93 023 000	13,4%	
39 880 000	10,3%	40 280 000	11,4%	Value-added tax/Sales tax
-	-	-	-	Other taxes:
-	-	-	-	Non-resident shareholders' tax
-	-	-	-	Non-resident tax on interest
35 000	-27,1%	35 000	-27,1%	Undistributed profits tax
195 000	18,2%	195 000	18,2%	Donations tax
400 000	2,6%	350 000	-10,3%	Estate duty
1 300 000	7,0%	1 275 000	4,9%	Marketable securities tax
1 802 000	3,0%	1 852 000	5,8%	Stamp duties and fees
400 000	-20,0%	400 000	-20,0%	Transfer duties
-	-	-	-	Levy on financial services
-	-	-	-	Other
4 132 000	1,8%	4 107 000	1,0%	
-	-	-	-	Mining leases and ownership:
60 000	-	60 000	-	Gold mines
45 000	-	45 000	-	Diamond mines
				Other mines
105 000	-2,8%	105 000	-2,8%	
-	-	-	-	Interest and dividends:
-	-	-	-	Interest:
10 000	-	10 000	-	Border area development
2 200	-	2 200	-	Broadcasting
-	-	-	-	Farming industry
-	-	-	-	State land
-	-	-	-	Transport
18 000	-	18 000	-	Communication
4 700	-	4 700	-	Local loans
700 000	-	700 000	-	Cash balances
8 000	-	8 000	-	Exchequer deposits
41 000	-	41 000	-	Corporation for Public Deposits
				Other

TABLE 3b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>Dividends:</b>						
Broadcasting	1 780	1 780	1 780	1 800		
Iscor	0	-	-	-		
Telkom	-	323 400	320 000	302 062		
Industrial Development Corporation	63 900	67 000	67 000	65 000		
Denel	60 000	70 000	70 000	100 000		
Strategic Fuel Fund	-	-	-	275 000		
Other	12 080	17 000	17 190	5 000		
	<b>536 732</b>	<b>1 433 248</b>	<b>861 370</b>	<b>1 897 762</b>	<b>32,4%</b>	<b>1 036 392</b>
<b>Levies:</b>						
Diamond export rights	1	-	-	-		
Mining lease rights and licences	34 608	18 127	36 000	25 000		
Licences	10 740	14 872	13 000	14 500		
	<b>45 348</b>	<b>32 999</b>	<b>49 000</b>	<b>39 500</b>	<b>19,7%</b>	<b>-9 500</b>
<b>Recovery of loans and advances:</b>						
Communication	-	-	-	-		
Local loans	20 710	14 246	20 600	17 000		
SWAWEC	14 838	6 500	-	-		
Other	105 855	53 827	63 400	60 260		
	<b>141 403</b>	<b>74 573</b>	<b>84 000</b>	<b>77 260</b>	<b>3,8%</b>	<b>-6 740</b>
<b>Departmental activities:</b>						
<b>Sale of products:</b>						
Agriculture and forestry	896	45 002	800	800		
Other	116 336	85 153	153 000	169 000		
Sale of capital equipment	1 847	998	1 400	1 400		
<b>State property rights:</b>						
Leasing and property rights money	108 685	124 573	136 000	145 000		
Sale of state-owned land, buildings and structures	13 670	22 375	15 000	7 000		
Revenue from Trust property	-	-	-	-		
<b>Monies prescribed by law:</b>						
Registration and inspection fees	19 575	13 448	12 000	12 000		
Fines and forfeitures	111 641	124 459	95 000	110 000		
Witness fees	48	39	75	75		
Pension contributions	3 240	4	-	-		
Other	85 443	61 070	77 000	90 000		
<b>Monies not prescribed by law:</b>						
Leasing	75	130	110	110		
Domestic services	24 091	31 644	33 000	30 000		
Profits on trading accounts	157 842	173 113	180 000	180 000		
Commission	30 227	33 511	29 000	29 000		
Other	47 027	32 746	52 000	38 000		
<b>Miscellaneous revenue:</b>						
Recoveries	59 058	56 774	85 000	60 000		
<b>Exchange profits/losses:</b>						
Soweto foreign loan	2 558	-	-	-		
Other foreign loans	47	4 392	-	630		
Profit on consolidation/repurchase/ "switching" of government stock	30 651	22 416	-	-		
Reserve Bank profit	60 575	73 302	60 000	125 000		



TABLE 3b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

1997/98				Source of Revenue
First Print Estimate	% change on revised 1996/97	Second Print Estimate	% change on revised 1996/97	
R000		R000		
1 800		1 800		Dividends:
400 000		400 000		Broadcasting
65 000		65 000		Iscoor
100 000		100 000		Telkom
200 000		200 000		Industrial Development Corporation
0		0		Deneil
				Strategic Fuel Fund
				Other
1 550 700	-18,3%	1 550 700	-18,3%	
				Levies:
25 000		25 000		Diamond export rights
14 800		14 800		Mining lease rights and licences
				Licences
39 800	0,8%	39 800	0,8%	
				Recovery of loans and advances:
17 000		17 000		Communication
60 260		60 260		Local loans
				SWAWEC
				Other
77 260	0,0%	77 260	0,0%	
				Departmental activities:
800		800		Sale of products:
183 000		183 000		Agriculture and forestry
1 400		1 400		Other
				Sale of capital equipment
156 000		156 000		State property rights:
7 000		7 000		Leasing and property rights money
				Sale of state-owned land, buildings and structures
				Revenue from Trust property
12 000		12 000		Monies prescribed by law:
115 000		115 000		Registration and inspection fees
75		75		Fines and forfeitures
				Witness fees
90 000		90 000		Pension contributions
				Other
110		110		Monies not prescribed by law:
30 000		30 000		Leasing
170 000		170 000		Domestic services
30 000		30 000		Profits on trading accounts
42 000		42 000		Commission
				Other
90 000		90 000		Miscellaneous revenue:
				Recoveries
				Exchange profits/losses:
80		80		Soweto foreign loan
				Other foreign loans
				Profit on consolidation/repurchase/ "switching" of government stock
125 000		125 000		Reserve Bank profit

TABLE 3b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
Miscellaneous revenue (continued):						
Sishen/Saldanha project	-	-	-	-		
Corporation for Public Deposits	51 170	20 657	20 000	44 000		
State Oil Fund	-	-	-	-		
Strategic Mineral Fund	-	-	-	-		
Iscor (mineral rights)	-	-	-	-		
National Energy Council	-	-	-	-		
Maize Board	-	-	-	-		
Wool Board	-	-	-	-		
Own Affairs Administrations	87 326	-	-	-		
Unspecified	213 548	202 082	149 904	334 043		
	1 225 775	1 127 887	1 099 289	1 376 058	22,0%	276 769
<b>TOTAL FOR INLAND REVENUE</b>	<b>95 875 370</b>	<b>100 274 773</b>	<b>123 696 659</b>	<b>125 740 580</b>	<b>16,1%</b>	<b>2 043 921</b>
<b>GRANTS (RDP)</b>	<b>1 010</b>	<b>123 294</b>	<b>-</b>	<b>138 730</b>	<b>12,5%</b>	<b>138 730</b>

Continues on page B.25

TABLE 3b (continued)  
 TOTAL REVENUE:  
 NATIONAL REVENUE ACCOUNT 1)  
 According to the Exchequer classification 2)

1997/98				Source of Revenue
First Print: Estimate	% change on revised 1996/97	Second Print: Estimate	% change on revised 1996/97	
R'000		R'000		Miscellaneous revenue (continued): Sishen/Saldanha project Corporation for Public Deposits State Oil Fund Strategic Mineral Fund Iscor (mineral rights) National Energy Council Maize Board Wool Board Own Affairs Administrations Unspecified
44 000		44 000		
.		.		
.		.		
166 973		166 973		
1 263 438	-8,2%	1 263 438	-8,2%	
140 652 198	11,9%	140 446 198	11,7%	TOTAL FOR INLAND REVENUE
.	.	.	.	6) GRANTS (RDP)

Continues on page B.26

TABLE 3b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>CUSTOMS AND EXCISE:</b>						
Customs duties	4 246 990	5 325 877	6 230 000	6 820 000	28,1%	590 000
Surcharge on imports	1 170 848	456 680	-	-	-	-
Excise duties:	5 804 237	6 475 284	6 918 000	6 795 600	4,9%	-122 400
Beer	1 764 400	2 010 441	2 322 000	2 322 000	15,5%	0
Sorghum beer and sorghum flour	33 405	36 258	40 000	38 000	4,8%	-2 000
Wine and other fermented beverages	136 963	190 641	224 000	227 000	19,1%	3 000
Mineral water	214 042	232 222	250 000	245 000	5,5%	-5 000
Spirits	591 846	687 912	728 000	775 000	16,0%	47 000
Cigarettes and cigarette tobacco	1 210 433	1 515 268	1 775 000	1 640 000	8,2%	-135 000
Pipe tobacco and cigars	21 737	28 193	32 500	33 600	19,2%	1 100
Petroleum products	520 169	541 512	564 000	574 000	6,0%	10 000
Motor cars	693 251	606 695	-	-90 000	-	-90 000
Ad valorem: Schedule 1, Part 2B	372 940	400 239	705 000	730 000	82,4%	25 000
Chemical products	7 215	7 145	7 500	1 000	-86,0%	-6 500
Revenue from neighbouring countries 7)	237 835	238 758	270 000	300 000	25,7%	30 000
Fuel levy 8)	8 351 492	8 928 010	10 360 000	10 500 000	17,6%	140 000
Ordinary levy 9)	51 278	56 290	35 000	27 000	-52,0%	-8 000
Miscellaneous	137 249	330 783	100 000	149 000	-55,0%	49 000
<b>Gross total for Customs and Excise</b>	<b>19 762 093</b>	<b>21 572 924</b>	<b>23 643 000</b>	<b>24 291 600</b>	<b>12,6%</b>	<b>648 600</b>
Less:						
Amount to the credit of Central Revenue Fund of Namibia (sec. 22(1) of Act 25 of 1969)	-	-	-	-	-	-
Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964) 10)	3 248 803	3 890 137	4 362 659	4 362 659	12,1%	0
<b>TOTAL FOR CUSTOMS AND EXCISE (NET)</b>	<b>16 513 289</b>	<b>17 682 787</b>	<b>19 280 341</b>	<b>19 928 941</b>	<b>12,7%</b>	<b>648 600</b>
<b>GRAND TOTAL: NATIONAL REVENUE ACCOUNT 8)</b>	<b>112 389 670</b>	<b>126 080 854</b>	<b>142 977 000</b>	<b>145 808 251</b>	<b>15,6%</b>	<b>2 831 251</b>
Less:						
Grant received into the RDP Fund 6)	1 010	123 294	-	138 730		138 730
<b>TOTAL ORDINARY REVENUE: NATIONAL REVENUE ACCOUNT</b>	<b>112 388 660</b>	<b>125 957 560</b>	<b>142 977 000</b>	<b>145 669 521</b>	<b>15,6%</b>	<b>2 692 521</b>
<b>MEMORANDUM ITEMS</b>						
Receipts that are not regarded as revenue: 12)						
Transfer from National Supplies Procurement Fund	-	104 400	-	-		
Transfer from Strategic Fuel Fund	-	1 231 334	1 880 000	1 603 000		
Proceeds from sales of state assets	-	-	-	-		
Transfer from IMF Deposit Account	-	-	-	-		
Transfer from Tax Reserve Account	-	-	-	-		
Premium on consolidation/repurchase/ "switching" of government stock 13)	1 321 165	273 869	200 000	1 100 000		
	<b>1 321 165</b>	<b>1 609 603</b>	<b>2 080 000</b>	<b>2 703 000</b>		<b>623 000</b>

TABLE 3b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the Exchequer classification 2)

1997/98				Source of Revenue
First Print Estimate	% change on revised 1996/97	Second Print Estimate	% change on revised 1996/97	
R'000		R'000		
6 965 000	2,1%	7 115 000	4,3%	<b>CUSTOMS AND EXCISE:</b>
7 031 000	3,5%	7 879 000	15,9%	Customs duties
2 345 000	1,0%	2 545 000	9,6%	Surcharge on imports
38 000	0,0%	53 000	39,5%	Excise duties:
234 000	3,1%	294 000	29,5%	Beer
255 000	4,1%	273 000	11,4%	Sorghum beer and sorghum flour
798 000	3,0%	853 000	10,1%	Wine and other fermented beverages
1 640 000	0,0%	2 078 000	26,7%	Mineral water
34 000	1,2%	46 000	36,9%	Spirits
590 000	2,8%	590 000	2,8%	Cigarettes and cigarette tobacco
782 000	7,1%	832 000	14,0%	Pipe tobacco and cigars
0	-100,0%	0	-100,0%	Petroleum products
315 000	5,0%	315 000	5,0%	Motor cars
10 795 000	2,8%	11 595 000	10,4%	Ad valorem: Schedule 1, Part 2B
28 000	3,7%	28 000	3,7%	Chemical products
150 000	0,7%	150 000	0,7%	Revenue from neighbouring countries
24 969 000	2,8%	26 767 000	10,2%	7) Fuel levy
5 237 198	20,0%	5 237 198	20,0%	8) Ordinary levy
19 731 802	-1,0%	21 529 802	8,0%	9) Miscellaneous
160 384 000	10,0%	161 976 000	11,1%	10) <b>Gross total for Customs and Excise</b>
				Less:
				Amount to the credit of Central Revenue Fund of Namibia (sec. 22(1) of Act 25 of 1969)
				Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)
				11) <b>TOTAL FOR CUSTOMS AND EXCISE</b>
				<b>GRAND TOTAL:</b>
				12) <b>NATIONAL REVENUE ACCOUNT</b>
				Less:
				Extraordinary capital receipts and grants:
				Grant received into the RDP Fund
				13) <b>TOTAL ORDINARY REVENUE:</b>
				<b>NATIONAL REVENUE ACCOUNT</b>
1 250 000		1 250 000		12) <b>MEMORANDUM ITEMS</b>
		516 000		Receipts that are not regarded as revenue:
				Transfer from National Supplies Procurement Fund
				Transfer from Strategic Fuel Fund
				Proceeds from sales of state assets
				Transfer from IMF Deposit Account
				Transfer from Tax Reserve Account
200 000		200 000		Premium on consolidation/repurchase/
				"switching" of government stock
1 450 000		1 966 000		

- 1) *Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).*
- 2) *In the Exchequer, revenue collections are classified per collector, i.e. Inland Revenue and Customs and Excise.*
- 3) *Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.*
- 4) *In 1984/85 a late payment in respect of cinematography tax, which was abolished earlier, was received. The collections for 1985/86 to 1987/88 are in respect of a once-off levy on life assurers and banking institutions.*
- 5) *The decline after 1984/85 was because revenue from the production and processing of wood was shifted to a trading account.*
- 6) *Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditure.*
- 7) *Excise duties which are collected by the BLNS countries, former self-governing territories and TBVC states. It is paid over to the National Revenue Account (formerly the State Revenue Account) since it accrues to the Customs Union pool.*
- 8) *Including allocations from the fuel levy to the former TBVC states, treated as Part II revenue before 1994/95.*
- 9) *Including allocations from the ordinary levy to the former TBVC states, treated as Part II revenue before 1994/95.*
- 10) *Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.*
- 11) *Including grants received into the RDP Fund to finance RDP related expenditure in that specific financial year.*
- 12) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are not regarded as part of their revenue collections. In this Review these receipts are treated as financing items.*
- 13) *This premium arises when the discount on government stock redeemed is greater than the discount on the new stock issued. It is only a book-entry and does not represent an actual cash flow. For purposes of analysis, it is regarded as "negative" loan redemptions (i.e. subtracted from loan redemptions).*

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**TABLE 4a**  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
**According to the GFS classification 2)**

Sources of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>1. TAXES ON INCOME AND PROFITS</b>						
Persons and individuals	7 850 900	9 078 377	10 467 750	12 666 860	14 910 393	20 008 790
Corporate						
Gold mines	1 598 923	2 453 442	2 523 482	2 074 632	1 694 670	1 016 072
Diamond mines	541	726	27 596	98 216	458	10 715
Other mines	322 038	576 470	1 001 008	865 132	1 312 365	1 780 806
Companies (other than mining)	3 820 090	4 855 334	5 113 476	5 868 829	8 236 045	11 013 255
Secondary tax on companies	-	-	-	-	-	-
Tax on retirement fund industry	-	-	-	-	-	-
Undistributed profits tax	1 821	2 839	5 168	2 057	1 661	858
Other, non-allocable						
Non-resident shareholders' tax	256 233	357 466	416 614	425 031	394 927	435 371
Non-residents' tax on interest	36 418	38 197	37 081	35 480	7 162	1 691
Interest on overdue income tax	29 208	54 784	62 692	72 974	113 407	163 191
<b>Taxes on income and profits</b>	<b>13 916 174</b>	<b>17 417 635</b>	<b>19 654 867</b>	<b>22 109 210</b>	<b>26 671 088</b>	<b>34 430 749</b>
<b>4. TAXES ON PROPERTY</b>						
Estate, inheritance and gift taxes						
Donations tax	4 721	3 180	3 852	5 473	3 223	4 330
Estate duty	100 383	139 360	147 279	142 606	136 453	75 907
Taxes on financial and capital transactions						
Marketable securities tax	30 625	58 614	140 966	225 457	138 536	278 073
Transfer duties	285 580	268 095	288 720	450 779	544 779	675 333
<b>Taxes on property</b>	<b>421 309</b>	<b>467 251</b>	<b>580 817</b>	<b>824 314</b>	<b>822 991</b>	<b>1 033 642</b>
<b>5. DOMESTIC TAXES ON GOODS AND SERVICES</b>						
Value-added tax/Sales tax	5 943 564	8 156 727	9 045 809	10 313 329	13 123 032	16 752 099
Excise duties	1 964 631	1 926 365	1 890 788	2 876 363	5 064 382	6 922 658
Beer	459 932	471 795	516 785	590 923	687 881	850 648
Sorghum beer and sorghum flour	-	-	-	-	-	-
Wine and other fermented beverages	11 753	11 896	12 679	12 953	12 996	14 973
Mineral water	22 464	21 130	21 246	23 717	25 266	66 795
Spirits	262 722	249 622	242 349	245 267	281 488	323 408
Cigarettes and cigarette tobacco	409 489	411 834	425 301	468 647	540 156	593 233
Pipe tobacco and cigars	16 831	15 468	14 793	14 723	16 546	13 838
Petroleum products	296 711	289 209	305 489	443 679	479 652	470 856
Motor cars	217 635	184 036	80 396	80 412	89 976	43 759
Ad valorem: Schedule 1, Part 2B	194 215	185 802	183 154	188 801	215 302	263 601
Chemical products	-	-	-	-	-	-
Revenue from neighbouring countries	72 879	86 573	88 585	114 407	159 495	200 858
Fuel levy	-	-	-	692 833	2 555 625	4 080 688
Taxes on specific services						
Levy on financial services	-	-	-	-	-	-
Taxes on use of goods or permission to use goods or to perform activities						
Licences	2 478	3 040	3 361	3 546	3 812	3 999
Mining lease rights and licences	2 612	4 242	4 188	3 885	4 775	5 350
Other	6	154 548	15 761	35	-	-
<b>Domestic taxes on goods and services</b>	<b>7 913 291</b>	<b>10 244 921</b>	<b>10 959 805</b>	<b>13 197 158</b>	<b>18 196 001</b>	<b>23 684 105</b>



**TABLE 4a**  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
**According to the GFS classification 2)**

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
24 149 637	29 968 889	33 833 027	37 805 278	44 972 795	51 179 289	<b>1. TAXES ON INCOME AND PROFITS</b>
644 367	523 709	421 502	622 492	1 172 675	893 680	Persons and individuals
24 211	21 008	55 077	13 270	35 698	17 942	Corporate
2 221 767	1 027 873	520 600	495 341	421 528	696 833	Gold mines
11 870 475	12 490 833	12 126 047	10 359 264	11 961 336	14 058 998	Diamond mines
			876 675	1 303 595	1 262 242	Other mines
2 251	366	90	503	242	8	Companies (other than mining)
429 850	343 593	276 329	392 881	479 393	232 252	Secondary tax on companies
719	38	17	378	-349	-399	Tax on retirement fund industry
237 615	285 326	326 676	367 627	657 799	542 927	Undistributed profits tax
						Other, non-allocable
						Non-resident shareholders' tax
						Non-residents' tax on interest
						Interest on overdue income tax
<b>39 540 891</b>	<b>44 661 636</b>	<b>47 558 365</b>	<b>50 833 710</b>	<b>61 004 712</b>	<b>68 883 773</b>	Taxes on income and profits
						<b>4. TAXES ON PROPERTY</b>
6 508	6 829	17 968	38 956	104 382	60 997	Estate, inheritance and gift taxes
81 961	78 696	84 922	118 312	125 308	181 345	Donations tax
						Estate duty
243 288	199 756	164 508	266 987	431 450	462 924	Taxes on financial and capital transactions
766 441	842 559	920 126	1 076 675	1 413 515	1 528 675	Marketable securities tax
						Transfer duties
<b>1 098 198</b>	<b>1 127 840</b>	<b>1 187 524</b>	<b>1 500 929</b>	<b>2 074 654</b>	<b>2 233 942</b>	Taxes on property
						<b>5. DOMESTIC TAXES ON GOODS AND SERVICES</b>
18 260 701	19 791 794	17 506 058	25 448 988	29 288 397	32 768 180	Value-added tax/Sales tax
7 448 307	9 246 601	11 519 050	12 827 209	14 155 729	15 403 293	Excise duties
1 006 950	1 178 316	1 364 604	1 452 242	1 764 400	2 010 441	Beer
	799	14 149	27 335	33 405	36 258	Sorghum beer and sorghum flour
14 826	23 509	72 037	103 405	136 963	190 641	Wine and other fermented beverages
73 735	99 946	162 461	181 277	214 042	232 222	Mineral water
381 310	407 212	432 407	507 008	591 846	687 912	Spirits
693 965	816 434	938 072	1 022 176	1 210 433	1 515 268	Cigarettes and cigarette tobacco
20 312	18 196	18 585	19 929	21 737	28 193	Pipe tobacco and cigars
443 016	462 423	480 806	479 733	520 169	541 512	Petroleum products
67 670	126 963	306 066	529 082	693 251	606 695	Motor cars
455 937	465 249	336 490	338 679	372 940	400 239	Ad valorem: Schedule 1, Part 2B
110	503	1 843	6 155	7 215	7 145	Chemical products
186 654	225 782	308 421	299 951	237 835	238 758	Revenue from neighbouring countries
4 103 821	5 421 269	7 083 109	7 860 237	8 351 492	8 928 010	Fuel levy
	72 599	329 379	368 287	390 498	478 269	Taxes on specific services
						Levy on financial services
						Taxes on use of goods or permission to use goods or to perform activities
7 360	8 437	9 151	10 085	10 740	14 872	Licences
5 932	21 430	29 519	31 565	34 608	18 127	Mining lease rights and licences
						Other
<b>25 722 300</b>	<b>28 140 861</b>	<b>29 393 157</b>	<b>38 886 134</b>	<b>43 879 971</b>	<b>48 682 741</b>	Domestic taxes on goods and services

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>6. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS</b>						
Import duties						
Customs duties	1 337 663	1 175 968	1 367 747	1 768 854	2 465 968	2 193 751
Import surcharges	5 091	498 627	837 813	742 578	1 875 599	2 625 354
Other						
Ordinary levy	-	-	-	-	-	70 101
Miscellaneous: Customs & Excise	2 615	13 686	21 695	11 605	17 168	14 499
Diamond export duties	41 365	56 735	48 381	19 070	16	3
Taxes on international trade and transactions	1 376 552	1 745 017	2 275 636	2 542 107	4 358 751	4 903 707
<b>7. OTHER TAXES</b>						
Stamp duties and fees	243 793	272 784	321 093	439 010	469 274	685 218
<b>TOTAL TAX REVENUE (GROSS COLLECTIONS) (1+4+5+6+7)</b>	<b>23 871 119</b>	<b>30 147 588</b>	<b>33 792 317</b>	<b>39 111 800</b>	<b>50 518 104</b>	<b>64 737 422</b>
Less:						
Amount to the credit of Central Revenue Fund: Namibia (sec. 22(1) of Act 25 of 1969)	250 000	300 000	350 000	350 000	394 200	447 800
Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)	462 451	472 091	496 933	577 286	719 797	918 022
Total payments	712 451	772 091	846 933	927 286	1 113 997	1 365 822
<b>IV. TOTAL TAX REVENUE (NET COLLECTIONS)</b>	<b>23 158 668</b>	<b>29 375 497</b>	<b>32 945 385</b>	<b>38 184 514</b>	<b>49 404 107</b>	<b>63 371 600</b>
<b>8. ENTREPRENEURIAL AND PROPERTY INCOME</b>						
Cash operating surpluses of departmental enterprise sales	49 227	66 171	67 012	86 773	186 841	164 975
From non-financial public enterprises and public financial institutions						
Reserve Bank profits	33 270	55 120	4 458	23 448	24 131	48 659
Sishen/Saldanha project	-	15 222	160 282	119 523	108 097	130 794
Corporation for Public Deposits	-	-	13 712	13 609	19 344	26 828
National Energy Council	-	-	-	-	-	-
Strategic Mineral Fund	-	-	-	-	-	-
Maize Board	-	-	-	-	-	-
Wool Board	-	-	-	-	-	-
Other	142 280	11 320	-	-	14 163	39
Commission	5 688	6 623	8 800	11 710	12 411	14 666
Dividends						
Broadcasting	2 276	2 276	2 276	2 276	2 276	2 276
Iscoor	-	-	64 857	-	64 000	240 619
Telkom	-	-	-	-	-	-
Industrial Development Corporation	-	-	-	-	-	-
Denel	-	-	-	-	-	-
Strategic Fuel Fund	-	-	-	-	-	-
Other	136	1	1	1 824	65 143	0
Interest						
Border area development	2 767	3 065	3 668	4 271	4 466	3 669
Broadcasting	1 285	1 355	1 343	1 311	1 269	1 206
Cash balances	391	1 045	773	677	1 133	1 797
Communication	21 569	20 775	19 913	16 076	20 817	16 912

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

ACTUAL COLLECTIONS						Source of Revenue	
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96		
R'000	R'000	R'000	R'000	R'000	R'000		
2 502 339	2 736 133	2 961 082	3 413 384	4 246 990	5 325 877	<b>6. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS</b> Import duties Customs duties Import surcharges Other Ordinary levy Miscellaneous: Customs & Excise Diamond export duties Taxes on international trade and transactions	
2 075 343	1 455 502	1 520 895	1 756 141	1 170 848	456 680		
110 233	69 209	79 352	65 357	51 278	56 290		
9 658	60 287	83 389	11 971	137 249	330 783		
1	0	0	1	-	-		
4 697 574	4 321 131	4 644 718	5 246 855	5 606 364	6 169 631		
657 267	712 155	760 384	846 735	942 839	1 024 825		<b>7. OTHER TAXES</b> Stamp duties and fees
71 756 229	78 963 623	83 545 148	97 214 363	113 508 640	126 994 911		<b>TOTAL TAX REVENUE (GROSS COLLECTIONS) (1+4+5+6+7)</b> Less: Amount to the credit of Central Revenue Fund: Namibia (sec. 22(1) of Act 25 of 1969) Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)
111 750	-	-	-	-	-		
1 689 140	2 760 251	2 984 140	3 089 376	3 248 803	3 890 137		
1 800 890	2 760 251	2 984 140	3 089 376	3 248 803	3 890 137	Total payments	
69 955 339	76 203 372	80 561 008	94 124 987	110 259 837	123 104 774	<b>IV. TOTAL TAX REVENUE (NET COLLECTIONS)</b>	
145 057	178 225	199 973	227 703	157 842	173 113	<b>8. ENTREPRENEURIAL AND PROPERTY INCOME</b> Cash operating surpluses of departmental enterprise sales From non-financial public enterprises and public financial institutions Reserve Bank profits Sishen/Saldanha project Corporation for Public Deposits National Energy Council Strategic Mineral Fund Maize Board Wool Board Other Commission Dividends Broadcasting IsCOR Telkom Industrial Development Corporation Denel Strategic Fuel Fund Other Interest Border area development Broadcasting Cash balances Communication	
147 098	70 876	116 098	169 946	60 575	73 302		
206 931	72 925	-	-	-	-		
35 586	28 510	24 863	33 520	51 170	20 657		
-	34 280	145 817	-	-	-		
-	-	4 940	-	-	-		
-	-	-	54 855	-	-		
1 904	388	-24	-	-	-		
17 529	10 831	11 998	38 368	30 227	33 511		
2 111	1 780	1 780	1 780	1 780	1 780		
0	0	13 285	-	0	-		
-	-	102 000	102 648	-	323 400		
-	-	-	80 934	63 900	67 000		
-	-	-	60 000	60 000	70 000		
-	-	-	5 500	12 080	17 000		
6 244	-	1 090	-	-	-		
763	-	-	-	-	-		
8 098	4 473	2 123	1 524	3 160	7 156		
15 789	8 596	1 424	-	-	-		

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GPS classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
Corporation for Public Deposits	-	-	-	-	-	-
Exchequer deposits	-	-	-	-	-	-
Farming industry	204	7 142	14 141	7 130	14 001	14 050
Local loans	135	8 665	991	1 389	2 952	5 629
State land	1 091	3 383	939	1 482	396	309
Transport	441 135	295 029	156 056	164 067	120 183	135 718
Other	29 766	20 651	30 080	21 809	11 312	41 492
Mining leases and ownership						
Gold mines	374 871	599 314	655 409	550 522	481 867	327 028
Diamond mines	2 200	1 578	105 978	34 320	42 040	29 379
Other mines	4 898	32 548	84 801	235 211	118 479	184 855
<b>Entrepreneurial and property income</b>	<b>1 113 189</b>	<b>1 151 284</b>	<b>1 395 489</b>	<b>1 297 427</b>	<b>1 315 319</b>	<b>1 390 901</b>
<b>9. ADMINISTRATIVE FEES &amp; CHARGES, NONINDUSTRIAL &amp; INCIDENTAL SALES</b>						
Sale of products						
Agriculture and forestry	61 789	1 870	1 694	1 886	2 451	2 298
Other	5 523	11 913	15 098	17 352	20 282	19 184
Leasing and property rights money	35 756	35 626	44 173	47 809	53 206	70 008
Registration and inspection fees	6 880	6 642	8 733	12 565	13 782	18 038
Witness fees	20	36	28	32	32	34
Monies not prescribed by law:						
Leasing	528	1 425	716	758	674	403
Domestic services	5 164	5 709	5 378	8 149	6 452	8 254
Other	33 256	24 270	44 173	31 747	17 999	20 751
<b>Administrative fees and charges, nonindustrial and incidental sales</b>	<b>148 916</b>	<b>87 492</b>	<b>119 992</b>	<b>120 299</b>	<b>114 880</b>	<b>138 970</b>
<b>10. FINES AND FORFEITS</b>	<b>5 337</b>	<b>35 277</b>	<b>37 780</b>	<b>46 620</b>	<b>58 839</b>	<b>65 331</b>
<b>12. OTHER NON-TAX REVENUE</b>						
Exchange rate profits and losses						
Soweto foreign loan	-	-	0	77 593	78 298	34 128
Other foreign loans	-	-	-	-	-	234
Profit on consolidation/repurchase/ "switching" of government stock	-	-	-	-	-	-
Pension contributions	2 679	2 858	3 213	3 791	2 520	2 513
Revenue from Trust property	-	-	-	-	-	-
Own Affairs Administrations (own revenue)	21 616	77 468	118 824	143 824	195 393	314 408
Unspecified	200 829	138 776	210 511	186 694	264 298	135 102
<b>Other non-tax revenue</b>	<b>225 125</b>	<b>219 101</b>	<b>332 548</b>	<b>411 702</b>	<b>540 508</b>	<b>486 385</b>
<b>V. NON-TAX REVENUE (8+9+10+12)</b>	<b>1 492 586</b>	<b>1 493 154</b>	<b>1 885 810</b>	<b>1 876 049</b>	<b>2 029 547</b>	<b>2 001 588</b>
<b>III. TOTAL CURRENT REVENUE (IV+V)</b>	<b>24 651 234</b>	<b>30 868 651</b>	<b>34 831 195</b>	<b>40 060 562</b>	<b>51 433 654</b>	<b>65 453 188</b>

Continues on page B.35

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	
-	-	-	8 063	8 239	13 640	Corporation for Public Deposits
-	-	-	414 240	309 225	779 098	Exchequer deposits
7 164	21 030	14 136	14 349	16 132	12 990	Farming industry
1 731	3 292	19 024	23 057	25 169	16 586	Local loans
734	906	2 230	2 906	1 848	1 391	State land
-	-	-	-	-	-	Transport
23 141	37 308	83 033	30 572	35 198	123 206	Other
183 120	150 902	67 312	196 087	175 422	97 959	Mining leases and ownership
69 823	75 660	31 297	29 918	20 565	72 982	Gold mines
179 525	98 533	89 314	69 517	28 926	46 138	Diamond mines
-	-	-	-	-	-	Other mines
<b>1 052 349</b>	<b>798 514</b>	<b>931 714</b>	<b>1 565 486</b>	<b>1 061 457</b>	<b>1 950 909</b>	Entrepreneurial and property income
						<b>9. ADMINISTRATIVE FEES &amp; CHARGES, NONINDUSTRIAL &amp; INCIDENTAL SALES</b>
2 296	3 084	4 453	990	896	45 002	Sale of products
30 658	41 824	53 957	117 509	116 336	85 153	Agriculture and forestry
78 660	102 191	114 080	100 448	108 685	124 573	Other
19 396	19 314	14 210	18 067	19 575	13 448	Leasing and property rights money
35	43	49	50	48	39	Registration and inspection fees
2 003	686	3 565	121	75	130	Witness fees
8 257	7 756	24 196	30 770	24 091	31 644	Monies not prescribed by law:
26 393	50 126	59 607	30 166	47 027	32 746	Leasing
-	-	-	-	-	-	Domestic services
-	-	-	-	-	-	Other
<b>187 698</b>	<b>225 024</b>	<b>274 116</b>	<b>298 120</b>	<b>316 733</b>	<b>332 734</b>	Administrative fees and charges, nonindustrial and incidental sales
<b>201 541</b>	<b>94 955</b>	<b>95 825</b>	<b>103 570</b>	<b>111 641</b>	<b>124 459</b>	<b>10. FINES AND FORFEITS</b>
						<b>12. OTHER NON-TAX REVENUE</b>
-2 032	-32 553	-18 384	-2 882	2 558	-	Exchange rate profits and losses
6	5 814	28 336	-	47	4 392	Soweto foreign loan
-	20 524	56 705	100 336	30 851	22 416	Other foreign loans
5 620	2 593	2 114	2 225	3 240	4	Profit on consolidation/repurchase/ "switching" of government stock
-	-	53 079	-	-	-	Pension contributions
340 598	318 839	392 847	147 344	87 326	-	Revenue from Trust property
269 204	228 551	381 500	334 081	298 991	263 152	Own Affairs Administrations (own revenue)
-	-	-	-	-	-	Unspecified
<b>613 396</b>	<b>543 768</b>	<b>896 186</b>	<b>581 104</b>	<b>423 013</b>	<b>289 963</b>	Other non-tax revenue
<b>2 034 984</b>	<b>1 662 261</b>	<b>2 197 851</b>	<b>2 546 280</b>	<b>1 912 844</b>	<b>2 698 066</b>	<b>V. NON-TAX REVENUE (8+9+10+12)</b>
<b>71 990 323</b>	<b>77 865 633</b>	<b>82 758 859</b>	<b>96 673 267</b>	<b>112 172 681</b>	<b>125 802 840</b>	<b>III. TOTAL CURRENT REVENUE (IV+V)</b>

Continues on page B.36

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

Source of Revenue	ACTUAL COLLECTIONS					
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	R'000	R'000	R'000	R'000	R'000	R'000
<b>13. SALE OF FIXED CAPITAL ASSETS</b>						
Sale of capital equipment	317	17	22	181	6	784
Sale of state-owned land, buildings and structures	5 919	6 312	9 465	21 685	28 588	5 253
<b>Sale of fixed capital assets</b>	<b>6 237</b>	<b>6 329</b>	<b>9 487</b>	<b>21 866</b>	<b>28 593</b>	<b>6 037</b>
<b>14. SALES OF STOCKS</b> 13)						
Strategic Fuel Fund	-	-	1 012 000	208 000	-	-
National Supplies Procurement Fund	-	-	-	-	-	-
<b>Sales of stocks</b>	<b>-</b>	<b>-</b>	<b>1 012 000</b>	<b>208 000</b>	<b>-</b>	<b>-</b>
<b>VI. TOTAL CAPITAL REVENUE (13+14)</b>	<b>6 237</b>	<b>6 329</b>	<b>1 021 488</b>	<b>229 866</b>	<b>28 593</b>	<b>6 037</b>
<b>II. TOTAL REVENUE (II+VI)</b>	<b>24 657 471</b>	<b>30 874 980</b>	<b>35 852 682</b>	<b>40 290 428</b>	<b>51 462 247</b>	<b>65 459 226</b>
<b>VII. TOTAL GRANTS (RDP)</b> 14)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>I. TOTAL REVENUE AND GRANTS (II+VII)</b>	<b>24 657 471</b>	<b>30 874 980</b>	<b>35 852 682</b>	<b>40 290 428</b>	<b>51 462 247</b>	<b>65 459 226</b>

<b>MEMORANDUM ITEMS</b>						
Items not regarded as revenue according to the GFS classification:						
<i>Recovery of loans and advances</i> 15)						
Communication	8 722	9 431	10 185	13 780	8 885	12 789
Local loans	1 044	1 764	198	722	-	-
SWAWEC	-	-	71 948	84 948	-51 552	13 448
Other	37 224	45 555	120 331	104 932	49 953	55 087
Transfer from IMF Deposit Account 16)	-	93 825	433 571	351 882	-	-
Transfer from Tax Reserve Account 16)	-	339 422	-	-	-	-
Premium on consolidation/repurchase/ "switching" of government stock 17)	-	-	-	-	-	782 785
Proceeds from the sales of state assets 18)	258 800	195 000	-	-	600 000	2 989 180
	<b>305 791</b>	<b>684 988</b>	<b>636 233</b>	<b>556 264</b>	<b>607 266</b>	<b>3 853 289</b>

TABLE 4a (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

ACTUAL COLLECTIONS						Source of Revenue
1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	
R'000	R'000	R'000	R'000	R'000	R'000	13. SALE OF FIXED CAPITAL ASSETS Sale of capital equipment Sale of state-owned land, buildings and structures
22	2 211	220	17	1 847	998	
20 807	22 547	68 542	28 801	13 670	22 375	
<b>20 828</b>	<b>24 758</b>	<b>68 763</b>	<b>28 818</b>	<b>15 517</b>	<b>23 373</b>	Sale of fixed capital assets
						13) 14. SALES OF STOCKS
	264 471	780 519	741 067	-	1 231 334	Strategic Fuel Fund National Supplies Procurement Fund
319 400	544 754	255 607	665 000	-	104 400	
<b>319 400</b>	<b>809 225</b>	<b>1 036 126</b>	<b>1 406 067</b>	<b>-</b>	<b>1 335 734</b>	Sales of stocks
<b>340 228</b>	<b>833 983</b>	<b>1 104 889</b>	<b>1 434 885</b>	<b>15 517</b>	<b>1 359 108</b>	<b>VI. TOTAL CAPITAL REVENUE (13+14)</b>
<b>72 330 552</b>	<b>78 699 616</b>	<b>83 863 747</b>	<b>98 108 152</b>	<b>112 188 198</b>	<b>127 161 948</b>	<b>II. TOTAL REVENUE (III+VI)</b>
				1 010	123 294	14) VII. TOTAL GRANTS (RDP)
<b>72 330 552</b>	<b>78 699 616</b>	<b>83 863 747</b>	<b>98 108 152</b>	<b>112 189 208</b>	<b>127 285 242</b>	<b>I. TOTAL REVENUE AND GRANTS (II+VII)</b>

						MEMORANDUM ITEMS
						Items not regarded as revenue according to the GFS classification:
13 913	15 135	10 448	-	-	-	15) Recovery of loans and advances
-	8 237	16 514	17 973	20 710	14 246	Communication
6 500	14 838	14 838	14 838	14 838	6 500	Local loans
85 260	70 915	100 209	125 805	164 913	110 601	SWAWEC
-	-	-	-	-	-	Other
-	-	-	-	-	-	16) Transfer from IMF Deposit Account
-	-	-	-	-	-	16) Transfer from Tax Reserve Account
14 247	153 847	41 655	91 290	1 321 165	273 869	17) Premium on consolidation/repurchase/ "switching" of government stock
-	-	107 692	-	-	-	18) Proceeds from the sales of state assets
<b>119 920</b>	<b>262 972</b>	<b>291 356</b>	<b>249 906</b>	<b>1 521 627</b>	<b>405 216</b>	

- 1) *Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).*
- 2) *The International Monetary Fund's Manual on Government Finance Statistics was used to classify revenue collections as reported by the Auditor-General.*
- 3) *Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.*
- 4) *Including late payments of sales duty, which was replaced by a general sales tax in July 1978.*
- 5) *Excise duties which are collected by the BLNS countries, former self-governing territories and TBVC states. It is paid over to the National Revenue Account (formerly the State Revenue Account) since it accrues to the Customs Union pool.*
- 6) *Including allocations from the fuel levy to the former TBVC states, previously treated as Part II revenue.*
- 7) *In 1984/85 a late payment in respect of cinematography tax, which was abolished earlier, was received. The collections for 1985/86 to 1987/88 are in respect of a once-off levy on life insurers and banking institutions.*
- 8) *Including allocations from the ordinary levy to the former TBVC states, previously treated as Part II revenue.*
- 9) *Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.*
- 10) *Receipts in 1984/85 and 1985/86 were from the State Oil Fund. Subsequent receipts were from the Black and Coloured Transport Account.*
- 11) *The decline after 1984/85 was because revenue from the production and processing of wood was shifted to a trading account.*
- 12) *Although own revenue collections of the former Own Affairs Administrations include items that are not regarded as revenue according to the GFS classification, the total collections are shown here due to lack of detail.*
- 13) *Transfers from the National Supplies Procurement Fund (proceeds from sales of strategic assets) and transfers from the Strategic Fuel Fund (proceeds from sales of strategic oil supplies).*
- 14) *Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditures.*
- 15) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "net lending" according to the GFS classification.*
- 16) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "financing" according to the GFS classification.*
- 17) *This premium arises when the discount on government stock redeemed is greater than the discount on the new stock issued. It is only a book-entry and does not represent an actual cash flow. For purposes of analysis, it is regarded as "negative" loan redemptions (i.e. subtracted from loan redemptions).*
- 18) *Figures for 1984/85 and 1985/86 relate to sales of Sasol stock, while the 1988/89 figure relate to a first payment with regard to the privatisation of Iscor. The 1989/90 receipts were in respect of the privatisation of Iscor and the South African Mint, while the receipt in 1992/93 was a final payment in respect of the privatisation of Iscor. These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "net lending" according to the GFS classification.*



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**TABLE 4b**  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
**According to the GFS classification 2)**

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print: Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>1. TAXES ON INCOME AND PROFITS</b>						
Persons and individuals 3)	44 972 795	51 179 289	57 975 000	57 640 000	12,6%	-335 000
Corporate						
Gold mines	1 172 675	893 680	865 000	605 000	-32,3%	-260 000
Diamond mines	35 698	17 942	154 000	154 000	758,3%	0
Other mines 3)	421 528	696 833	1 200 000	1 200 000	72,2%	0
Companies (other than mining) 3)	11 961 336	14 058 998	16 385 000	18 100 000	28,7%	1 715 000
Secondary tax on companies	1 303 595	1 262 242	1 000 000	1 275 000	1,0%	275 000
Tax on retirement fund industry			2 725 000	2 400 000		-325 000
Undistributed profits tax	242	8				
Other, non-allocable						
Non-resident shareholders' tax 3)	479 393	232 252			-100,0%	0
Non-residents' tax on interest	-349	-399				
Interest on overdue income tax	657 799	642 927	750 000	650 000	19,7%	-100 000
<b>Taxes on income and profits</b>	<b>61 004 712</b>	<b>68 883 773</b>	<b>81 054 000</b>	<b>82 024 000</b>	<b>19,1%</b>	<b>979 000</b>
<b>4. TAXES ON PROPERTY</b>						
Estate, inheritance and gift taxes						
Donations tax	104 382	60 997	47 000	48 000	-21,3%	1 000
Estate duty	125 308	181 345	150 000	165 000	-9,0%	15 000
Taxes on financial and capital transactions						
Marketable securities tax	431 450	462 924	200 000	390 000	-15,8%	190 000
Transfer duties	1 413 515	1 528 675	1 650 000	1 750 000	14,5%	100 000
<b>Taxes on property</b>	<b>2 074 654</b>	<b>2 233 842</b>	<b>2 047 000</b>	<b>2 353 000</b>	<b>5,3%</b>	<b>306 000</b>
<b>5. DOMESTIC TAXES ON GOODS AND SERVICES</b>						
Value-added tax/Sales tax 3,4)	29 288 397	32 768 180	36 930 000	36 150 000	10,3%	-780 000
Excise duties	14 155 729	15 403 293	17 278 000	17 295 600	12,3%	17 600
Beer	1 764 400	2 010 441	2 322 000	2 322 000	15,5%	0
Sorghum beer and sorghum flour	33 405	36 258	40 000	38 000	4,8%	-2 000
Wine and other fermented beverages	136 963	190 641	224 000	227 000	19,1%	3 000
Mineral water	214 042	232 222	250 000	245 000	5,5%	-5 000
Spirits	591 846	687 912	728 000	775 000	16,0%	47 000
Cigarettes and cigarette tobacco	1 210 433	1 515 266	1 775 000	1 640 000	8,2%	-135 000
Pipe tobacco and cigars	21 737	28 193	32 500	33 600	19,2%	1 100
Petroleum products	520 169	541 512	564 000	574 000	6,0%	10 000
Motor cars	693 251	606 695		-90 000	-114,8%	-90 000
Ad valorem: Schedule 1, Part 2B	372 940	400 239	705 000	730 000	82,4%	25 000
Chemical products	7 215	7 145	7 500	1 000	-86,0%	-6 500
Revenue from neighbouring countries 5)	237 835	238 758	270 000	300 000	25,7%	30 000
Fuel levy 6)	8 351 492	8 928 010	10 360 000	10 500 000	17,6%	140 000
Taxes on specific services						
Levy on financial services	390 498	478 269	455 000	500 000	4,5%	45 000
Taxes on use of goods or permission to use goods or to perform activities						
Licences	10 740	14 872	13 000	14 500	-2,5%	1 500
Mining lease rights and licences	34 608	18 127	36 000	25 000	37,9%	-11 000
Other 7)						
<b>Domestic taxes on goods and services</b>	<b>43 879 971</b>	<b>48 682 741</b>	<b>54 712 000</b>	<b>53 985 100</b>	<b>10,9%</b>	<b>-726 900</b>

**TABLE 4b**  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
**According to the GFS classification 2)**

1997/98				Source of Revenue
First Print: Estimate	% change on 1996/97	Second Print: Estimate	% change on 1996/97	
R'000		R'000		
66 700 000	15,7%	65 069 000	12,9%	3) <b>1. TAXES ON INCOME AND PROFITS</b>
				Persons and individuals
				Corporate
800 000	32,2%	800 000	32,2%	Gold mines
154 000	0,0%	154 000	0,0%	Diamond mines
1 200 000	0,0%	1 200 000	0,0%	3) Other mines
20 400 000	12,7%	21 100 000	16,6%	3) Companies (other than mining)
1 300 000	2,0%	1 300 000	2,0%	Secondary tax on companies
2 450 000	2,1%	2 700 000	12,5%	Tax on retirement fund industry
-	-	-	-	Undistributed profits tax
-	-	-	-	Other, non-allocable
-	-	-	-	3) Non-resident shareholders' tax
-	-	-	-	Non-residents' tax on interest
600 000	-7,7%	700 000	7,7%	Interest on overdue income tax
<b>93 604 000</b>	<b>14,1%</b>	<b>93 023 000</b>	<b>13,4%</b>	<b>Taxes on income and profits</b>
				<b>4. TAXES ON PROPERTY</b>
				Estate, inheritance and gift taxes
35 000	-27,1%	35 000	-27,1%	Donations tax
195 000	18,2%	195 000	18,2%	Estate duty
				Taxes on financial and capital transactions
400 000	2,6%	350 000	-10,3%	Marketable securities tax
1 802 000	3,0%	1 852 000	5,8%	Transfer duties
<b>2 432 000</b>	<b>3,4%</b>	<b>2 432 000</b>	<b>3,4%</b>	<b>Taxes on property</b>
				<b>5. DOMESTIC TAXES ON GOODS AND SERVICES</b>
				3,4) Value-added tax/Sales tax
39 880 000	10,3%	40 280 000	11,4%	Excise duties
17 826 000	3,1%	19 474 000	12,6%	Beer
2 345 000	1,0%	2 545 000	9,6%	Sorghum beer and sorghum flour
38 000	0,0%	53 000	39,5%	Wine and other fermented beverages
234 000	3,1%	294 000	29,5%	Mineral water
255 000	4,1%	273 000	11,4%	Spirits
798 000	3,0%	853 000	10,1%	Cigarettes and cigarette tobacco
1 640 000	0,0%	2 078 000	26,7%	Pipe tobacco and cigars
34 000	1,2%	46 000	36,9%	Petroleum products
590 000	2,8%	590 000	2,8%	Motor cars
-	-100,0%	-	-100,0%	Ad valorem: Schedule 1, Part 2B
782 000	7,1%	832 000	14,0%	Chemical products
0	-100,0%	0	-100,0%	5) Revenue from neighbouring countries
315 000	5,0%	315 000	5,0%	6) Fuel levy
10 795 000	2,8%	11 595 000	10,4%	
				Taxes on specific services
400 000	-20,0%	400 000	-20,0%	Levy on financial services
				Taxes on use of goods or permission to use goods or to perform activities
14 800	2,1%	14 800	2,1%	Licences
25 000	0,0%	25 000	0,0%	Mining lease rights and licences
-	-	-	-	7) Other
<b>58 145 800</b>	<b>7,7%</b>	<b>60 193 800</b>	<b>11,5%</b>	<b>Domestic taxes on goods and services</b>

TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print: Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>6. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS</b>						
Import duties						
Customs duties	4 246 990	5 325 877	6 230 000	6 820 000	28,1%	590 000
Import surcharges	1 170 848	456 680	-	-	-100,0%	0
Other						
Ordinary levy	51 278	56 290	35 000	27 000	-52,0%	-8 000
Miscellaneous: Customs & Excise	137 249	330 783	100 000	149 000	-55,0%	49 000
Diamond export duties	-	-	-	-		
Taxes on international trade and transactions	<b>5 606 364</b>	<b>6 169 631</b>	<b>6 365 000</b>	<b>6 996 000</b>	<b>13,4%</b>	<b>631 000</b>
<b>7. OTHER TAXES</b>						
Stamp duties and fees	<b>942 939</b>	<b>1 024 825</b>	<b>1 040 000</b>	<b>1 215 000</b>	<b>18,6%</b>	<b>175 000</b>
<b>TOTAL TAX REVENUE (GROSS COLLECTIONS) (1+4+5+6+7)</b>	<b>113 508 840</b>	<b>126 984 911</b>	<b>145 218 000</b>	<b>146 573 100</b>	<b>15,4%</b>	<b>1 355 100</b>
Less:						
Amount to the credit of Central Revenue Fund: Namibia (sec. 22(1) of Act 25 of 1969)	-	-	-	-		
Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)	3 248 803	3 890 137	4 362 659	4 362 659	12,1%	0
Total payments	<b>3 248 803</b>	<b>3 890 137</b>	<b>4 362 659</b>	<b>4 362 659</b>	<b>12,1%</b>	<b>0</b>
<b>IV. TOTAL TAX REVENUE (NET COLLECTIONS)</b>	<b>110 259 837</b>	<b>123 104 774</b>	<b>140 855 341</b>	<b>142 210 441</b>	<b>15,5%</b>	<b>1 355 100</b>
<b>8. ENTREPRENEURIAL AND PROPERTY INCOME</b>						
Cash operating surpluses of departmental enterprise sales	157 842	173 113	180 000	180 000		
From non-financial public enterprises and public financial institutions						
Reserve Bank profits	60 575	73 302	60 000	125 000		
Sishen/Saldanha project	-	-	-	-		
Corporation for Public Deposits	51 170	20 657	20 000	44 000		
National Energy Council	-	-	-	-		
Strategic Mineral Fund	-	-	-	-		
Maize Board	-	-	-	-		
Wool Board	-	-	-	-		
Other	-	-	-	-		
Commission	30 227	33 511	29 000	29 000		
Dividends						
Broadcasting	1 780	1 780	1 780	1 800		
Isacor	0	-	-	-		
Telkom	-	323 400	320 000	302 062		
Industrial Development Corporation	63 900	67 000	67 000	65 000		
Denel	60 000	70 000	70 000	100 000		
Strategic Fuel Fund	-	-	-	275 000		
Other	12 080	17 000	17 190	5 000		
Interest						
Border area development	-	-	-	-		
Broadcasting	-	-	-	-		
Cash balances	3 160	7 156	4 700	4 700		
Communication	-	-	-	-		

TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

1997/98				Source of Revenue
First Print: Estimate	% change on 1996/97	Second Print: Estimate	% change on 1996/97	
R'000		R'000		
6 965 000	2,1%	7 115 000	4,3%	<b>6. TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS</b>
-	#DIV/0!	-	#DIV/0!	Import duties
28 000	3,7%	28 000	3,7%	Customs duties
150 000	0,7%	150 000	0,7%	Import surcharges
-	-	-	-	Other
-	-	-	-	Ordinary levy
-	-	-	-	Miscellaneous: Customs & Excise
-	-	-	-	Diamond export duties
7 143 000	2,1%	7 293 000	4,2%	Taxes on international trade and transactions
1 390 000	7,0%	1 275 000	4,9%	<b>7. OTHER TAXES</b>
-	-	-	-	Stamp duties and fees
162 624 800	11,0%	164 216 800	12,0%	<b>TOTAL TAX REVENUE (GROSS COLLECTIONS) (1+4+5+6+7)</b>
-	-	-	-	Less:
-	-	-	-	Amount to the credit of Central Revenue Fund: Namibia (sec. 22(1) of Act 25 of 1969)
5 237 198	20,0%	5 237 198	20,0%	Payments in terms of Customs Union Agreements (sec. 51(2) of Act 91 of 1964)
5 237 198	20,0%	5 237 198	20,0%	Total payments
157 387 602	10,7%	158 979 602	11,0%	<b>IV. TOTAL TAX REVENUE (NET COLLECTIONS)</b>
170 000		170 000		<b>8. ENTREPRENEURIAL AND PROPERTY INCOME</b>
125 000		125 000		Cash operating surpluses of departmental enterprise sales
44 000		44 000		From non-financial public enterprises and public financial institutions
-		-		Reserve Bank profits
-		-		Sishen/Saldanha project
-		-		Corporation for Public Deposits
-		-		National Energy Council
-		-		Strategic Mineral Fund
-		-		Maize Board
-		-		Wool Board
30 000		30 000		Other
1 800		1 800		Commission
400 000		400 000		Dividends
65 000		65 000		Broadcasting
100 000		100 000		Iscor
200 000		200 000		Telkom
0		0		Industrial Development Corporation
-		-		Denel
-		-		Strategic Fuel Fund
-		-		Other
-		-		Interest
-		-		Border area development
4 700		4 700		Broadcasting
-		-		Cash balances
-		-		Communication

TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print: Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
Corporation for Public Deposits	8 239	13 640	9 500	73 000		
Exchequer deposits	309 225	779 098	300 000	1 000 000		
Farming industry	16 132	12 990	10 000	10 000		
Local loans	25 169	16 586	18 000	18 000		
State land	1 848	1 391	2 200	2 200		
Transport	-	-	-	-		
Other	35 198	123 206	41 000	41 000		
Mining leases and ownership						
Gold mines	175 422	97 959	2 000	3 000		
Diamond mines	20 565	72 982	30 000	60 000		
Other mines	28 926	46 138	45 000	45 000		
<b>Entrepreneurial and property income</b>	<b>1 061 457</b>	<b>1 950 908</b>	<b>1 227 370</b>	<b>2 383 762</b>	<b>22,2%</b>	<b>1 156 392</b>
<b>9. ADMINISTRATIVE FEES &amp; CHARGES, NONINDUSTRIAL &amp; INCIDENTAL SALES</b>						
Sale of products						
Agriculture and forestry	896	45 002	800	800		
Other	116 336	85 153	153 000	169 000		
Leasing and property rights money	108 685	124 573	136 000	145 000		
Registration and inspection fees	19 575	13 448	12 000	12 000		
Witness fees	48	39	75	75		
Monies not prescribed by law:						
Leasing	75	130	110	110		
Domestic services	24 091	31 644	33 000	30 000		
Other	47 027	32 746	52 000	38 000		
<b>Administrative fees and charges, nonindustrial and incidental sales</b>	<b>316 733</b>	<b>332 734</b>	<b>386 986</b>	<b>394 985</b>	<b>18,7%</b>	<b>8 000</b>
<b>10. FINES AND FORFEITS</b>	<b>111 641</b>	<b>124 458</b>	<b>95 000</b>	<b>110 000</b>	<b>-11,6%</b>	<b>15 600</b>
<b>12. OTHER NON-TAX REVENUE</b>						
Exchange rate profits and losses						
Soweto foreign loan	2 558	-	-	-		
Other foreign loans	47	4 392	-	630		
Profit on consolidation/repurchase/ "switching" of government stock	30 851	22 416	-	-		
Pension contributions	3 240	4	-	-		
Revenue from Trust property	-	-	-	-		
Own Affairs Administrations (own revenue)	87 326	-	-	-		
Unspecified	288 991	263 152	226 904	424 043		
<b>Other non-tax revenue</b>	<b>423 013</b>	<b>289 963</b>	<b>226 904</b>	<b>424 673</b>	<b>46,5%</b>	<b>197 769</b>
<b>V. NON-TAX REVENUE (8+9+10+12)</b>	<b>1 912 844</b>	<b>2 698 066</b>	<b>1 936 259</b>	<b>3 313 420</b>	<b>22,8%</b>	<b>1 377 161</b>
<b>III. TOTAL CURRENT REVENUE (IV+V)</b>	<b>112 172 681</b>	<b>125 802 840</b>	<b>142 791 600</b>	<b>145 523 861</b>	<b>15,7%</b>	<b>2 732 261</b>

Continues on page B.45

TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

1997/98				Source of Revenue
First Print: Estimate	% change on 1996/97	Second Print: Estimate	% change on 1996/97	
R'000		R'000		
8 000		8 000		Corporation for Public Deposits
700 000		700 000		Exchequer deposits
10 000		10 000		Farming industry
18 000		18 000		Local loans
2 200		2 200		State land
-		-		Transport
41 000		41 000		Other
-		-		Mining leases and ownership
60 000		60 000		Gold mines
45 000		45 000		Diamond mines
				Other mines
<b>2 024 700</b>	<b>-15,1%</b>	<b>2 024 700</b>	<b>-15,1%</b>	Entrepreneurial and property income
				<b>9. ADMINISTRATIVE FEES &amp; CHARGES, NONINDUSTRIAL &amp; INCIDENTAL SALES</b>
800		800		Sale of products
183 000		183 000		11) Agriculture and forestry
156 000		156 000		Other
12 000		12 000		Leasing and property rights money
75		75		Registration and inspection fees
				Witness fees
				Monies not prescribed by law:
110		110		Leasing
30 000		30 000		Domestic services
42 000		42 000		Other
<b>423 985</b>	<b>7,3%</b>	<b>423 985</b>	<b>7,3%</b>	Administrative fees and charges, nonindustrial and incidental sales
<b>115 000</b>	<b>4,5%</b>	<b>115 000</b>	<b>4,5%</b>	<b>10. FINES AND FORFEITS</b>
				<b>12. OTHER NON-TAX REVENUE</b>
-		-		Exchange rate profits and losses
80		80		Soweto foreign loan
-		-		Other foreign loans
-		-		Profit on consolidation/repurchase/ "switching" of government stock
-		-		Pension contributions
-		-		Revenue from Trust property
256 973		256 973		12) Own Affairs Administrations (own revenue)
				Unspecified
<b>257 053</b>	<b>-39,5%</b>	<b>257 053</b>	<b>-39,5%</b>	Other non-tax revenue
<b>2 820 738</b>	<b>-14,9%</b>	<b>2 820 738</b>	<b>-14,9%</b>	<b>V. NON-TAX REVENUE (8+9+10+12)</b>
<b>160 208 340</b>	<b>10,1%</b>	<b>161 800 340</b>	<b>11,2%</b>	<b>III. TOTAL CURRENT REVENUE (IV+V)</b>

Continues on page B.46

TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

Source of Revenue	1996/97					
	1994/95	1995/96	Second Print: Estimate	Revised Estimate	% change on 1995/96	Deviation
	R'000	R'000	R'000	R'000		R'000
<b>13. SALE OF FIXED CAPITAL ASSETS</b>						
Sale of capital equipment	1 847	998	1 400	1 400		
Sale of state-owned land, buildings and structures	13 670	22 375	15 000	7 000		
<b>Sale of fixed capital assets</b>	<b>15 517</b>	<b>23 373</b>	<b>16 400</b>	<b>8 400</b>	<b>-64,1%</b>	<b>-8 000</b>
<b>14. SALES OF STOCKS</b> 13)						
Strategic Fuel Fund	-	1 231 334	1 880 000	1 603 000		
National Supplies Procurement Fund	-	104 400	-	-		
<b>Sales of stocks</b>	<b>-</b>	<b>1 335 734</b>	<b>1 880 000</b>	<b>1 603 000</b>	<b>20,0%</b>	<b>-277 000</b>
<b>VI. TOTAL CAPITAL REVENUE (13+14)</b>	<b>15 517</b>	<b>1 359 108</b>	<b>1 896 400</b>	<b>1 611 400</b>	<b>18,6%</b>	<b>-285 000</b>
<b>II. TOTAL REVENUE (II+VI)</b>	<b>112 186 186</b>	<b>127 161 948</b>	<b>144 688 000</b>	<b>147 135 261</b>	<b>15,7%</b>	<b>2 447 261</b>
<b>VII. TOTAL GRANTS (RDP)</b> 14)	<b>1 010</b>	<b>123 294</b>	<b>-</b>	<b>138 730</b>		<b>138 730</b>
<b>I. TOTAL REVENUE AND GRANTS (II+VII)</b>	<b>112 189 206</b>	<b>127 285 242</b>	<b>144 688 000</b>	<b>147 273 991</b>	<b>15,7%</b>	<b>2 585 991</b>
<b>MEMORANDUM ITEMS</b>						
<i>Items not regarded as revenue according to the GFS classification:</i>						
<i>Recovery of loans and advances</i> 15)						
Communication	-	-	-	-		
Local loans	20 710	14 246	20 600	17 000		
SWAWEC	14 838	6 500	-	-		
Other	164 913	110 601	148 400	120 260		
Transfer from IMF Deposit Account 16)	-	-	-	-		
Transfer from Tax Reserve Account 16)	-	-	-	-		
Premium on consolidation/repurchase/ "switching" of government stock 17)	1 321 165	273 869	200 000	1 100 000		
Proceeds from the sales of state assets 18)	-	-	-	-		
	<b>1 521 627</b>	<b>405 216</b>	<b>369 000</b>	<b>1 237 260</b>	<b>205,3%</b>	<b>868 260</b>



TABLE 4b (continued)  
**TOTAL REVENUE:**  
**NATIONAL REVENUE ACCOUNT 1)**  
 According to the GFS classification 2)

1997/98				Source of Revenue
First Print: Estimate	% change on 1996/97	Second Print: Estimate	% change on 1996/97	
R'000		R'000		
1 400		1 400		<b>13. SALE OF FIXED CAPITAL ASSETS</b> Sale of capital equipment Sale of state-owned land, buildings and structures
7 000		7 000		
8 400	0,0%	8 400	0,0%	
				Sale of fixed capital assets
1 250 000		1 250 000		<sup>13)</sup> <b>14. SALES OF STOCKS</b> Strategic Fuel Fund National Supplies Procurement Fund
1 250 000	-22,0%	1 250 000	-22,0%	Sales of stocks
1 258 400	-21,9%	1 258 400	-21,9%	<b>VI. TOTAL CAPITAL REVENUE (13+14)</b>
161 466 740	9,7%	163 058 740	10,8%	<b>II. TOTAL REVENUE (III+VI)</b>
-	-100,0%	-	-100,0%	<sup>14)</sup> <b>VII. TOTAL GRANTS (RDP)</b>
161 466 740	9,6%	163 058 740	10,7%	<b>I. TOTAL REVENUE AND GRANTS (II+VII)</b>

				<b>MEMORANDUM ITEMS</b> Items not regarded as revenue according to the GFS classification:
17 000		17 000		<sup>15)</sup> Recovery of loans and advances Communication Local loans SWAWEC Other
150 260		150 260		<sup>16)</sup> Transfer from IMF Deposit Account <sup>16)</sup> Transfer from Tax Reserve Account Premium on consolidation/repurchase/
200 000		200 000		<sup>17)</sup> "switching" of government stock <sup>18)</sup> Proceeds from the sales of state assets
367 260	-70,3%	883 260	-28,6%	

- 1) *Figures prior to 1994/95 (representing the former State Revenue Account) are presented on the same basis as those for the National Revenue Account (see introductory notes to this statistical annexure).*
- 2) *The International Monetary Fund's Manual on Government Finance Statistics was used to classify revenue collections as reported by the Auditor-General.*
- 3) *Figures prior to 1995/96 include collections by the former TBVC states and self-governing territories.*
- 4) *Including late payments of sales duty, which was replaced by a general sales tax in July 1978.*
- 5) *Excise duties which are collected by the BLNS countries, former self-governing territories and TBVC states. It is paid over to the National Revenue Account (formerly the State Revenue Account) since it accrues to the Customs Union pool.*
- 6) *Including allocations from the fuel levy to the former TBVC states, previously treated as Part II revenue.*
- 7) *In 1984/85 a late payment in respect of cinematography tax, which was abolished earlier, was received. The collections for 1985/86 to 1987/88 are in respect of a once-off levy on life insurers and banking institutions.*
- 8) *Including allocations from the ordinary levy to the former TBVC states, previously treated as Part II revenue.*
- 9) *Excluding payments to the former TBVC states and self-governing territories in terms of the Customs Union Agreement.*
- 10) *Receipts in 1984/85 and 1985/86 were from the State Oil Fund. Subsequent receipts were from the Black and Coloured Transport Account.*
- 11) *The decline after 1984/85 was because revenue from the production and processing of wood was shifted to a trading account.*
- 12) *Although own revenue collections of the former Own Affairs Administrations include items that are not regarded as revenue according to the GFS classification, the total collections are shown here due to lack of detail.*
- 13) *Transfers from the National Supplies Procurement Fund (proceeds from sales of strategic assets) and transfers from the Strategic Fuel Fund (proceeds from sales of strategic oil supplies).*
- 14) *Domestic and foreign grants, transferred from the RDP Fund, to finance RDP-related expenditures.*
- 15) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "net lending" according to the GFS classification.*
- 16) *These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "financing" according to the GFS classification.*
- 17) *This premium arises when the discount on government stock redeemed is greater than the discount on the new stock issued. It is only a book-entry and does not represent an actual cash flow. For purposes of analysis, it is regarded as "negative" loan redemptions (i.e. subtracted from loan redemptions).*
- 18) *Figures for 1984/85 and 1985/86 relate to sales of Sasol stock, while the 1988/89 figure relate to a first payment with regard to the privatisation of Iscor. The 1989/90 receipts were in respect of the privatisation of Iscor and the South African Mint, while the receipt in 1992/93 was a final payment in respect of the privatisation of Iscor. These receipts are, by law, paid into the National Revenue Account (formerly the State Revenue Account) via Inland Revenue, but are regarded as "net lending" according to the GFS classification.*

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**TABLE 5**  
**TOTAL EXPENDITURE: NATIONAL**  
**REVENUE ACCOUNT 1)**  
**According to Budget votes**

Budget vote	1996/97					1997/98		
	Printed Estimate (RP 2 & 4)	Printed Estimate plus improvements in conditions of service	Roll-overs from 1995/96	Adjustments Estimate (including roll-overs from 1995/96)	Total available funds <sup>2)</sup>	Printed Estimate (RP 2 & 4) <sup>3)</sup>	Improvements of conditions of service (Provisional distribution) <sup>4)</sup>	Printed Estimate plus improvements in conditions of service (Provisional) <sup>5)</sup>
President	27,5	29,5	1,4	6,1	35,5	24,5	1,2	25,6
Executive Deputy President	13,6	14,1	3,1	11,2	25,3	16,3	0,2	16,5
Executive Deputy President: Largest Minority Party	11,2	11,2	-	0,0	11,2	-	-	-
Parliament	344,1	344,1	4,1	33,8	377,9	322,4	-	322,4
Agriculture	833,4	904,0	121,0	73,2	977,2	776,1	40,8	816,8
Arts, Culture, Science and Technology	539,6	565,5	48,3	44,2	609,6	607,6	15,0	622,6
Central Economic Advisory Service	8,9	9,7	1,5	1,5	11,3	8,0	0,5	8,5
Central Statistical Service	372,6	376,2	23,1	44,6	420,8	84,9	2,1	87,0
Constitutional Development	1 016,0	1 017,8	326,1	286,2	1 304,1	682,6	1,0	683,6
Correctional Services	2 590,5	2 915,0	40,9	264,0	3 179,0	3 319,6	187,3	3 506,9
Education <sup>6)</sup>	5 492,8	5 497,1	92,6	83,8	5 580,9	5 558,9	2,5	5 561,4
Environmental Affairs and Tourism	326,7	342,2	8,6	14,3	356,4	370,5	8,9	379,5
Finance:								
Transfer payments to provinces	7) 73 873,1	79 630,2	2 315,4	3 468,6	83 098,8	80 806,1	3 323,2	84 129,3
Transfer to the RDP Fund	4 110,1	4 110,1	-	-	4 110,1	-	-	-
State debt cost	8) 36 070,9	36 070,9	-	371,6	36 442,5	39 642,8	-	39 642,8
Other	2 208,0	2 214,3	441,6	931,9	3 146,1	2 209,3	3,6	2 212,9
Foreign Affairs	1 146,6	1 172,9	187,2	175,5	1 348,3	1 289,0	15,2	1 304,2
Health	711,8	737,0	385,2	140,8	877,8	358,3	14,5	372,9
Home Affairs	392,2	421,6	49,4	50,2	471,8	520,4	17,0	537,5
Housing	1 574,6	1 576,0	1 763,8	1 766,4	3 342,4	4 037,8	0,8	4 038,6
Improvement in Conditions of Service	-	20,8	23,3	-	20,8	-	-	-
Independent Complaints Directorate	-	-	-	-	-	15,5	-	15,5
Justice	1 573,3	1 649,0	210,5	227,1	1 876,1	1 812,1	43,7	1 855,8
Labour	657,3	684,4	95,3	90,1	774,5	620,5	15,6	636,1
Land Affairs	645,7	661,6	261,8	246,5	908,1	583,0	9,2	592,1
Minerals and Energy	659,5	679,3	90,2	106,8	786,1	807,6	11,4	819,0
Public Enterprises	35,4	35,8	0,4	23,4	59,2	17,2	0,2	17,4
Public Service and Administration	70,3	73,5	-	44,3	117,8	55,3	1,8	57,1
Public Service Commission	27,1	28,5	2,4	0,0	28,5	25,6	0,8	26,4
Public Works	2 822,9	2 847,8	516,2	563,9	3 411,6	3 097,9	14,4	3 112,3
SA Communication Service	51,4	54,9	6,6	7,1	62,0	45,9	2,0	47,9
SA Management Development Institute	43,8	44,4	-	10,0	54,5	14,0	0,3	14,4
SA National Defence Force	10 246,4	10 851,1	418,3	418,8	11 269,9	9 578,7	349,0	9 927,8
SA Police Service	9 883,9	10 978,1	17,6	578,3	11 556,5	11 919,2	631,6	12 550,8
SA Revenue Service	944,3	997,7	109,1	237,5	1 235,2	947,1	30,9	977,9
Sport and Recreation	68,7	69,5	31,9	54,5	124,0	77,1	0,5	77,5
State Expenditure	1 179,9	1 194,5	43,1	52,2	1 246,7	1 021,5	8,4	1 029,9
Trade and Industry	3 268,8	3 329,9	519,9	522,0	3 851,9	3 048,5	35,3	3 083,8
Transport	3 344,1	3 355,9	50,4	344,9	3 700,9	3 334,2	6,8	3 341,0
Water Affairs and Forestry	2 352,8	2 488,1	701,8	787,0	3 275,1	2 142,9	78,1	2 221,0
Welfare	79,8	82,0	4,3	37,3	119,3	98,4	1,2	99,7
<b>Subtotal</b>	<b>169 619,5</b>	<b>178 086,0</b>	<b>8 916,0</b>	<b>12 119,5</b>	<b>190 205,6</b>	<b>179 897,4</b>	<b>4 875,0</b>	<b>184 772,4</b>
Plus: Improvement of conditions of service	7 481,0	-	-	-	-	4 875,0	-	-
Less: Expected savings and unspent balances	-	-	-	-	9 484,7	-	-	-
Recovery from Pension Funds	-	-	-	-	300,0	400,0	-	400,0
Function shifts	-	-	-	-	535,7	-	-	-
<b>Printed Estimate (RP 2 &amp; 4)</b>	<b>177 100,5</b>	-	-	-	<b>179 885,2</b>	<b>184 372,4</b>	-	<b>184 372,4</b>
Less: Double counting of contribution to new RDP-related expenditure	4 110,1	-	-	-	4 110,1	-	-	-
Plus: Expenditure not yet allocated <sup>9)</sup>	600,0	-	-	-	-	2 074,4	-	2 074,4
<b>Total estimated expenditure level: Budget votes and statutory amounts</b>	<b>173 590,4</b>	-	-	-	<b>175 775,1</b>	<b>186 446,8</b>	-	<b>186 446,8</b>

## Footnotes to table 5:

- 1) Expenditure on budget votes (including statutory amounts) for which the national government takes responsibility. Transfers payments from the National Revenue Account to other levels and funds of general government are included.
- 2) "Blue Book" (RP 2 and 4) plus Adjustments Estimate. Provision has been made for functional shifts and drawings on the vote: Improvements in Conditions of Service have been allocated to the various votes.
- 3) Expenditure as indicated in the "White Book" (RP 2) plus amounts identified for inclusion in the Supplementary Estimate of Expenditure (RP 4) on the Votes: Health (R227 million), Transfer to Provinces (social grants of R175 million), Improvements in Conditions of Service (R337,2 million) and the savings in Pension Fund contributions of R400 million.
- 4) This provisional distribution of the R4,875 billion voted for Improvements of Conditions of Service is based on the 1996/97 drawings on that vote. This distribution is only for purposes of analysis and do not reflect the actual drawings for 1997/98.
- 5) These totals are provided for purposes of analysis and do not reflect the actual amounts available to spending agencies in 1997/98.
- 6) Mainly universities and technikons.
- 7) The 1996/97 figure has been adjusted, for purposes of comparability, to exclude the interest costs on the debt of the former TBVC states as in 1997/98.
- 8) The 1996/97 figure has been adjusted, for purposes of comparability, to include the interest costs on the debt of the former TBVC states, as in 1997/98.
- 9) Amounts identified for inclusion in the Adjustments Estimate in February 1998. See Annexure F of this Review for details.

**TABLE 6**  
**BORROWING REQUIREMENT AND**  
**FINANCING OF NATIONAL BUDGET 1)**

R million

	ACTUAL FIGURES						
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
<b>REVENUE</b>							
Inland Revenue	3 849,1	4 371,2	5 019,6	5 403,8	6 773,1	8 690,7	12 063,9
Customs and Excise	933,5	1 098,7	1 353,0	1 729,9	1 623,8	1 467,2	1 722,0
Grants (RDP)	-	-	-	-	-	-	-
<b>Total receipts</b> 2)	<b>4 782,6</b>	<b>5 469,9</b>	<b>6 372,7</b>	<b>7 133,7</b>	<b>8 397,0</b>	<b>10 158,0</b>	<b>13 785,9</b>
<b>EXPENDITURE</b>							
Budget votes and fixed statutory appropriations 3)	5 429,4	6 745,5	8 201,6	8 960,5	9 950,6	11 436,7	13 556,4
Late authorisation of expenditure 4)	-	-	-	-	0,4	4,4	20,2
Standing appropriations 5)	9,8	-	-	-	9,5	50,7	65,7
Transfers payments to:							
Government Pension Funds	-	-	-	-	-	-	-
Gold and Foreign Exchange Contingency Reserve Account	94,7	-	-	-	-	-	-
Other accounts/institutions 6)	24,3	22,7	67,2	37,3	335,2	160,0	212,0
Surrender of surplus funds 7)	-	-	-	-	-	-	-
Structural adjustments: 8)							
Revenue previously collected in other revenue accounts:							
Own Affairs Administrations	-	-	-	-	-	-	-
Self-governing territories and TBVC states	32,0	41,4	58,5	77,4	125,1	196,6	230,8
Former revenue diversions and standing allocations	-	-	-	40,0	133,5	173,8	244,8
<b>Total expenditure</b> 2)	<b>5 590,2</b>	<b>6 869,6</b>	<b>8 327,2</b>	<b>9 115,2</b>	<b>10 654,2</b>	<b>12 022,1</b>	<b>14 329,8</b>
<b>BUDGET DEFICIT</b>	<b>807,5</b>	<b>1 399,8</b>	<b>1 954,5</b>	<b>1 981,4</b>	<b>2 157,3</b>	<b>1 864,2</b>	<b>543,9</b>
Deficit as percentage of GDP	3,3%	4,9%	6,4%	5,8%	5,4%	3,8%	0,9%
... if transfer payments are excluded 11)	2,8%	4,8%	6,1%	5,7%	4,5%	3,5%	0,5%
... including transfers from SFF and NSPF	3,3%	4,9%	6,4%	5,8%	5,4%	3,8%	0,9%
<b>LOAN REDEMPTIONS</b>							
Domestic loans:							
Short-term (net)	-	-	-	276,3	125,2	-	36,5
Long-term 9, 10)	496,1	691,6	356,8	576,9	1 296,1	938,0	1 468,4
Scheduled government stock 9)	-	-	-	-	-	-	-
Loan levy	3,4	58,6	31,8	94,6	265,9	141,0	13,3
Foreign loans	98,3	183,2	295,4	197,0	208,6	206,3	202,5
<b>Gross borrowing requirement</b>	<b>1 405,3</b>	<b>2 273,2</b>	<b>2 638,5</b>	<b>3 126,2</b>	<b>4 053,1</b>	<b>3 149,5</b>	<b>2 264,6</b>
<b>FINANCING</b>							
Opening balance	361,9	253,0	183,0	108,1	207,3	147,6	208,4
Cash flow adjustment	-	-	-	-	-	-	-
Domestic loans:							
Short-term (net)	111,5	215,5	571,4	-	-	79,2	-
Long-term 9, 10)	916,5	1 863,4	1 281,7	2 728,8	3 364,8	2 259,8	3 242,5
Loan levy	60,5	86,6	366,4	440,5	518,7	506,0	58,5
Foreign loans	207,9	434,2	314,2	56,0	110,0	317,1	142,4
Proceeds from sales of state assets 13)	-	-	-	-	-	-	-
Transfer from IMF Accounts at SARB 12)	-	-	-	-	-	48,1	41,2
<b>Total financing</b>	<b>1 654,3</b>	<b>2 852,7</b>	<b>2 716,6</b>	<b>3 333,4</b>	<b>4 200,8</b>	<b>3 357,9</b>	<b>3 682,9</b>
Balance	253,0	579,5	78,1	207,3	147,6	208,4	1 428,3
Change in Stabilisation Account 14)	-	396,5	-30,0	-	-	-	1 241,6
Change in Tax Reserve Account 14)	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>253,0</b>	<b>183,0</b>	<b>108,1</b>	<b>207,3</b>	<b>147,6</b>	<b>208,4</b>	<b>186,7</b>

- 1) The revenue and expenditure figures presented here are with regard to the National Revenue Account. However, expenditure figures for 1994/95 are not strictly comparable to the rest of the expenditure figures, because of the inclusion of compensation for budgetary shortfalls of the former TVC states via the national budget in that year.
- 2) These figures are comparable with the Budgets from 1995/96 onwards. Actual national budget collections in preceding years were adjusted by own revenue collections of the former Own Affairs Administrations, revenue diversions and standing allocations to the former self-governing territories and TBVC states, as well as certain taxes, formerly collected by the self-governing territories and TBVC states, collected nationally from 1995/96 onwards. The relevant amounts were treated as transfer payments on the expenditure side.
- 3) Excluding unauthorised expenditure and discount on sales of new government stock.
- 4) See footnote 3 - these are usually approved in subsequent financial years.
- 5) Include realised guarantee liabilities, currency subscriptions to IDA and IBRD, as well as IMF-valuation adjustments.
- 6) Include transfer payments to the Special Defence Account, the Development Bank of Southern Africa, and the Independent Development Trust.
- 7) For the period 1987/88 to 1990/91 provincial surpluses had to be carried forward to the former State Revenue Account.
- 8) Cf. footnote 2. These figures were added on the expenditure side to present expenditure figures up to 1994/95 on the same basis as those thereafter.
- 9) The difference between total long-term debt redemptions and that of scheduled government stock is due to consolidation, repurchasing and "switching" of government stock, as well as redemptions of floating rate stock and bonds. On the financing side, the total long-term domestic debt figure includes refinancing of these activities. Premiums on consolidation and repurchases are subtracted from "total long-term debt redemptions".
- 10) Including "Debt Standstill" funds converted into floating rate stock. Discount on sales of new government stock is excluded.
- 11) Extra-ordinary transfer payments to Government Pension Funds, Gold and Foreign Exchange Contingency Reserve Account and other accounts/institutions are excluded.
- 12) Transfers from the SDR Account and IMF Deposit Account at the SARB to redeem IMF loans.
- 13) Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund, as well as proceeds from the privatisation and restructuring of state assets.
- 14) Transfers from the Exchequer to these Accounts (+) / Transfers from these Accounts to the Exchequer (-).

**TABLE 6**  
**BORROWING REQUIREMENT AND**  
**FINANCING OF NATIONAL BUDGET 1)**

R million							
ACTUAL FIGURES							
1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	
12 734,9	15 294,8	17 327,7	22 117,1	28 089,2	31 772,2	35 814,7	<b>REVENUE</b>
2 234,8	2 617,3	2 448,6	2 587,4	2 842,6	3 271,1	4 472,1	Inland Revenue
							Customs and Excise
							Grants (RDP)
<b>14 969,7</b>	<b>17 912,2</b>	<b>19 776,3</b>	<b>24 704,5</b>	<b>30 931,7</b>	<b>35 043,3</b>	<b>40 286,8</b>	<b>Total receipts</b>
							<b>EXPENDITURE</b>
16 319,6	19 178,1	22 280,7	27 127,4	32 908,2	40 247,6	47 751,7	Budget votes and fixed
0,5	4,9	28,0	2,7			4,0	statutory appropriations
	938,2	82,5	34,7	32,3	31,1	3,4	Late authorisation of expenditure
							Standing appropriations
							Transfers payments to:
							Government Pension Funds
							Gold and Foreign Exchange
							Contingency Reserve Account
97,0	373,3	892,3	654,7	399,2		-305,9	Other accounts/institutions
		206,2	2 000,0				Surrender of surplus funds
							Structural adjustments:
							Revenue previously collected
							in other revenue accounts:
			21,6	77,5	118,8	143,6	Own Affairs Administrations
321,8	398,0	231,1	396,9	609,7	627,9	938,9	Self-governing territories
							and TBVC states
231,6	341,2	516,4	1 118,9	1 119,5	1 172,7	1 521,8	Former revenue diversions
							and standing allocations
<b>16 970,6</b>	<b>21 233,7</b>	<b>24 237,4</b>	<b>31 356,8</b>	<b>35 146,4</b>	<b>42 198,1</b>	<b>50 655,6</b>	<b>Total expenditure</b>
2 000,9	3 321,5	4 461,1	6 652,3	4 214,6	7 154,8	9 768,7	<b>BUDGET DEFICIT</b>
2,7%	4,0%	4,7%	6,0%	3,3%	4,8%	5,6%	Deficit as percentage of GDP
2,6%	3,5%	3,5%	3,6%	3,0%	4,8%	5,6%	... if transfer payments are excluded
2,7%	4,0%	4,7%	6,0%	3,3%	4,1%	5,5%	... including transfers from SFF and NSPF
							<b>LOAN REDEMPTIONS</b>
							Domestic loans:
							Short-term (net)
27,9				117,7		2 152,9	Long-term
2 868,6	1 129,2	1 237,0	1 621,1	996,8	1 349,5	1 850,0	Scheduled government stock
		978,5	959,5	621,4	1 224,2		Loan levy
89,7	369,9	285,5	465,1	481,0	527,1	1,4	Foreign loans
78,7	398,9	626,3	371,4	449,5	449,9	442,1	
<b>5 085,7</b>	<b>5 219,4</b>	<b>6 609,8</b>	<b>9 110,0</b>	<b>6 259,7</b>	<b>9 481,3</b>	<b>12 365,2</b>	<b>Gross borrowing requirement</b>
							<b>FINANCING</b>
186,7	112,6	0,0	0,0	112,3	0,0	450,7	Opening balance
							Cash flow adjustment
							Domestic loans:
							Short-term (net)
4 581,7	188,6	822,2	1 185,9		1 031,1	1 344,4	Long-term
47,9	4 407,6	4 076,9	4 966,9	5 537,3	7 454,1	10 584,3	Loan levy
382,0	173,9	20,2	13,1	2,1			Foreign loans
	1 466,2	731,5	602,7	229,8	1,3		Proceeds from sales of state assets
			258,8	195,0	1 012,0	208,0	Transfer from IMF Accounts at SARB
		59,0		93,8	433,6	351,9	
<b>5 198,3</b>	<b>6 348,8</b>	<b>5 709,8</b>	<b>7 027,5</b>	<b>6 170,3</b>	<b>8 932,0</b>	<b>12 939,3</b>	<b>Total financing</b>
112,6	1 129,4	-900,0	-2 082,5	-89,4	450,7	574,1	Balance
	1 061,1	-900,0	-2 194,8	-89,4			Change in Stabilisation Account
	68,4						Change in Tax Reserve Account
<b>112,6</b>	<b>0,0</b>	<b>0,0</b>	<b>112,3</b>	<b>0,0</b>	<b>450,7</b>	<b>574,1</b>	<b>Closing balance</b>

- 1) The revenue and expenditure figures presented here are with regard to the National Revenue Account. However, expenditure figures for 1994/95 are not strictly comparable to the rest of the expenditure figures, because of the inclusion of compensation for budgetary shortfalls of the former TVC states via the national budget in that year.
- 2) These figures are comparable with the Budgets from 1995/96 onwards. Actual national budget collections in preceding years were adjusted by own revenue collections of the former Own Affairs Administrations, revenue diversions and standing allocations to the former self-governing territories and TBVC states, as well as certain taxes, formerly collected by the self-governing territories and TBVC states, collected nationally from 1995/96 onwards. The relevant amounts were treated as transfer payments on the expenditure side.
- 3) Excluding unauthorised expenditure and discount on sales of new government stock.
- 4) See footnote 3 - these are usually approved in subsequent financial years.
- 5) Include realised guarantee liabilities, currency subscriptions to IDA and IBRD, as well as IMF-valuation adjustments.
- 6) Include transfer payments to the Special Defence Account, the Development Bank of Southern Africa, and the Independent Development Trust.
- 7) For the period 1987/88 to 1990/91 provincial surpluses had to be carried forward to the former State Revenue Account.
- 8) Cf. footnote 2. These figures were added on the expenditure side to present expenditure figures up to 1994/95 on the same basis as those thereafter.
- 9) The difference between total long-term debt redemptions and that of scheduled government stock is due to consolidation, repurchasing and "switching" of government stock, as well as redemptions of floating rate stock and bonds. On the financing side, the total long-term domestic debt figure includes refinancing of these activities. Premiums on consolidation and repurchases are subtracted from "total long-term debt redemptions".
- 10) Including "Debt Standstill" funds converted into floating rate stock. Discount on sales of new government stock is excluded.
- 11) Extra-ordinary transfer payments to Government Pension Funds, Gold and Foreign Exchange Contingency Reserve Account and other accounts/institutions are excluded.
- 12) Transfers from the SDR Account and IMF Deposit Account at the SARB to redeem IMF loans.
- 13) Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund, as well as proceeds from the privatisation and restructuring of state assets.
- 14) Transfers from the Exchequer to these Accounts (+) / Transfers from these Accounts to the Exchequer (-).

TABLE 6 (continued)  
BORROWING REQUIREMENT AND  
FINANCING OF NATIONAL BUDGET 1)

R million

		ACTUAL FIGURES						
		1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
<b>REVENUE</b>								
	Inland Revenue	43 160,4	55 080,0	61 771,8	67 192,0	69 790,0	81 876,0	95 875,4
	Customs and Excise	6 309,1	10 460,5	10 345,0	10 807,5	13 179,6	14 984,7	16 513,3
	Grants (RDP)	-	-	-	-	-	-	1,0
	<b>Total receipts</b> 2)	<b>51 469,5</b>	<b>65 540,6</b>	<b>72 116,8</b>	<b>77 999,5</b>	<b>82 969,6</b>	<b>96 860,7</b>	<b>112 389,7</b>
<b>EXPENDITURE</b>								
	Budget votes and fixed statutory appropriations 3)	56 227,5	65 724,6	74 190,3	85 693,1	104 050,3	112 884,1	133 757,5
	Late authorisation of expenditure 4)	-	1,5	-	167,8	-	183,2	316,9
	Standing appropriations 5)	52,5	51,3	65,9	72,0	135,1	230,6	93,6
	Transfers payments to:							
	Government Pension Funds	-	1 000,0	1 000,0	2 000,0	-	7 340,0	46,2
	Gold and Foreign Exchange Contingency Reserve Account	1 000,0	3 000,0	-	-	3 777,2	7 500,0	-
	Other accounts/institutions 6)	320,0	2 215,7	800,0	-	-	-	-
	Surrender of surplus funds 7)	-301,1	-266,7	-243,1	-	-	-	-
	Structural adjustments: 8)							
	Revenue previously collected in other revenue accounts:							
	Own Affairs Administrations	195,4	314,4	340,6	318,8	392,8	147,3	87,3
	Self-governing territories and TBVC states	1 275,0	1 775,0	2 285,1	2 164,4	2 371,9	2 901,3	3 141,5
	Former revenue diversions and standing allocations	1 927,6	2 344,6	2 686,9	3 364,8	4 482,8	5 760,0	180,8
	<b>Total expenditure</b> 2)	<b>60 697,0</b>	<b>76 160,3</b>	<b>81 125,8</b>	<b>93 781,0</b>	<b>115 393,3</b>	<b>136 902,2</b>	<b>137 623,9</b>
<b>BUDGET DEFICIT</b>		<b>9 227,4</b>	<b>10 619,8</b>	<b>9 008,9</b>	<b>15 781,4</b>	<b>32 423,6</b>	<b>40 041,5</b>	<b>25 234,2</b>
	Deficit as percentage of GDP	4,4%	4,3%	3,2%	4,9%	9,3%	10,1%	5,7%
	... if transfer payments are excluded 11)	3,8%	1,8%	2,5%	4,3%	8,2%	6,4%	5,6%
	... including transfers from SFF and NSPF	4,4%	4,3%	3,1%	4,7%	9,0%	9,8%	5,7%
<b>LOAN REDEMPTIONS</b>								
	Domestic loans:							
	Short-term (net)	2 297,3	-	-	129,2	-	174,5	147,2
	Long-term 9, 10)	2 921,7	44 004,4	4 310,3	7 280,2	6 355,3	6 582,2	9 018,4
	Scheduled government stock 9)	2 410,0	8 214,5	3 229,3	7 025,9	4 563,9	6 695,7	-
	Loan levy	1,1	1,1	0,7	0,3	0,2	0,0	709,6
	Foreign loans	287,3	198,5	212,1	288,1	342,4	140,0	175,7
	<b>Gross borrowing requirement</b>	<b>14 734,8</b>	<b>54 823,7</b>	<b>13 532,1</b>	<b>23 479,3</b>	<b>39 121,5</b>	<b>46 938,2</b>	<b>35 285,2</b>
<b>FINANCING</b>								
	Opening balance	574,1	935,9	0,0	1 071,2	1 011,4	1 209,8	1 213,7
	Cash flow adjustment	-	-	-	-	-	-	-
	Domestic loans:							
	Short-term (net)	-	3 315,8	2 278,0	-	39,6	-	-
	Long-term 9, 10)	14 302,0	49 730,5	12 809,0	20 890,2	34 359,1	45 536,1	34 715,1
	Loan levy	-	705,3	2,4	2,0	0,2	-	-
	Foreign loans	194,7	24,1	94,5	1 718,1	-	-	2 779,5
	Proceeds from sales of state assets 13)	600,0	2 989,2	319,4	809,2	1 143,8	1 406,1	-
	Transfer from IMF Accounts at SARB 12)	-	-	-	-	-	-	-
	<b>Total financing</b>	<b>15 670,8</b>	<b>57 700,8</b>	<b>15 503,3</b>	<b>24 490,7</b>	<b>36 554,1</b>	<b>48 152,0</b>	<b>38 708,4</b>
	Balance	935,9	2 877,2	1 971,2	1 011,4	-2 567,4	1 213,7	3 423,1
	Change in Stabilisation Account 14)	-	2 877,2	900,0	-	-3 777,2	-	-
	Change in Tax Reserve Account 14)	-	-	-	-	-	-	-
	<b>Closing balance</b>	<b>935,9</b>	<b>0,0</b>	<b>1 071,2</b>	<b>1 011,4</b>	<b>1 209,8</b>	<b>1 213,7</b>	<b>3 423,1</b>

- 1) The revenue and expenditure figures presented here are with regard to the National Revenue Account. However, expenditure figures for 1994/95 are not strictly comparable to the rest of the expenditure figures, because of the inclusion of compensation for budgetary shortfalls of the former TVC states via the national budget in that year.
- 2) These figures are comparable with the Budgets from 1995/96 onwards. Actual national budget collections in preceding years were adjusted by own revenue collections of the former Own Affairs Administrations, revenue diversions and standing allocations to the former self-governing territories and TBVC states, as well as certain taxes, formerly collected by the self-governing territories and TBVC states, collected nationally from 1995/96 onwards. The relevant amounts were treated as transfer payments on the expenditure side.
- 3) Excluding unauthorised expenditure and discount on sales of new government stock.
- 4) See footnote 3 - these are usually approved in subsequent financial years.
- 5) Include realised guarantee liabilities, currency subscriptions to IDA and IBRD, as well as IMF-valuation adjustments.
- 6) Include transfer payments to the Special Defence Account, the Development Bank of Southern Africa, and the Independent Development Trust.
- 7) For the period 1987/88 to 1990/91 provincial surpluses had to be carried forward to the former State Revenue Account.
- 8) Cf. footnote 2. These figures were added on the expenditure side to present expenditure figures up to 1994/95 on the same basis as those thereafter.
- 9) The difference between total long-term debt redemptions and that of scheduled government stock is due to consolidation, repurchasing and "switching" of government stock, as well as redemptions of floating rate stock and bonds. On the financing side, the total long-term domestic debt figure includes refinancing of these activities. Premiums on consolidation and repurchases are subtracted from "total long-term debt redemptions".
- 10) Including "Debt Standstill" funds converted into floating rate stock. Discount on sales of new government stock is excluded.
- 11) Extra-ordinary transfer payments to Government Pension Funds, Gold and Foreign Exchange Contingency Reserve Account and other accounts/institutions are excluded.
- 12) Transfers from the SDR Account and IMF Deposit Account at the SARB to redeem IMF loans.
- 13) Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund, as well as proceeds from the privatisation and restructuring of state assets.
- 14) Transfers from the Exchequer to these Accounts (+) / Transfers from these Accounts to the Exchequer (-).



TABLE 6 (continued)  
BORROWING REQUIREMENT AND  
FINANCING OF NATIONAL BUDGET 1)

1995/96	1996/97			1997/98	
	Second Print	Revised Estimate	Deviation	Second Print	
108 274,8	123 696,7	125 740,6	2 043,9	140 446,2	<b>REVENUE</b>
17 682,8	19 280,3	19 928,9	648,6	21 529,8	Inland Revenue
123,3	.	138,7	138,7	.	Customs and Excise
					Grants (RDP)
<b>126 080,9</b>	<b>142 977,0</b>	<b>145 808,3</b>	<b>2 831,3</b>	<b>161 976,0</b>	2) <b>Total receipts</b>
					<b>EXPENDITURE</b>
151 396,6	173 590,4	175 775,1	2 184,7	186 446,8	Budget votes and fixed statutory appropriations
56,3	69,0	295,0	226,0	300,0	3) Late authorisation of expenditure
.	.	.	.	.	4) Standing appropriations
.	.	.	.	.	5) Transfers payments to:
3 072,5	.	.	.	.	Government Pension Funds
.	.	.	.	.	Gold and Foreign Exchange Contingency Reserve Account
.	.	.	.	.	6) Other accounts/institutions
.	.	.	.	.	7) Surrender of surplus funds
.	.	.	.	.	8) Structural adjustments:
.	.	.	.	.	Revenue previously collected in other revenue accounts:
.	.	.	.	.	Own Affairs Administrations
.	.	.	.	.	Self-governing territories and TBVC states
.	.	.	.	.	Former revenue diversions and standing allocations
<b>154 525,5</b>	<b>173 659,4</b>	<b>176 870,1</b>	<b>2 410,7</b>	<b>186 746,8</b>	2) <b>Total expenditure</b>
<b>28 444,8</b>	<b>30 682,4</b>	<b>30 261,8</b>	<b>-420,5</b>	<b>24 770,8</b>	<b>BUDGET DEFICIT</b>
5,7%	5,5%	5,4%		4,0%	Deficit as percentage of GDP
5,1%	5,5%	5,4%		4,0%	11) ... if transfer payments are excluded
5,4%	5,1%	5,1%		3,8%	... including transfers from SFF and NSPF
					<b>LOAN REDEMPTIONS</b>
1 314,3					Domestic loans:
10 629,1	14 748,9	15 597,0	848,1	10 628,3	9,10) Short-term (net)
0,0	14 543,1	14 016,7	-526,5	10 046,6	9) Long-term
108,5	1 553,4	1 898,9	345,5	1 450,1	Scheduled government stock
<b>46 496,6</b>	<b>46 984,7</b>	<b>47 757,7</b>	<b>773,8</b>	<b>36 849,2</b>	Loan levy
					Foreign loans
					Gross borrowing requirement
					<b>FINANCING</b>
3 423,1	0,0	6 410,1	6 410,1	0,0	Opening balance
		327,4	327,4	.	Cash flow adjustment
	3 000,0	2 000,0	-1 000,0	2 000,0	Domestic loans:
40 294,7	39 604,7	34 241,0	-5 363,7	27 702,0	9,10) Short-term (net)
	.	.	.	.	Long-term
1 853,0	2 500,0	2 831,0	331,0	4 000,0	Loan levy
1 335,7	1 880,0	1 603,0	-277,0	1 766,0	Foreign loans
	.	345,3	345,3	1 381,2	12) Proceeds from sales of state assets
<b>46 966,6</b>	<b>46 984,7</b>	<b>47 757,7</b>	<b>773,8</b>	<b>36 849,2</b>	12) <b>Total financing</b>
					Balance
6 410,1	0,0	0,0		0,0	14) Change in Stabilisation Account
	.	.	.	.	14) Change in Tax Reserve Account
<b>6 410,1</b>	<b>0,0</b>	<b>0,0</b>		<b>0,0</b>	Closing balance

- 1) The revenue and expenditure figures presented here are with regard to the National Revenue Account. However, expenditure figures for 1994/95 are not strictly comparable to the rest of the expenditure figures, because of the inclusion of compensation for budgetary shortfalls of the former TVC states via the national budget in that year.
- 2) These figures are comparable with the Budgets from 1995/96 onwards. Actual national budget collections in preceding years were adjusted by own revenue collections of the former Own Affairs Administrations, revenue diversions and standing allocations to the former self-governing territories and TBVC states, as well as certain taxes, formerly collected by the self-governing territories and TBVC states, collected nationally from 1995/96 onwards. The relevant amounts were treated as transfer payments on the expenditure side.
- 3) Excluding unauthorised expenditure and discount on sales of new government stock.
- 4) See footnote 3 - these are usually approved in subsequent financial years.
- 5) Include realised guarantee liabilities, currency subscriptions to IDA and IBRD, as well as IMF-valuation adjustments.
- 6) Include transfer payments to the Special Defence Account, the Development Bank of Southern Africa, and the Independent Development Trust.
- 7) For the period 1987/88 to 1990/91 provincial surpluses had to be carried forward to the former State Revenue Account.
- 8) Cf. footnote 2. These figures were added on the expenditure side to present expenditure figures up to 1994/95 on the same basis as those thereafter.
- 9) The difference between total long-term debt redemptions and that of scheduled government stock is due to consolidation, repurchasing and "switching" of government stock, as well as redemptions of floating rate stock and bonds. On the financing side, the total long-term domestic debt figure includes refinancing of these activities. Premiums on consolidation and repurchases are subtracted from "total long-term debt redemptions".
- 10) Including "Debt Standstill" funds converted into floating rate stock. Discount on sales of new government stock is excluded.
- 11) Extra-ordinary transfer payments to Government Pension Funds, Gold and Foreign Exchange Contingency Reserve Account and other accounts/institutions are excluded.
- 12) Transfers from the SDR Account and IMF Deposit Account at the SARB to redeem IMF loans.
- 13) Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund, as well as proceeds from the privatisation and restructuring of state assets.
- 14) Transfers from the Exchequer to these Accounts (+) / Transfers from these Accounts to the Exchequer (-).

TABLE 7a  
NATIONAL BUDGET BALANCES 1)

R million

		ACTUAL FIGURES					
		1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
<b>REVENUE</b>							
Tax revenue	2)	38 184,5	49 404,1	63 371,6	69 955,3	76 203,4	80 561,0
Non-tax revenue	2)	1 876,0	2 029,5	2 081,6	2 035,0	1 662,3	2 197,9
Total current revenue	2)	40 060,6	51 433,7	65 453,2	71 990,3	77 865,6	82 758,9
Other receipts	3)	226,2	35,9	87,4	126,5	133,9	210,8
<b>Total revenue</b>		<b>40 286,8</b>	<b>51 469,5</b>	<b>65 540,6</b>	<b>72 116,8</b>	<b>77 999,5</b>	<b>82 969,8</b>
<b>EXPENDITURE</b>							
Cost of servicing state debt	4,15)	6 344,3	8 051,8	10 311,9	11 579,5	13 886,3	17 049,7
Other current expenditure		39 674,7	46 717,5	55 661,4	65 233,4	74 384,3	88 572,9
Budget votes and fixed							
statutory appropriations	5)	37 325,7	43 291,5	50 585,8	58 412,1	66 868,7	81 642,0
Standing appropriations	6)	3,4	52,5	51,3	65,9	72,0	135,1
Extra-ordinary current transfers	7)		320,0	1 000,0	1 800,0	2 000,0	
Expenditure from revenue previously collected in other revenue accounts:							
Own Affairs Administrations	8)	129,5	175,6	286,8	317,7	296,9	368,4
Self-governing territories and TBVC states	8)	844,5	1 145,8	1 619,0	2 131,4	2 015,5	2 224,1
Amounts equal to revenue formerly diverted	6)	1 371,7	1 732,2	2 138,5	2 506,2	3 133,2	4 203,4
Total current expenditure		46 019,1	54 769,3	65 973,2	76 812,9	88 270,6	106 622,7
Total capital expenditure		4 340,5	6 228,9	10 423,1	4 567,4	5 344,6	9 655,7
Budget votes and fixed							
statutory appropriations	9)	4 083,8	4 884,4	4 872,1	4 210,3	4 942,1	5 426,8
Extra-ordinary capital transfers	10)		1 000,0	5 215,7			3 777,2
Expenditure from revenue previously collected in other revenue accounts:							
Own Affairs Administrations	8)	14,2	19,8	17,2	22,9	21,9	24,5
Self-governing territories and TBVC states	8)	92,4	129,3	112,1	153,6	149,0	147,8
Amounts equal to revenue formerly diverted	11)	150,1	195,4	206,1	180,6	231,6	279,4
<b>Total expenditure</b>		<b>50 359,5</b>	<b>60 998,3</b>	<b>76 396,4</b>	<b>81 380,3</b>	<b>93 615,2</b>	<b>115 278,3</b>
<b>BALANCES: SURPLUS(-)/DEFICIT(+)</b>							
Conventional/overall balance	11)	10 072,7	9 528,7	10 855,8	9 263,5	15 615,7	32 308,7
Current balance	12)	5 958,5	3 335,7	520,1	4 822,6	10 405,0	22 863,8
Primary balance	13)	3 728,4	1 476,9	543,9	-2 316,0	1 728,4	15 259,0

- 1) This table is an attempt to present the course of various national budget balances since 1986/87 for purposes of analysis. Although care was taken to include all factors in calculating these budget balances, it must be noted that these figures were not compiled strictly on the basis of the GFS classification method and will therefore differ from data published in the Quarterly Bulletin of the South African Reserve Bank.
- 2) See tables 2 and 4.
- 3) Recoveries of loans and advances and sales of fixed capital assets. Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund are excluded.
- 4) Excluding discount on the sales of new government stock and including managing costs.
- 5) Expenditure on goods and services and current transfers to businesses, households, the rest of the world and other levels and funds of general government. These "budget vote" figures include unauthorised expenditure and will thus differ from those presented in table 6.
- 6) See also table 6. Comprise realised guarantees liabilities, subscriptions payments to IDA and IBRD, as well as valuation adjustment payments to the IMF.
- 7) Comprise transfers to the Government Pension Funds and the Special Defence Account.
- 8) In order to present the expenditure figures prior to 1994/95 on the basis of the National Revenue Account, expenditure from revenue previously collected in other Revenue Accounts has to be added for purposes of comparability. Due to lack of detail, the amounts were split between "current" and "capital" according to the former State Revenue Account ratios (excluding state debt cost).
- 9) Acquisition of fixed capital assets, stock, land and intangible assets and capital transfers to business, households, the rest of the world and other levels and funds of general government.
- 10) See also table 6. Comprise transfers to the Gold and Foreign Exchange Contingency Reserve Account, the Independent Development Trust and the Development Bank of Southern Africa.
- 11) The conventional budget balance is calculated as the difference between total expenditure and total revenue.
- 12) The current budget balance is calculated as the difference between total current expenditure and total current revenue.
- 13) The primary budget balance is calculated as the difference between total non-interest expenditure and total revenue.
- 14) Printed Estimate (Second Print) plus expenditures to be allocated in the Adjustment Estimate, after eliminating double counting of the national budget's contribution to the RDP Fund. Roll-overs of unspent funds from the previous financial year are excluded.
- 15) Figures from 1990/91 onwards are not comparable to those before, because of the inclusion of interest on section 239 debt in the national Budget state debt cost. Prior to 1996/97 provision for these amounts were included under transfers to provinces.

TABLE 7a  
NATIONAL BUDGET BALANCES 1)

1993/94	1994/95	1995/96	1996/97		1997/98	
			Budgeted 14)	Revised Estimate	Budgeted 14)	
94 125,0	110 259,8	123 104,8	140 855,3	142 210,4	158 979,6	2) REVENUE
2 548,3	1 912,8	2 698,1	1 936,3	3 313,4	2 820,7	2) Tax revenue
96 673,3	112 172,7	125 802,8	142 791,6	145 523,9	161 800,3	2) Non-tax revenue
187,4	217,0	278,0	185,4	284,4	175,7	2) Total current revenue
<b>96 860,7</b>	<b>112 389,7</b>	<b>126 080,9</b>	<b>142 977,0</b>	<b>145 808,3</b>	<b>161 976,0</b>	2) Other receipts
						<b>Total revenue</b>
20 827,7	24 233,1	29 337,1	36 070,9	36 442,5	39 642,8	4, 7a) EXPENDITURE
100 989,7	104 788,9	117 358,3	123 652,0	125 003,8	133 944,0	4, 7a) Cost of servicing state debt
85 284,0	101 485,4	117 302,0	123 583,0	124 708,8	133 644,0	5) Other current expenditure
230,6	93,6	56,3	69,0	295,0	300,0	5) Budget votes and fixed statutory appropriations
7 340,0	46,2	-	-	-	-	6) Standing appropriations
136,1	81,0	-	-	-	-	7) Extra-ordinary current transfers
2 679,5	2 915,0	-	-	-	-	8) Expenditure from revenue previously collected in other revenue accounts:
5 319,6	167,8	-	-	-	-	8) Own Affairs Administrations
						8) Self-governing territories and TBVC states
						8) Amounts equal to revenue formerly diverted
121 817,4	129 022,0	146 695,4	159 722,9	161 446,3	173 586,8	Total current expenditure
15 233,5	8 134,8	8 207,8	13 936,5	14 623,8	13 160,0	Total capital expenditure
7 060,0	7 888,9	5 135,3	13 936,5	14 623,8	13 160,0	9) Budget votes and fixed statutory appropriations
7 500,0	-	3 072,5	-	-	-	10) Extra-ordinary capital transfers
11,3	6,3	-	-	-	-	11) Expenditure from revenue previously collected in other revenue accounts:
221,8	226,6	-	-	-	-	11) Own Affairs Administrations
440,4	13,0	-	-	-	-	11) Self-governing territories and TBVC states
						11) Amounts equal to revenue formerly diverted
<b>137 050,9</b>	<b>137 156,8</b>	<b>154 903,2</b>	<b>173 658,4</b>	<b>176 070,1</b>	<b>186 748,8</b>	<b>Total expenditure</b>
40 190,2	24 767,1	28 822,4	30 682,4	30 261,8	24 770,8	11) BALANCES: SURPLUS(-)/DEFICIT(+)
25 144,2	16 849,3	20 892,6	16 931,3	15 922,5	11 786,5	12) Conventional/overall balance
19 362,5	534,1	-514,7	-5 388,5	-6 180,7	-14 872,0	13) Current balance
						14) Primary balance

- 1) This table is an attempt to present the course of various national budget balances since 1986/87 for purposes of analysis. Although care was taken to include all factors in calculating these budget balances, it must be noted that these figures were not compiled strictly on the basis of the GFS classification method and will therefore differ from data published in the Quarterly Bulletin of the South African Reserve Bank.
- 2) See tables 2 and 4.
- 3) Recoveries of loans and advances and sales of fixed capital assets. Transfers from the National Supplies Procurement Fund and Strategic Fuel Fund are excluded.
- 4) Excluding discount on the sales of new government stock and including managing costs.
- 5) Expenditure on goods and services and current transfers to businesses, households, the rest of the world and other levels and funds of general government. These "budget vote" figures include unauthorised expenditure and will thus differ from those presented in table 6.
- 6) See also table 6. Comprise realised guarantee liabilities, subscriptions payments to IDA and IBRD, as well as valuation adjustment payments to the IMF.
- 7) Comprise transfers to the Government Pension Funds and the Special Defence Account.
- 8) In order to present the expenditure figures prior to 1994/95 on the basis of the National Revenue Account, expenditure from revenue previously collected in other Revenue Accounts has to be added for purposes of comparability. Due to lack of detail, the amounts were split between "current" and "capital" according to the former State Revenue Account ratios (excluding state debt cost).
- 9) Acquisition of fixed capital assets, stock, land and intangible assets and capital transfers to business, households, the rest of the world and other levels and funds of general government.
- 10) See also table 6. Comprise transfers to the Gold and Foreign Exchange Contingency Reserve Account, the Independent Development Trust and the Development Bank of Southern Africa.
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- 15) Figures from 1986/87 onwards are not comparable to those before, because of the inclusion of interest on section 239 debt in the national Budget state debt cost. Prior to 1986/87 provision for these amounts were included under transfers to provinces.

TABLE 7b  
NATIONAL BUDGET BALANCES 1)

Percentage of GDP

		ACTUAL FIGURES					
		1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
<b>REVENUE</b>							
Tax revenue	2)	21,9%	23,5%	25,5%	24,6%	23,8%	23,2%
Non-tax revenue	2)	1,1%	1,0%	0,8%	0,7%	0,5%	0,6%
Total current revenue	2)	23,0%	24,5%	26,3%	25,4%	24,3%	23,8%
Capital revenue and other receipts	3)	0,1%	0,0%	0,0%	0,0%	0,0%	0,1%
<b>Total revenue</b>		<b>23,1%</b>	<b>24,5%</b>	<b>26,3%</b>	<b>25,4%</b>	<b>24,4%</b>	<b>23,9%</b>
<b>EXPENDITURE</b>							
Cost of servicing state debt	4, 15)	3,6%	3,8%	4,1%	4,1%	4,3%	4,9%
Other current expenditure		22,8%	22,3%	22,4%	23,0%	23,2%	25,5%
Budget votes and fixed statutory appropriations	5)	21,4%	20,6%	20,3%	20,6%	20,9%	23,5%
Standing appropriations	6)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Extra-ordinary current transfers	7)		0,2%	0,4%	0,6%	0,6%	
Expenditure from revenue previously collected in other revenue accounts:							
Own Affairs Administrations	8)	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Self-governing territories and TBVC states	8)	0,5%	0,5%	0,7%	0,8%	0,6%	0,6%
Amounts equal to revenue formerly diverted	8)	0,8%	0,8%	0,9%	0,9%	1,0%	1,2%
<b>Total current expenditure</b>		<b>26,4%</b>	<b>26,1%</b>	<b>26,5%</b>	<b>27,1%</b>	<b>27,6%</b>	<b>30,4%</b>
Total capital expenditure		2,5%	3,0%	4,2%	1,6%	1,7%	2,8%
Budget votes and fixed statutory appropriations	9)	2,3%	2,3%	2,0%	1,5%	1,5%	1,6%
Extra-ordinary capital transfers	10)		0,5%	2,1%			1,1%
Expenditure from revenue previously collected in other revenue accounts:							
Own Affairs Administrations	8)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Self-governing territories and TBVC states	8)	0,1%	0,1%	0,0%	0,1%	0,0%	0,0%
Amounts equal to revenue formerly diverted	8)	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
<b>Total expenditure</b>		<b>28,9%</b>	<b>29,1%</b>	<b>30,7%</b>	<b>28,7%</b>	<b>29,2%</b>	<b>33,1%</b>
<b>BALANCES: SURPLUS(-)/DEFICIT(+)</b>							
Conventional/overall balance	11)	5,8%	4,5%	4,4%	3,3%	4,9%	9,3%
Current balance	12)	3,4%	1,6%	0,2%	1,7%	3,2%	6,6%
Primary balance	13)	2,1%	0,7%	0,2%	-0,8%	0,5%	4,4%

- 1) This table is an attempt to present the course of various national budget balances since 1986/87 for purposes of analysis. Although care was taken to include all factors in calculating these budget balances, it must be noted that these figures were not compiled strictly on the basis of the GFS classification method and will therefore differ from data published in the Quarterly Bulletin of the South African Reserve Bank.
- 2) See tables 2 and 4.
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- 5) Expenditure on goods and services and current transfers to businesses, households, the rest of the world and other levels and funds of general government. These "budget vote" figures include unauthorised expenditure and will thus differ from those presented in table 6.
- 6) See also table 6. Comprise realised guarantee liabilities, subscriptions payments to IDA and IBRD, as well as valuation adjustment payments to the IMF.
- 7) Comprise transfers to the Government Pension Funds and the Special Defence Account.
- 8) In order to present the expenditure figures prior to 1994/95 on the basis of the National Revenue Account, expenditure from revenue previously collected in other Revenue Accounts has to be added for purposes of comparability. Due to lack of detail, the amounts were split between "current" and "capital" according to the former State Revenue Account ratios (excluding state debt cost).
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**TABLE 7b**  
**NATIONAL BUDGET BALANCES 1)**

Percentage of GDP

1993/94	1994/95	1995/96	1996/97		1997/98	
			Budgeted 14)	Revised Estimate	Budgeted 14)	
23,8%	24,7%	24,7%	25,1%	25,4%	25,6%	<b>REVENUE</b>
0,6%	0,4%	0,5%	0,3%	0,6%	0,5%	2) Tax revenue
						2) Non-tax revenue
24,4%	25,1%	25,3%	25,5%	26,0%	26,0%	2) Total current revenue
0,0%	0,0%	0,1%	0,0%	0,1%	0,0%	3) Capital revenue and other receipts
<b>24,5%</b>	<b>25,2%</b>	<b>25,3%</b>	<b>25,5%</b>	<b>26,0%</b>	<b>26,0%</b>	<b>Total revenue</b>
5,3%	5,4%	5,9%	6,4%	6,5%	6,4%	<b>EXPENDITURE</b>
25,5%	23,5%	23,6%	22,0%	22,3%	21,5%	4,15) Cost of servicing state debt
						Other current expenditure
21,6%	22,7%	23,6%	22,0%	22,3%	21,5%	5) Budget votes and fixed statutory appropriations
0,1%	0,0%	0,0%	0,0%	0,1%	0,0%	6) Standing appropriations
1,9%	0,0%	0,0%				7) Extra-ordinary current transfers
						Expenditure from revenue previously collected in other revenue accounts:
0,0%	0,0%					8) Own Affairs Administrations
0,7%	0,7%					8) Self-governing territories and TBVC states
1,3%	0,0%					8) Amounts equal to revenue formerly diverted
30,8%	28,9%	29,5%	28,5%	28,8%	27,9%	Total current expenditure
3,9%	1,8%	1,6%	2,5%	2,6%	2,1%	Total capital expenditure
1,8%	1,8%	1,0%	2,5%	2,6%	2,1%	9) Budget votes and fixed statutory appropriations
1,9%	0,0%	0,6%				10) Extra-ordinary capital transfers
						Expenditure from revenue previously collected in other revenue accounts:
0,0%	0,0%					8) Own Affairs Administrations
0,1%	0,1%					8) Self-governing territories and TBVC states
0,1%	0,0%					8) Amounts equal to revenue formerly diverted
<b>34,6%</b>	<b>30,7%</b>	<b>31,1%</b>	<b>31,0%</b>	<b>31,4%</b>	<b>30,0%</b>	<b>Total expenditure</b>
10,2%	5,5%	5,8%	5,5%	5,4%	4,0%	<b>BALANCES: SURPLUS(-)/DEFICIT(+)</b>
6,4%	3,8%	4,2%	3,0%	2,8%	1,9%	11) Conventional/overall balance
4,9%	0,1%	-0,1%	-1,0%	-1,1%	-2,4%	12) Current balance
						13) Primary balance

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**TABLE 8**  
**CONSOLIDATED NATIONAL AND PROVINCIAL BUDGETS:**  
**ECONOMIC CLASSIFICATION OF MAIN BUDGETS 1)**

	1994/95		1995/96	
	Budgeted	% of total	Budgeted	% of total
<b>CURRENT EXPENDITURE</b>				
<b>Goods and Services</b>	<b>73 267,8</b>	<b>52,3%</b>	<b>77 309,2</b>	<b>49,3%</b>
Remuneration of employees	54 763,6	39,1%	56 741,0	36,2%
Other than remuneration	18 504,3	13,2%	20 568,2	13,1%
<b>Interest</b>	<b>24 573,0</b>	<b>17,5%</b>	<b>29 492,5</b>	<b>18,8%</b>
<b>Current transfers</b>	<b>20 599,0</b>	<b>14,7%</b>	<b>23 441,7</b>	<b>15,0%</b>
Business (subsidies)	7 126,8	5,1%	7 467,4	4,8%
Non-financial public enterprises	2 882,0	2,1%	3 156,5	2,0%
Public financial institutions	96,2	0,1%	63,4	0,0%
Extra-budgetary accounts and funds	39,3	0,0%	17,1	0,0%
Private	4 109,3	2,9%	4 230,4	2,7%
Households	13 331,1	9,5%	15 728,8	10,0%
Foreign countries	111,8	0,1%	132,0	0,1%
International credit institutions	29,2	0,0%	115,5	0,1%
<b>Current transfers to other general government institutions and funds</b>	<b>11 731,3</b>	<b>8,4%</b>	<b>13 439,0</b>	<b>8,6%</b>
Extra-budgetary accounts and funds	8 965,0	6,4%	9 200,2	5,9%
Social security funds	23,1	0,0%	284,9	0,2%
Universities and technicians	3 386,2	2,4%	3 587,0	2,3%
Other	5 555,7	4,0%	5 328,4	3,4%
Local authorities	2 579,5	1,8%	4 238,7	2,7%
Unallocable	186,8	0,1%		
<b>Total current expenditure</b>	<b>130 171,1</b>	<b>92,9%</b>	<b>143 682,3</b>	<b>91,7%</b>
<b>CAPITAL EXPENDITURE</b>				
<b>Acquisition of fixed capital assets, stock, land and other intangible assets</b>	<b>6 686,6</b>	<b>4,8%</b>	<b>8 616,8</b>	<b>5,6%</b>
<b>Capital transfers</b>	<b>506,0</b>	<b>0,4%</b>	<b>616,9</b>	<b>0,4%</b>
Business	325,0	0,2%	505,6	0,3%
Non-financial public enterprises	219,9	0,2%	187,9	0,1%
Public financial institutions	0,0	0,0%	126,6	0,1%
Extra-budgetary accounts and funds	64,0	0,0%	87,5	0,1%
Private	41,1	0,0%	103,5	0,1%
Households	170,1	0,1%	89,0	0,1%
International credit institutions	10,8	0,0%	22,4	0,0%
<b>Purchases of shares in and loans to</b>	<b>435,9</b>	<b>0,3%</b>	<b>125,2</b>	<b>0,1%</b>
Business	328,5	0,2%	55,4	0,0%
Non-financial public enterprises	116,1	0,1%	0,0	0,0%
Public financial institutions	211,9	0,2%	55,4	0,0%
Extra-budgetary accounts and funds	0,0	0,0%		0,0%
Private	0,5	0,0%	0,0	0,0%
Households	98,8	0,1%	69,8	0,0%
International credit institutions	8,6	0,0%		0,0%

**TABLE 8**  
**CONSOLIDATED NATIONAL AND PROVINCIAL BUDGETS:**  
**ECONOMIC CLASSIFICATION OF MAIN BUDGETS 1)**

1996/97		1997/98		
Budgeted	% of total	Projected	% of total	
<b>91 192,5</b>	<b>51,5%</b>	<b>98 308,4</b>	<b>52,0%</b>	<b>CURRENT EXPENDITURE</b>
67 613,8	38,2%	73 772,8	39,0%	Goods and Services
23 578,7	13,3%	24 535,5	13,0%	Remuneration of employees
				Other than remuneration
<b>34 627,5</b>	<b>19,6%</b>	<b>38 549,8</b>	<b>20,4%</b>	Interest
<b>24 222,0</b>	<b>13,7%</b>	<b>24 702,5</b>	<b>13,1%</b>	Current transfers
7 682,5	4,3%	6 889,7	3,6%	Business (subsidies)
3 110,5	1,8%	2 528,1	1,3%	Non-financial public enterprises
76,1	0,0%	76,7	0,0%	Public financial institutions
33,4	0,0%	264,0	0,1%	Extra-budgetary accounts and funds
4 462,5	2,5%	4 020,8	2,1%	Private
16 297,0	9,2%	17 559,7	9,3%	Households
133,9	0,1%	150,9	0,1%	Foreign countries
108,6	0,1%	102,2	0,1%	International credit institutions
<b>12 831,8</b>	<b>7,2%</b>	<b>12 523,1</b>	<b>6,6%</b>	Current transfers to other general government institutions and funds
8 184,6	4,6%	8 495,6	4,5%	Extra-budgetary accounts and funds
23,4	0,0%	24,1	0,0%	Social security funds
4 423,3	2,5%	5 012,4	2,7%	Universities and technicians
3 737,9	2,1%	3 459,1	1,8%	Other
4 647,3	2,6%	4 027,5	2,1%	Local authorities
				Unallocable
<b>162 873,8</b>	<b>92,0%</b>	<b>174 083,8</b>	<b>92,1%</b>	<b>Total current expenditure</b>
<b>10 134,4</b>	<b>5,7%</b>	<b>9 395,7</b>	<b>5,0%</b>	<b>CAPITAL EXPENDITURE</b>
<b>526,8</b>	<b>0,3%</b>	<b>1 377,3</b>	<b>0,7%</b>	Acquisition of fixed capital assets, stock, land and other intangible assets
437,4	0,2%	1 295,5	0,7%	Capital transfers
110,0	0,1%	192,2	0,1%	Business
138,5	0,1%	952,5	0,5%	Non-financial public enterprises
62,9	0,0%	54,7	0,0%	Public financial institutions
126,0	0,1%	96,2	0,1%	Extra-budgetary accounts and funds
48,8	0,0%	81,8	0,0%	Private
40,6	0,0%	-	0,0%	Households
				International credit institutions
<b>159,8</b>	<b>0,1%</b>	<b>115,9</b>	<b>0,1%</b>	Purchases of shares in and loans to
20,0	0,0%	20,0	0,0%	Business
0,0	0,0%	-	0,0%	Non-financial public enterprises
-	0,0%	-	0,0%	Public financial institutions
-	0,0%	-	0,0%	Extra-budgetary accounts and funds
20,0	0,0%	20,0	0,0%	Private
124,8	0,1%	86,4	0,0%	Households
15,0	0,0%	9,5	0,0%	International credit institutions

TABLE 8 (continued)  
 CONSOLIDATED NATIONAL AND PROVINCIAL BUDGETS:  
 ECONOMIC CLASSIFICATION OF MAIN BUDGETS 1)

	1994/95		1995/96	
	Budgeted	% of total	Budgeted	% of total
Capital transfers and loans to other general government institutions and funds	2 301,2	1,6%	3 506,9	2,2%
Extra-bugetary accounts and funds	2 095,5	1,5%	3 155,9	2,0%
Universities and technikons	126,2	0,1%	506,8	0,3%
Other	1 969,3	1,4%	2 649,2	1,7%
Local authorities	205,6	0,1%	351,0	0,2%
<b>Total capital expenditure</b>	<b>9 929,7</b>	<b>7,1%</b>	<b>13 065,8</b>	<b>8,3%</b>
<b>Subtotal</b>	<b>140 100,8</b>	<b>100,0%</b>	<b>156 748,1</b>	<b>100,0%</b>
Plus: Other expenditure that cannot be allocated in the Main Budget	236,2		1 320,0	
<b>Total estimated expenditure</b> 4)	<b>140 337,0</b>		<b>158 068,1</b>	

- 1) Before 1995/96, the "consolidated national and provincial budgets" represent a consolidation of expenditure from the main/national budget (central/national level), the former own affairs administrations, the former provincial administrations, the former self-governing territories and the former TBVC states. From 1995/96 onwards, figures represent a consolidation of the national budget and those of the new provincial governments. Transfers from these budgets to other levels of general government are also shown. This economic classification of expenditure was done by the Central Statistical Service and, since the latest classifications are based on more complete information than the historical classifications, they are not strictly comparable with the historical figures.
- 2) Mainly social pensions.
- 3) Include, among others, the Special Defence Account.
- 4) These figures exclude additional funds and roll-overs made available in the Adjustments Estimates.



TABLE 8 (continued)  
 CONSOLIDATED NATIONAL AND PROVINCIAL BUDGETS:  
 ECONOMIC CLASSIFICATION OF MAIN BUDGETS 1)

1996/97		1997/98		
Budgeted	% of total	Projected	% of total	
3 410,5	1,9%	3 950,0	2,1%	Capital transfers and loans to other general government institutions and funds
2 670,4	1,5%	3 279,5	1,7%	Extra-budgetary accounts and funds
512,4	0,3%	249,4	0,1%	Universities and technikons
2 158,0	1,2%	3 030,0	1,6%	Other
740,1	0,4%	670,5	0,4%	Local authorities
14 231,5	8,0%	14 838,8	7,9%	Total capital expenditure
177 105,5	100,0%	188 922,6	100,0%	Subtotal
450,0		1 299,4		Plus: Other expenditure that cannot be allocated in the Main Budget
177 555,5		190 222,0		4) Total estimated expenditure

**TABLE 9**  
**CONSOLIDATED NATIONAL AND**  
**PROVINCIAL BUDGETS: FUNCTIONAL**  
**CLASSIFICATION OF MAIN BUDGETS 1)**

	1994/95			1995/96		
	Budgeted	% of total	% of GDP	Budgeted	% of total	% of GDP
<b>General government services and unallocable expenditure</b>	<b>10 672,4</b>	<b>7,6%</b>	<b>2,4%</b>	<b>10 794,0</b>	<b>6,9%</b>	<b>2,2%</b>
Foreign Affairs	1 141,9	0,8%	0,3%	1 264,6	0,8%	0,3%
General research	475,0	0,3%	0,1%	508,7	0,3%	0,1%
Other 2)	9 055,5	6,5%	2,0%	9 020,7	5,8%	1,8%
<b>Protection services</b>	<b>25 385,0</b>	<b>18,1%</b>	<b>5,7%</b>	<b>25 098,0</b>	<b>16,0%</b>	<b>5,0%</b>
Defence	12 124,4	8,7%	2,7%	11 552,5	7,4%	2,3%
Police	9 430,4	6,7%	2,1%	9 285,0	5,9%	1,9%
Prisons	2 395,6	1,7%	0,5%	2 660,2	1,7%	0,5%
Courts of Law	1 434,6	1,0%	0,3%	1 600,4	1,0%	0,3%
<b>Social services</b>	<b>63 094,3</b>	<b>45,0%</b>	<b>14,1%</b>	<b>73 884,4</b>	<b>47,1%</b>	<b>14,8%</b>
Education	30 849,8	22,0%	6,9%	34 594,0	22,1%	6,9%
Pre-primary, primary & secondary	26 519,7	16,9%	5,9%	26 959,4	18,5%	5,8%
Tertiary	4 330,1	3,1%	1,0%	5 634,7	3,6%	1,1%
Health	14 299,4	10,2%	3,2%	16 070,3	10,3%	3,2%
Social security and welfare	13 015,0	9,3%	2,9%	15 163,1	9,7%	3,0%
Housing	1 797,5	1,3%	0,4%	2 956,4	1,9%	0,6%
Recreation and culture	639,2	0,5%	0,1%	735,6	0,5%	0,1%
Other 3)	2 493,4	1,8%	0,6%	4 364,9	2,8%	0,9%
<b>Economic services</b>	<b>16 367,2</b>	<b>11,7%</b>	<b>3,7%</b>	<b>17 471,3</b>	<b>11,1%</b>	<b>3,5%</b>
Water schemes and related services	935,8	0,7%	0,2%	1 380,3	0,9%	0,3%
Fuel and energy	431,9	0,3%	0,1%	159,4	0,1%	0,0%
Agriculture, forestry and fishing	3 321,5	2,4%	0,7%	3 458,1	2,2%	0,7%
Agricultural subsidies	-	-	-	-	-	-
Other	3 321,5	2,4%	0,7%	3 458,1	2,2%	0,7%
Mining	214,3	0,2%	0,0%	204,5	0,1%	0,0%
Manufacturing	744,0	0,5%	0,2%	805,7	0,5%	0,2%
Regional development	711,2	0,5%	0,2%	934,7	0,6%	0,2%
Transport and communication	6 526,0	4,7%	1,5%	7 260,0	4,6%	1,5%
Other economic services	3 482,5	2,5%	0,8%	3 268,6	2,1%	0,7%
Export trade promotion	2 178,7	1,6%	0,5%	2 208,2	1,4%	0,4%
Development Bank of Southern Africa	-	-	-	-	-	-
Other 4)	1 303,8	0,9%	0,3%	1 060,4	0,7%	0,2%
<b>Interest</b>	<b>24 573,0</b>	<b>17,5%</b>	<b>5,5%</b>	<b>29 492,5</b>	<b>16,8%</b>	<b>5,9%</b>
<b>Government enterprises</b>	<b>8,8</b>	<b>0,0%</b>	<b>0,0%</b>	<b>8,0</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Subtotal: Main Budgets</b>	<b>140 100,8</b>	<b>100,0%</b>	<b>31,4%</b>	<b>156 748,1</b>	<b>100,0%</b>	<b>31,5%</b>
Plus: Other expenditure that cannot be allocated in the Main Budget	236,2			1 320,0		
<b>Total estimated expenditure 5)</b>	<b>140 337,0</b>		<b>31,4%</b>	<b>158 068,1</b>		<b>31,7%</b>

1) The information in this table was compiled by the Central Statistical Service and, since the classifications from 1995/96 onwards are based on more complete information than the historical classifications, they are not strictly comparable with the historical figures.

2) Mainly general administration, cost of raising loans and unallocable capital expenditure.

3) Sewerage, sanitation, community development and other community services.

4) Including tourism, labour and multi-purpose projects.

5) These figures exclude additional funds made available in the Adjustments Estimates.

**TABLE 9**  
**CONSOLIDATED NATIONAL AND**  
**PROVINCIAL BUDGETS: FUNCTIONAL**  
**CLASSIFICATION OF MAIN BUDGETS 1)**

1996/97			1997/98			
Budgeted	% of total	% of GDP	Budgeted (provisional)	% of total	% of GDP	
13 464,8	7,6%	2,4%	13 217,6	7,0%	2,1%	<b>General government services and unallocable expenditure</b>
1 368,6	0,8%	0,2%	1 504,2	0,8%	0,2%	Foreign Affairs
550,9	0,3%	0,1%	655,2	0,3%	0,1%	General research
11 545,4	6,5%	2,1%	11 058,2	5,9%	1,8%	Other 2)
28 124,9	15,9%	5,0%	29 620,5	15,7%	4,6%	<b>Protection services</b>
11 830,3	6,7%	2,1%	10 716,4	5,7%	1,7%	Defence
11 417,3	6,4%	2,0%	13 058,8	6,9%	2,1%	Police
3 130,3	1,8%	0,6%	3 866,8	2,0%	0,6%	Prisons
1 747,0	1,0%	0,3%	1 978,6	1,0%	0,3%	Courts of Law
81 368,4	45,9%	14,5%	88 600,9	46,9%	14,2%	<b>Social services</b>
39 165,6	22,1%	7,0%	40 270,5	21,3%	6,5%	Education
32 332,6	18,3%	5,8%	33 074,3	17,5%	5,3%	Pre-primary, primary & secondary
6 833,0	3,9%	1,2%	7 196,3	3,8%	1,2%	Tertiary
18 463,9	10,4%	3,3%	20 223,4	10,7%	3,3%	Health
16 425,5	9,3%	2,9%	18 433,2	9,8%	3,0%	Social security and welfare
1 649,0	0,9%	0,3%	4 161,9	2,2%	0,7%	Housing
1 106,9	0,6%	0,2%	1 280,5	0,7%	0,2%	Recreation and culture
4 557,5	2,6%	0,8%	4 231,5	2,2%	0,7%	Other 3)
19 509,1	11,0%	3,5%	18 885,2	10,0%	3,0%	<b>Economic services</b>
2 184,2	1,2%	0,4%	1 863,1	1,0%	0,3%	Water schemes and related services
163,0	0,1%	0,0%	158,1	0,1%	0,0%	Fuel and energy
4 366,3	2,5%	0,8%	4 519,1	2,4%	0,7%	Agriculture, forestry and fishing
4 366,3	2,5%	0,8%	4 519,1	2,4%	0,7%	Agricultural subsidies
282,8	0,2%	0,1%	305,2	0,2%	0,0%	Other
963,4	0,5%	0,2%	1 088,3	0,6%	0,2%	Mining
651,6	0,4%	0,1%	862,8	0,5%	0,1%	Manufacturing
7 659,7	4,3%	1,4%	7 320,8	3,9%	1,2%	Regional development
3 238,3	1,8%	0,6%	2 767,8	1,5%	0,4%	Transport and communication
1 948,4	1,1%	0,3%	1 427,8	0,8%	0,2%	Other economic services
1 289,8	0,7%	0,2%	1 340,0	0,7%	0,2%	Export trade promotion
34 627,5	19,6%	6,2%	38 549,8	20,4%	6,2%	Development Bank of Southern Africa
10,4	0,0%	0,0%	48,5	0,0%	0,0%	Other 4)
177 105,2	100,0%	31,6%	188 922,6	100,0%	30,4%	<b>Interest</b>
450,0			1 299,4 6)		0,2%	<b>Government enterprises</b>
177 555,2		31,7%	190 222,0		30,6%	<b>Subtotal</b>
						Plus: Other expenditure that cannot be allocated in the Main Budget
						5) <b>Total estimated expenditure</b>

1) The information in this table was compiled by the Central Statistical Service and, since the classifications from 1995/96 onwards are based on more complete information than the historical classifications, they are not strictly comparable with the historical figures.

2) Mainly general administration, cost of raising loans and unallocable capital expenditure.

3) Sewerage, sanitation, community development and other community services.

4) Including tourism, labour and multi-purpose projects.

5) These figures exclude additional funds made available in the Adjustments Estimates.

TABLE 10  
 CONSOLIDATED NATIONAL AND PROVINCIAL BUDGETS:  
 ECONOMIC AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE FOR 1997/98 1)  
 Projected figures

R million

ECONOMIC	Goods and Services			Interest	Current transfers 2)	Current transfers to other levels of general government
	Remuneration of employees	Other	Total: Goods and services			
<b>FUNCTIONAL</b>						
<b>General services</b>	4 764,3	3 059,7	7 824,0		309,4	587,6
Foreign Affairs	770,8	387,1	1 157,9		249,7	-
General research	24,0	37,3	61,4		-	534,5
Other 3)	3 969,5	2 635,2	6 604,7		59,8	53,1
<b>Protection services</b>	20 691,7	6 142,6	26 834,3		184,2	1 397,9
Defence	5 956,6	3 341,7	9 298,4		180,7	1 237,3
Police	10 401,1	1 959,3	12 360,4		0,0	30,1
Prisons	2 935,6	484,8	3 420,3		3,4	-
Courts of Law	1 398,4	358,8	1 755,2		-	130,5
<b>Social services</b>	43 950,3	10 215,4	54 165,8		17 655,5	8 717,7
Education	30 360,1	2 859,8	33 220,0		824,7	5 003,6
Pre-primary, primary & secondary	28 994,7	2 596,9	31 591,6		528,9	0,1
Tertiary	1 365,4	263,0	1 628,4		295,9	5 003,5
Health	11 288,1	5 598,8	16 886,8		77,4	1 414,6
Social security and welfare	971,4	762,1	1 733,6		16 506,0	29,1
Housing	234,1	185,0	419,1		95,6	48,1
Recreation and culture	402,2	297,0	699,2		148,2	311,3
Other 4)	694,4	512,7	1 207,1		3,6	1 911,1
<b>Economic services</b>	4 329,8	2 654,9	6 984,7		6 553,4	1 380,3
Water schemes and related services	472,0	243,4	715,4		0,0	97,5
Fuel and energy	46,6	88,8	135,4		6,0	5,1
Agriculture, forestry and fishing	2 021,4	730,7	2 752,1		528,1	492,7
Mining	84,1	39,2	123,3		27,5	138,2
Manufacturing	81,1	89,1	170,2		543,1	-
Regional development	11,6	7,7	19,3		842,2	-
Transport and communication	1 054,5	1 088,9	2 143,3		3 177,9	331,1
Other 5)	558,3	367,2	925,5		1 428,7	295,8
of which export promotion	93,6	44,6	138,2		1 284,9	-
<b>Unallocable</b>	0,0	2 482,9	2 482,9	38 549,8	-	459,6
<b>Government enterprises</b>	36,8	-	36,8	-	-	-
<b>Subtotal</b>	73 772,8	24 535,5	98 308,4	38 549,8	24 702,5	12 523,1
Plus: Expenditure not yet classified	-	-	-	-	-	-
<b>Estimated expenditure</b>	73 772,8	24 535,5	98 308,4	38 549,8	24 702,5	12 523,1

1) This table was compiled by the Central Statistical Service.

2) An economic classification of transfer payments to other levels of general government is not available.

3) Mainly general administration and unallocable capital expenditure.

4) Sewerage, sanitation, community development and other community services.

5) Including tourism, labour and multi-purpose projects.

**CONSOLIDATED NATIONAL ACCOUNTS**  
**ECONOMIC AND FUNCTIONAL CLASSIFICATION OF EXPENDITURE**

R million

	ECONOMIC				FUNCTIONAL	
Total: Current expenditure	Acquisition of fixed assets, stock, land	Capital transfers, loans and advances	Capital transfers to other levels of general government	Total: Capital expenditure	Total expenditure	
8 721,0	483,3	54,8	42,6	590,7	9 311,7	General services
1 407,5	96,7	0,0	0,0	96,7	1 504,2	Foreign Affairs
585,8	16,7	0,0	42,6	59,3	655,2	General research
6 717,6	379,9	54,8		434,7	7 152,3	Other
28 416,3	1 200,6	3,7	0,0	1 204,2	29 620,5	Protection services
10 716,4	-	-	-	0,0	10 716,4	Defence
12 390,5	686,8	1,5	-	688,3	13 088,8	Police
3 423,8	442,7	0,4	-	443,0	3 866,8	Prisons
1 885,7	91,0	1,8	-	92,9	1 978,6	Courts of Law
80 538,0	3 899,5	910,0	3 312,4	8 061,9	88 600,9	Social services
39 046,3	956,6	26,2	237,4	1 222,2	40 270,5	Education
32 120,6	927,4	26,2	-	953,7	33 074,3	Pre-primary, primary & secondary
6 927,7	31,1	-	237,4	288,6	7 196,3	Tertiary
18 378,8	1 818,6	19,9	6,0	1 844,6	20 223,4	Health
18 268,7	131,4	33,1	-	164,5	18 433,2	Social security and welfare
582,8	280,5	793,0	2 515,7	3 598,2	4 161,9	Housing
1 158,7	60,9	15,6	45,2	121,8	1 280,5	Recreation and culture
3 121,8	579,6	22,0	508,1	1 109,7	4 231,5	Other
14 898,4	2 873,6	518,2	594,9	3 986,7	18 885,2	Economic services
812,9	981,4	65,5	3,2	1 050,2	1 863,1	Water schemes and related services
146,5	11,3	-	0,3	11,7	158,1	Fuel and energy
3 772,9	639,9	49,0	57,4	746,2	4 518,1	Agriculture, forestry and fishing
289,0	4,1	2,6	9,4	16,1	305,2	Mining
713,3	12,0	362,9	-	375,0	1 088,3	Manufacturing
861,5	1,3	-	-	1,3	862,8	Regional development
5 662,4	1 126,2	26,5	515,8	1 668,4	7 320,8	Transport and communication
2 650,0	97,3	11,7	8,8	117,8	2 767,8	Other
1 423,1	4,7	-	-	4,7	1 427,8	of which export promotion
41 472,3	976,9	6,5	-	983,4	42 455,7	Unallocable
36,8	11,8	-	-	11,8	48,6	Government enterprises
174 083,8	9 395,7	1 493,2	3 950,0	14 838,8	188 922,6	Subtotal
					1 299,4	Plus: Expenditure not yet classified
174 083,8	9 395,7	1 493,2	3 950,0	14 838,8	190 222,0	Estimated expenditure

**TABLE 11**  
**TOTAL DEBT OF GOVERNMENT 1)**

Year ending 31 March	1970	1971	1972	1973	1974	1975	1976
<b>R million:</b>							
Marketable domestic debt	4 302	4 325	4 822	5 723	6 296	6 837	8 299
Government stock	4 220	4 247	4 756	5 557	5 952	6 408	7 599
Other 3)	82	78	66	166	344	429	700
Non-marketable domestic debt 4)	784	879	933	917	1 068	1 111	959
Total domestic debt	5 086	5 204	5 755	6 640	7 364	7 948	9 258
Total foreign debt 5)	125	247	411	495	397	524	1 005
Total loan debt	5 211	5 451	6 166	7 135	7 761	8 472	10 263
Gold and Foreign Exchange							
Contingency Reserve Account	2	2	45	17	-	-	-
Total debt	5 213	5 453	6 211	7 152	7 761	8 472	10 263
<b>Composition of debt:</b>							
Marketable debt	82,5%	79,3%	77,6%	80,0%	81,1%	80,7%	80,9%
Government stock	81,0%	77,9%	76,6%	77,7%	76,7%	75,6%	74,0%
Other 3)	1,6%	1,4%	1,1%	2,3%	4,4%	5,1%	6,8%
Non-marketable debt 4)	15,0%	16,1%	15,0%	12,8%	13,8%	13,1%	9,3%
Total domestic debt	97,6%	95,4%	92,7%	92,8%	94,9%	93,8%	90,2%
Total foreign debt 5)	2,4%	4,5%	6,6%	6,9%	5,1%	6,2%	9,8%
Total loan debt	100,0%	100,0%	99,3%	99,8%	100,0%	100,0%	100,0%
Gold and Foreign Exchange							
Contingency Reserve Account	0,0%	0,0%	0,7%	0,2%	0,0%	0,0%	0,0%
Total debt	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
<b>Percentages of GDP:</b>							
Total domestic debt	43,5%	40,8%	40,5%	41,1%	38,2%	32,4%	33,8%
Total foreign debt	1,1%	1,9%	2,9%	3,1%	1,9%	2,1%	3,7%
Total loan debt	44,6%	42,8%	43,4%	44,2%	38,1%	34,6%	37,5%
Total debt	44,6%	42,8%	43,7%	44,3%	38,1%	34,6%	37,5%

Sources: South African Reserve Bank and Department of Finance

- 1) Debt of the Central Government, excluding extra-budgetary institutions and social security funds. Figures prior to 1994/95 exclude the converted debt of the former TBVC states and self-governing territories in terms of section 239 of the 1993 Constitution and are, therefore, not comparable with those thereafter.
- 2) As projected at the end of February 1997.
- 3) Includes marketable bills and loan levies, as well as other money market instruments.
- 4) Includes non-marketable bills and loan levies, floating rate stock and bonds.
- 5) Valued at appropriate foreign exchange rates as at the end of each period.

**TABLE 11**  
**TOTAL DEBT OF GOVERNMENT**

1977	1978	1979	1980	1981	1982	1983	Year ending 31 March
9 149	11 055	12 550	13 424	14 897	17 405	20 980	R million:
8 425	10 334	11 897	12 776	14 502	16 710	20 199	3) Marketable domestic debt
724	721	653	648	395	695	781	Government stock
1 603	1 951	2 934	3 997	4 326	3 416	3 320	4) Other
							5) Non-marketable domestic debt
10 752	13 006	15 484	17 421	19 223	20 821	24 300	Total domestic debt
1 342	1 245	811	730	630	1 118	1 229	Total foreign debt
12 094	14 251	16 295	18 151	19 853	21 939	25 529	Total loan debt
					174	892	Gold and Foreign Exchange Contingency Reserve Account
12 094	14 251	16 295	18 151	19 853	22 113	26 421	Total debt
							Composition of debt:
75,6%	77,6%	77,0%	74,0%	75,0%	78,7%	79,4%	3) Marketable debt
69,7%	72,5%	73,0%	70,4%	73,0%	75,6%	76,5%	Government stock
6,0%	5,1%	4,0%	3,6%	2,0%	3,1%	3,0%	4) Other
13,3%	13,7%	18,0%	22,0%	21,8%	15,4%	12,6%	5) Non-marketable debt
88,9%	91,3%	95,0%	96,0%	96,8%	94,2%	92,0%	Total domestic debt
11,1%	8,7%	5,0%	4,0%	3,2%	5,1%	4,7%	Total foreign debt
100,0%	100,0%	100,0%	100,0%	100,0%	99,2%	96,6%	Total loan debt
0,0%	0,0%	0,0%	0,0%	0,0%	0,8%	3,4%	Gold and Foreign Exchange Contingency Reserve Account
100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	Total debt
							Percentages of GDP:
35,0%	38,1%	38,5%	35,3%	30,6%	28,5%	29,2%	Total domestic debt
4,4%	3,6%	2,0%	1,5%	1,0%	1,5%	1,5%	Total foreign debt
39,3%	41,8%	40,5%	36,8%	31,6%	30,0%	30,6%	Total loan debt
39,3%	41,8%	40,5%	36,8%	31,6%	30,3%	31,7%	Total debt

Sources: South African Reserve Bank and Department of Finance

- 1) Debt of the Central Government, excluding extra-budgetary institutions and social security funds. Figures prior to 1994/95 exclude the converted debt of the former TBVC states and self-governing territories in terms of section 239 of the 1993 Constitution and are, therefore, not comparable with those thereafter.
- 2) As projected at the end of February 1997.
- 3) Includes marketable bills and loan levies, as well as other money market instruments.
- 4) Includes non-marketable bills and loan levies, floating rate stock and bonds.
- 5) Valued at appropriate foreign exchange rates as at the end of each period.

TABLE 11 (continued)  
TOTAL DEBT OF GOVERNMENT 1)

Year ending 31 March	1984	1985	1986	1987	1988	1989	1990
R million:							
Marketable domestic debt	23 894	28 651	33 544	39 956	47 385	61 124	72 923
Government stock	23 483	27 797	32 808	39 195	47 173	60 880	71 026
Other	431	854	738	761	212	264	1 897
Non-marketable domestic debt	4 183	4 187	3 646	4 443	7 675	5 386	6 883
Total domestic debt	28 077	32 838	37 190	44 399	55 060	66 510	79 806
Total foreign debt	1 441	2 201	2 295	2 446	2 442	2 227	2 090
Total loan debt	29 518	35 039	39 485	46 845	57 502	68 737	81 896
Gold and Foreign Exchange Contingency Reserve Account	655	2 033	1 940	3 469	2 554	11 158	14 140
Total debt	30 173	37 072	41 425	50 314	60 056	79 895	96 036
Composition of debt:							
Marketable debt	79,2%	77,3%	81,0%	79,4%	78,9%	76,5%	75,9%
Government stock	77,8%	75,0%	79,2%	77,9%	78,5%	76,2%	74,0%
Other	1,4%	2,3%	1,8%	1,5%	0,4%	0,3%	2,0%
Non-marketable debt	13,9%	11,3%	8,8%	8,8%	12,8%	6,7%	7,2%
Total domestic debt	93,1%	88,6%	89,8%	88,2%	91,7%	83,2%	83,1%
Total foreign debt	4,8%	5,9%	5,5%	4,9%	4,1%	2,8%	2,2%
Total loan debt	97,8%	94,5%	95,3%	93,1%	95,7%	86,0%	85,3%
Gold and Foreign Exchange Contingency Reserve Account	2,2%	5,5%	4,7%	6,9%	4,3%	14,0%	14,7%
Total debt	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Percentages of GDP:							
Total domestic debt	29,6%	29,6%	29,4%	29,7%	31,6%	31,7%	32,1%
Total foreign debt	1,5%	2,0%	1,8%	1,6%	1,4%	1,1%	0,8%
Total loan debt	31,1%	31,5%	31,3%	31,4%	33,0%	32,8%	32,9%
Total debt	31,8%	33,4%	32,8%	33,7%	34,5%	38,1%	38,6%

Sources: South African Reserve Bank and Department of Finance

1) Debt of the Central Government, excluding extra-budgetary institutions and social security funds. Figures prior to 1994/95 exclude the converted debt of the former TBVC states and self-governing territories in terms of section 239 of the 1993 Constitution and are, therefore, not comparable with those thereafter.

2) As projected at the end of February 1997.

3) Includes marketable bills and loan levies, as well as other money market instruments.

4) Includes non-marketable bills and loan levies, floating rate stock and bonds.

5) Valued at appropriate foreign exchange rates as at the end of each period.



TABLE 1  
 TOTAL DEBT OF GOVERNMENT

1991	1992	1993	1994	1995	1996	1997 <sup>2)</sup>	Year ending 3)
85 546	104 646	138 681	181 890	226 120	263 403	288 090	R million:
82 824	100 662	132 853	174 613	210 190	248 877	273 840	Marketable domestic debt
2 722	3 984	5 828	7 277	15 930	14 526	14 250	Government stock
7 999	6 520	4 703	2 879	5 564	4 581	6 242	Other
							Non-marketable domestic debt
93 535	111 166	143 384	184 769	231 684	267 984	294 332	Total domestic debt
1 770	2 940	2 348	5 201	8 784	10 944	11 523	Total foreign debt
95 305	114 107	145 731	189 969	240 468	278 928	305 855	Total loan debt
10 351	12 508	8 934	2 190	4 147	-	3 652	Gold and Foreign Exchange Contingency Reserve Account
105 656	126 615	154 665	192 160	244 615	278 928	309 507	Total debt
							Composition of debt:
81,0%	82,6%	89,7%	94,7%	92,4%	94,4%	93,1%	Marketable debt
78,4%	79,5%	85,9%	90,9%	85,9%	89,2%	88,5%	Government stock
2,6%	3,1%	3,8%	3,8%	6,5%	5,2%	4,8%	Other
7,6%	6,1%	3,0%	1,5%	2,3%	1,6%	2,0%	Non-marketable debt
88,5%	87,8%	92,7%	96,2%	94,7%	96,1%	95,1%	Total domestic debt
1,7%	2,3%	1,5%	2,7%	3,6%	3,9%	3,7%	Total foreign debt
90,2%	90,1%	94,2%	98,9%	98,3%	100,0%	98,8%	Total loan debt
9,8%	9,9%	5,8%	1,1%	1,7%	-	1,2%	Gold and Foreign Exchange Contingency Reserve Account
100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	Total debt
							Percentages of GDP:
32,9%	34,7%	41,2%	46,7%	51,9%	53,8%	52,6%	Total domestic debt
0,6%	0,9%	0,7%	1,3%	2,0%	2,2%	2,1%	Total foreign debt
33,6%	35,6%	41,9%	48,0%	53,9%	56,0%	54,6%	Total loan debt
37,2%	39,5%	44,5%	48,6%	54,8%	56,0%	55,3%	Total debt

Sources: South African Reserve Bank and Department of Finance

- 1) Debt of the Central Government, excluding extra-budgetary institutions and social security funds. Figures prior to 1994/95 exclude the converted debt of the former TBVC states and self-governing territories in terms of section 239 of the 1993 Constitution and are, therefore, not comparable with those thereafter.
- 2) As projected at the end of February 1997.
- 3) Includes marketable bills and loan levies, as well as other money market instruments.
- 4) Includes non-marketable bills and loan levies, floating rate stock and bonds.
- 5) Valued at appropriate foreign exchange rates as at the end of each period.

**TABLE 12**  
**DIRECT FINANCIAL GUARANTEES**  
**FURNISHED BY THE NATIONAL GOVERNMENT**

R million

As at 31 March 1995

	As at 31 March 1995		
	Domestic	Foreign	Total
<b>GENERAL GOVERNMENT SECTOR</b>	<b>5 891</b>	<b>0</b>	<b>5 891</b>
National Government	5 684		5 684
National Parks Board	18		18
South African Roads Board	2 213		2 213
Universities, technikons and schools	1 297		1 297
Former TBVC states and self-governing territories	1 285		1 285
Departments: Guarantee scheme for Housing			
Loans to Employees	871		871
Local government	207	0	207
Greater Soweto Councils	206		206
City Council of Johannesburg	1		1
<b>PUBLIC ENTERPRISES</b>	<b>39 367</b>	<b>16 641</b>	<b>56 008</b>
Non-financial	38 158	13 284	51 442
Amrscoor	249		249
Atomic Energy Corporation of South Africa	478		478
Bank Note Company	12		12
Eskom		6 895	6 895
Kalahari East Water Board	35		35
Komati Basin Water Authority	144		144
Lesotho Highlands Development Authority	867	1 542	2 409
Malza Board	182		182
Rail Commuter Corporation	1 208		1 208
South African Mint Company	249		249
South African Wool Board	0		0
Telkom South Africa	7 178	2 226	9 404
Trans-Caledon Tunnel Authority	1 387	359	1 746
Transnet	26 052	2 262	28 314
Umzimkuluwana Irrigation Council	117		117
Financial	1 209	3 357	4 566
Development Bank of Southern Africa		533	533
Industrial Development Corporation of South Africa		2 824	2 824
South African Housing Trust	462		462
South African National Housing Fund	372		372
National Housing Commission	375		375
<b>PRIVATE SECTOR</b>	<b>350</b>		<b>350</b>
Agricultural Co-operatives and irrigation boards	344		344
East Rand Proprietary Mines Limited	196		196
Gazankulu Gold Holdings	10		10
<b>FOREIGN SECTOR</b>	<b>1 971</b>	<b>889</b>	<b>2 860</b>
South African Reserve Bank (foreign central banks and governments)	1 971	8	1 979
Debt Standstill Agreement funds		881	881
<b>TOTAL</b>	<b>47 770</b>	<b>17 530</b>	<b>65 300</b>

**TABLE 12**  
**DIRECT FINANCIAL GUARANTEES**  
**FURNISHED BY THE NATIONAL GOVERNMENT**

R million		
As at 31 March 1996		
Domestic	Foreign	Total
5 804	0	5 804
5 803		5 803
18		18
2 839		2 839
1 261		1 261
1 233		1 233
452		452
1	0	1
1		0
		1
36 403	19 119	55 522
35 564	14 385	49 949
234		234
495		495
13		13
	6 230	6 230
35		35
279		279
855	2 002	2 857
174		174
1 108		1 108
249		249
	1 715	9 976
8 261	329	2 945
2 616	4 109	25 225
21 116		129
129		
839	4 734	5 573
	873	873
	3 861	3 861
471		471
368		368
529		529
300		300
229		229
		0
1 778	2 874	4 652
1 778	7	1 785
	2 867	2 867
44 514	21 993	66 507

**GENERAL GOVERNMENT SECTOR**

National Government  
 National Parks Board  
 South African Roads Board  
 Universities, technikons and schools  
 Former TBVC states and self-governing territories  
 Departments: Guarantee scheme for Housing  
 Loans to Employees

Local government  
 Greater Soweto Councils  
 City Council of Johannesburg

**PUBLIC ENTERPRISES**

Non-financial  
 Amsoor  
 Atomic Energy Corporation of South Africa  
 Bank Note Company  
 Eskom  
 Kalahari East Water Board  
 Komati Basin Water Authority  
 Lesotho Highlands Development Authority  
 Maize Board  
 Rail Commuter Corporation  
 South African Mint Company  
 South African Wool Board  
 Telkom South Africa  
 Trans-Caledon Tunnel Authority  
 Transnet  
 Umzimkulwana Irrigation Council

Financial  
 Development Bank of Southern Africa  
 Industrial Development Corporation of South Africa  
 South African Housing Trust  
 South African National Housing Fund  
 National Housing Commission

**PRIVATE SECTOR**

Agricultural Co-operatives and Irrigation boards  
 East Rand Proprietary Mines Limited  
 Gazankulu Gold Holdings

**FOREIGN SECTOR**

South African Reserve Bank (foreign central banks and governments)  
 Debt Standstill Agreement funds

**TOTAL**

# SUMMARY OF TAX PROPOSALS: 1997/98

## Income tax

### Rates of tax

#### Individuals

A single scale of rates for all individuals is proposed, reaching a maximum marginal rate of 45% at a taxable income of R100 000. A primary rebate of R3 215 is granted to all individuals, with an additional rebate of R2 500 for individuals aged 65 years or older. The rates of tax in respect of natural persons for the 1996/97 tax year and the proposed rates for the 1997/98 tax year appear in the adjacent tables.

#### Fringe benefits

##### (i) Company cars

The taxable benefit of the private use of a company car, where the car is not used primarily for business purposes, will with effect from 1 July 1997 be determined at 1,8% per month of the cost of the car, instead of 1,2% and a second or subsequent vehicle at 4% per month instead of 2%.

##### (ii) Travelling allowances

The deemed private kilometres where no accurate records of

Tax rates for individuals (natural persons): 1996/97 tax year

Taxable income	1996/97 tax year	1997/98 tax year
0 - 13 000	18%	18%
13 000 - 20 000	24%	24%
20 000 - 30 000	30%	30%
30 000 - 40 000	36%	36%
40 000 - 50 000	42%	42%
50 000 - 100 000	48%	45%

Proposed tax rates for individuals (natural persons): 1997/98 tax year

Taxable income	Proposed 1997/98 tax year
0 - 13 000	18%
13 000 - 20 000	24%
20 000 - 30 000	30%
30 000 - 40 000	36%
40 000 - 50 000	42%
50 000 - 100 000	45%

distances travelled have been kept, will be increased from 12 000 kilometres to 14 000 kilometres. It is furthermore proposed that the portion of the allowance to be included in the taxpayer's remuneration for purposes of determining PAYE, be increased from 35% to 40% as from 1 July 1997.

*(iii) Housing and holiday accommodation*

It is proposed that where residential accommodation provided to an employee is not owned by the employer or a connected person in relation to him, or where the employee has an interest in the accommodation, such employee, with effect from 1 March 1997, be taxed on an amount equivalent to the rentals paid and other expenditure incurred by the employer in order to provide such accommodation. It is also proposed that the percentages contained in the formula for the calculation of the value of residential accommodation be increased from 15%, 16% and 17% to 16%, 17% and 18% respectively. It is furthermore proposed that where an employer provides holiday accommodation (which is owned by the employer) to an employee, the value of R35 per person per day be increased to R100.

## **Other income tax matters**

### **Increase in exemption levels**

*Section 10(1)(c) of the Income Tax Act*

It is proposed that the amount of the maximum level of income earned per person be increased from R1 500 to R1 800.

*Bursaries and scholarships*

The monetary limit in respect of salary earned by an employee is increased from R36 000 to R50 000 and the bursary limit is increased from R1 200 to R1 600.

### **Standard Income Tax on Employees (SITE)**

The SITE limit is increased from R50 000 to R60 000.

### **Shipping Industry**

It is proposed that the provisions of section 14(1D) be amended to only apply to ships acquired under an agreement formally and finally signed by all parties to the agreement on or before 12 March 1997.

### **Exempt Institutions**

The exempt status of certain institutions is to be withdrawn.

### **Retirement fund industry**

*Tax on Retirement Funds*

A tax at the rate of 17% was introduced with effect from 1 March 1996 on the gross interest and net rental received by or accrued to all pension, provident and retirement annuity funds, including self-administered, underwritten and industrial funds as well as all funds established for the benefit of employees of the State, local authorities and parastatal institutions.

Although the rate remains unchanged, dividends received from unit trust schemes in property shares, as well as compensation received by lenders of interest-bearing instruments from the borrowers of such instruments, will be taxable with effect from 1 March 1997.

### *Equal treatment of members of public and private sector funds*

It is proposed that lump sum benefits paid from public sector funds, for tax purposes, with (subject to the protection of vested rights) on the same basis as benefits from private sector funds as from 1 March 1998.

### *Transfers of benefits from public sector pension funds to provident funds*

Two-thirds of amounts transferred on or after 12 March 1997 from public sector pension funds to public sector or private sector provident funds, will become taxable on the date of transfer.

## **Marketable Securities Tax (MST) and Stamp Duty**

The rate is to be reduced from 0,5 per cent to 0,25 per cent with effect from 1 April 1997. It is furthermore proposed that the:

- the exemption in the Marketable Securities Tax Act in respect of the purchase of shares by non-residents be deleted from 1 July 1997; and
- the exemption in respect of arbitrage transactions in the Stamp Duties Act be withdrawn from 1 July 1997.

## **Levy on financial services**

The majority of fee-based financial services supplied by the insurance and retirement fund industries are now subject to VAT and it is, therefore, proposed that the levy on financial services be abolished with effect from 1 January 1998.

## **Fuel levy**

It is proposed that the phasing-out of the tariff protection on the synthetic fuel industry be accelerated and the Equalisation Fund levy on petrol and diesel be reduced by 4c and 2,5c per litre, respectively, with effect from 2 April 1997, accompanied by a compensating increase in the fuel levy. The pump price will not be affected by this step.

## **Diesel refund system**

The diesel refund system is to be discontinued in respect of the purchase of distillate fuel after 12 March 1997.

## **Ad valorem Customs and Excise duties**

The existing rates of 37,5% and 32,5% are to be reduced to 15%. As far as smaller motor cycles with a capacity of less than 800 cm<sup>3</sup> are concerned, the rate is to be reduced from 17,5% to 7,5%.

## Specific excise duties

It is proposed that the excise and customs duties in Section A of Part 2 of Schedule No.1 to the Customs and Excise Act, 1964, on the goods described hereunder and classified under the tariff items or subitems set forth hereunder, be amended to the extent shown:

TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY		PROPOSED RATE OF DUTY	
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
104.00		PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO				
104.01	19.01	MALT EXTRACT; FOOD PREPARATIONS OF FLOUR, MEAL, STARCH OR MALT EXTRACT, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS, OF LESS THAN 50 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED, FOOD PREPARATIONS OF GOODS OF HEADINGS NOS. 04.01 TO 04.04, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS, OF LESS THAN 10 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED:				
.10		Preparations based on sorghum flour, put up for making beverages	27,5c/kg	27,5c/kg	33c/kg	33c/kg
104.05	22.01	WATERS, INCLUDING NATURAL OR ARTIFICIAL MINERAL WATERS AND AERATED WATERS, NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER NOR FLAVOURED; ICE AND SNOW				
	22.02	WATERS, INCLUDING MINERAL WATERS AND AERATED WATERS, CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED AND OTHER NON-ALCOHOLIC BEVERAGES (EXCLUDING FRUIT OR VEGETABLE JUICES OF HEADING NO. 20.09):				
0.10		Mineral waters, including spa waters and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	13,60c/l	14,66c/l	14,83c/l	15,98c/l
.20		Lemonade and flavoured mineral waters, including flavoured spa and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	13,60c/l	14,66c/l	14,83c/l	15,98c/l
.30		Non-alcoholic beverages not elsewhere specified or included in this tariff item, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	13,60c/l	14,66c/l	14,83c/l	15,98c/l
104.10	22.03	BEER MADE FROM MALT WITH AN ALCOHOL CONTENT BY VOLUME:				
.10		Exceeding 0,5% but not exceeding 1,5%	6 650c/100l	6 650c/100l	7 249c/100l	7 249c/100l
.20		Exceeding 1,5% but not exceeding 2,5%	7 250c/100l	7 250c/100l	7 903c/100l	7 903c/100l
.30		Exceeding 2,5% but not exceeding 3,5%	7 850c/100l	7 850c/100l	8 557c/100l	8 557c/100l
.40		Exceeding 3,5% but not exceeding 4,5%	8 450c/100l	8 450c/100l	9 211c/100l	9 211c/100l
.50		Exceeding 4,5% but not exceeding 5,5%	9 050c/100l	9 050c/100l	9 865c/100l	9 865c/100l
.60		Exceeding 5,5% but not exceeding 6,5%	9 650c/100l	9 650c/100l	10 519c/100l	10 519c/100l
.70		Exceeding 6,5% but not exceeding 7,5%	10 250c/100l	10 250c/100l	11 173c/100l	11 173c/100l
.80		Exceeding 7,5%	10 850c/100l	10 850c/100l	11 827c/100l	11 827c/100l

TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY		PROPOSED	
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
104.15	22.04	WINE OF FRESH GRAPES, INCLUDING FORTIFIED WINES; GRAPE MUST, OTHER THAN THAT OF HEADING NO. 20.09				
	22.05	VERMOUTHS AND OTHER WINE OF FRESH GRAPES FLAVOURED WITH PLANTS OR AROMATIC SUBSTANCES				
	22.06	OTHER FERMENTED BEVERAGES (FOR EXAMPLE, CIDER, PERRY AND MEAD):				
.05		Sorghum beer (excluding beer made from preparations based on sorghum flour)	5 50c/100ℓ	5 50c/100ℓ	7 45c/100ℓ	7 45c/100ℓ
.10		Unfortified still wine	4 250c/100ℓ	4 250c/100ℓ	5 315c/100ℓ	5 315c/100ℓ
.40		Fortified still wine	9 200c/100ℓ	9 200c/100ℓ	11 500c/100ℓ	11 500c/100ℓ
.50		Other still fermented beverages, unfortified	4 900c/100ℓ	4 900c/100ℓ	7 350c/100ℓ	7 350c/100ℓ
.60		Other still fermented beverages, fortified	8 902c/100ℓ	8 902c/100ℓ	13 353c/100ℓ	13 353c/100ℓ
.70		Sparkling wine	11 800c/100ℓ	11 800c/100ℓ	14 750c/100ℓ	14 750c/100ℓ
.80		Other fermented beverages (excluding sorghum beer)	10 604c/100ℓ	10 604c/100ℓ	15 906c/100ℓ	15 906c/100ℓ
104.20	22.07	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF 80 PER CENT VOLUME OR HIGHER; ETHYL ALCOHOL AND OTHER SPIRITS, DENATURED, OF ANY STRENGTH				
	22.08	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF LESS THAN 80 PER CENT VOLUME; SPIRITS, LIQUEURS AND OTHER SPIRITUOUS BEVERAGES; COMPOUND ALCOHOLIC PREPARATIONS OF A KIND USED FOR THE MANUFACTURE OF BEVERAGES:				
.10		Wine spirits, manufactured in the Republic by the distillation of wine	218 062c/100ℓ of absolute alcohol	-	237 687c/100ℓ of absolute alcohol	-
.15		Spirits, manufactured in the Republic by the distillation of any sugar cane product	229 021c/100ℓ of absolute alcohol	-	249 633c/100ℓ of absolute alcohol	-
.25		Spirits, manufactured in the Republic by the distillation of any grain product	233 979c/100ℓ of absolute alcohol	-	255 037c/100ℓ of absolute alcohol	-
.29		Other spirits, manufactured in the Republic	222 943c/100ℓ of absolute alcohol	-	243 008c/100ℓ of absolute alcohol	-
.60		Imported spirits of any nature, including spirits in imported spirituous beverages (excluding liqueurs, cordials and similar spirituous beverages containing added sugar) and in compound alcoholic preparations of an alcoholic strength exceeding 1,713 per cent alcohol by volume	-	208 449c/100ℓ of absolute alcohol or 89 633c/100ℓ	-	228 074c/100ℓ of absolute alcohol or 98 072c/100ℓ
.70		Spirits of any nature in imported liqueurs, cordials and similar spirituous beverages containing added sugar, with or without flavouring substances	-	208 449c/100ℓ of absolute alcohol	-	228 074c/100ℓ of absolute alcohol



TARIFF ITEM	TARIFF HEADING	DESCRIPTION	PRESENT RATE OF DUTY		PROPOSED RATE OF DUTY	
			EXCISE	CUSTOMS	EXCISE	CUSTOMS
104.30	24.02	CIGARS, CHEROOTS, CIGARILLOS AND CIGARETTES, OF TOBACCO OR OF TOBACCO SUBSTITUTES				
	24.03	OTHER MANUFACTURED TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES, "HOMOGENISED" OR "RECONSTITUTED" TOBACCO EXTRACTS AND ESSENCES:				
.10		Cigars	442,5c/kg net	464,5c/kg net	672,5c/kg net	706,0c/kg net
.20		Cigarettes	52c/10 cigarettes	52c/10 cigarettes	79c/10 cigarettes	79c/10 cigarettes
		Plus, in respect of cigarettes the mass of the tobacco content of which exceeds 1,5kg/1 000 cigarettes	1 937c/kg tobacco content	1 937c/kg tobacco content	2 944c/kg tobacco content	2 944c/kg tobacco content
.30		Cigarette tobacco	65c/50g or fraction thereof plus 251c/kg tobacco	65c/50g or fraction thereof plus 251c/kg tobacco	89c/50g or fraction thereof plus 382c/kg tobacco	89c/50g or fraction thereof plus 382c/kg tobacco
		Plus a suspended duty of:				
		(i) In operation	Nil	Nil	Nil	Nil
		(ii) Maximum rate	86c/kg tobacco	86c/kg tobacco	131c/kg tobacco	131c/kg tobacco
.40		Pipe tobacco in immediate packings of a content of less than 5 kg	478c/kg net	478c/kg net	727c/kg net	727c/kg net
.50		Pipe tobacco in immediate packings of a content of not less than 5 kg	460c/kg net	460c/kg net	699c/kg net	699c/kg net

It is proposed that the rates of duty be applicable only to the goods concerned which have not been entered for home consumption at the time these taxation proposals are tabled.

**INCOME TAX PAYABLE 1997/98 (Individuals younger than 65)**

Taxable income Rand	Tax at 1997 rates Rand	Tax at 1998 rates Rand	Tax at 1998 rates Rand
17 000	270	15	255
18 000	460	205	255
19 000	650	395	255
20 000	840	585	255
21 000	1 050	775	275
22 000	1 260	965	295
23 000	1 470	1 155	315
24 000	1 680	1 345	335
25 000	1 890	1 535	355
26 000	2 100	1 725	375
27 000	2 310	1 915	395
28 000	2 520	2 105	415
29 000	2 730	2 295	435
30 000	2 940	2 485	455
35 000	4 440	3 985	455
40 000	5 940	5 585	355
45 000	7 990	7 185	805
50 000	10 040	9 235	805
55 000	12 090	11 285	805
60 000	14 140	13 335	805
65 000	16 290	15 485	805
70 000	18 440	17 635	805
80 000	22 740	22 035	705
90 000	27 140	26 435	705
100 000	31 540	30 835	705
120 000	40 540	39 835	705
150 000	54 040	53 335	705
200 000	76 540	75 835	705
300 000	121 540	120 835	705
400 000	166 540	165 835	705
500 000	211 540	210 835	705

**INCOME TAX PAYABLE 1997/98 (Individuals 65 and older)**

<b>Taxable income Rand</b>	<b>Tax at 1997 rates Rand</b>	<b>Tax at 1998 rates Rand</b>	<b>Tax reduction Rand</b>
28 000	20	0	20
29 000	230	0	230
30 000	440	0	440
35 000	1 940	1 485	455
40 000	3 440	3 085	355
45 000	5 490	4 685	805
50 000	7 540	6 735	805
55 000	9 590	8 785	805
60 000	11 640	10 835	805
65 000	13 790	12 985	805
70 000	15 940	15 135	805
80 000	20 240	19 535	705
90 000	24 640	23 935	705
100 000	29 040	28 335	705
120 000	38 040	37 335	705
150 000	51 540	50 835	705
200 000	74 040	73 335	705
300 000	119 040	118 335	705
400 000	164 040	163 335	705
500 000	209 040	208 335	705

## **Proposed amendments to the Income Tax Act, 1961, Value-added Tax Act, 1991 and other taxation laws**

Inland Revenue is giving consideration to proposing various amendments to the Income Tax Act, Value-added Tax Act and other taxation laws during the course of this year. The following is a list of some of the proposed amendments being considered.

### **Income Tax Act**

1. Section 1 - definition of "connected person"  
To extend the scope of the definition.
2. Section 1 - definition of "person"  
Extend the scope of the definition to include an insolvent estate.
3. Section 1 - definition of "representative taxpayer"  
Extend the scope to include a trustee or administrator of an insolvent estate.
4. Section 4(4)  
Increase the fine from a maximum of R50 to R1 000.
5. Section 8(1)(b)  
Increase the private kilometres travelled from 12 000km to 14 000km.
6. Section 10(1)(cH) and 11(hA)  
Various amendments.
7. Section 10(1)(cl)  
Increase the maximum income level from R1 500 to R1 800.
8. Section 10(1)(q)  
Increase in monetary limits for salary and bursary amounts.
9. Section 10(1)(t)  
Withdrawal of exemption in respect of certain institutions.
10. Section 14(1D)  
Abolishment of provision in respect of ships acquired after 12 March 1997.
11. Section 23D  
Extend provisions to include a reference to section 11(f).
12. Section 24I  
Extend provisions of subsection (5).

13. Section 64A  
Section to be repealed with effect from 1 January 1998.
14. Section 83A(1)  
Increase of limit from R20 000 to R30 000.
15. Section 107  
Increase of maximum penalty to R1 000.
16. Paragraph 19 of the First Schedule  
Increase in monetary values.
17. Second Schedule  
Amendments to encompass the equal treatment of members of public and private sector funds as well as the taxation of a portion of benefits transferred.
18. Paragraph 1 of the Fourth Schedule - definition of "remuneration"  
To increase the amount of travelling allowance to be included in remuneration from 35 per cent to 40 per cent.
19. Paragraph 11A of the Fourth Schedule  
Increase in penalty from R200 to R2 000.
20. Paragraph 11B of the Fourth Schedule  
Increase in SITE limit from R50 000 to R60 000.
21. Paragraph 7 of the Seventh Schedule  
To increase the value of a first company vehicle from 1,2 per cent to 1,8 per cent and a further company vehicle from 2 per cent to 4 per cent.
22. Paragraph 9 of the Seventh Schedule
  - Anti-avoidance provisions relating to residential accommodation;
  - Provisions to increase the percentages applied in the formula; and
  - Provisions to increase the value to be placed on holiday accommodation.
23. Various  
Various sections are amended to substitute reference to "State President" with "President".

### **Stamp Duty Act**

1. Rates  
Reduction in rates from 0,5 per cent to 0,25 per cent in the case of share transfers and transactions.

2. Section 4(1)(f)(iii)  
Removal of reference to an obsolete provision.
3. Arbitrage  
Deletion of provisions relating to arbitrage transactions.

### **Marketable Securities Tax Act**

1. Rates  
Reduction in rate from 0,5 per cent to 0,25 per cent.
2. Section 3(e)  
Withdrawal of exemption in the case of non-residents.

### **Estate Duty**

1. Section 3(3)  
To provide for annuities paid by a registered insurer.
2. Section 4(h)(v)  
Deletion of obsolete provision.
3. Various  
Various sections to be amended to substitute reference to "State President" with "President".

### **Tax on Retirement Funds**

1. Section 1  
Extension of scope of expression "rental and interest income".
2. Textual and consequential amendments

### **Value-added Tax**

1. Section 1 - definition of "association not for gain"  
Amendment to allow an association not for gain to transfer its assets upon winding-up to the State.
2. Section 1 - definition of "connected persons"  
An amendment to deem the in-house management of superannuation schemes to be a supply of services at open market value.

3. Sections 1 and 16(3)  
The substitution for the section 72 arrangement in respect of properties in possession of statutory provisions.
4. Section 10(4)  
An amendment to provide that where a supply of fixed property to a connected person is deemed to be made at the open market value, the purchase price will be deemed to have been paid when the supply took place.
5. Section 13(1)  
An amendment to prevent the supply of goods at the zero rate in inbound duty free shops where the goods will not be exported.
6. Section 11(2)  
Amendment of paragraph (l):
  - to confirm that the words "for and to" mean "for the benefit of and contractually to";
  - to clarify the meaning of "outside the Republic at the time the services are rendered".
7. Section 15(2)
  - Consideration will be given to the withdrawal of the option to account for VAT on a payments basis.
8. Section 15(5)  
An amendment to provide that VAT payable as a result of a change in accounting basis should be paid in respect of the last tax period of the old basis.
9. Section 16(3)  
An amendment -
  - to allow a deduction to the SA Mint in respect of goods or services acquired to manufacture money;
  - of paragraphs (a)(ii) and (b)(i) to delete the requirement that payment must be made before a deduction of notional input tax in respect of fixed property may be made.
10. Section 17(2)  
An amendment to clarify the provisions denying an input tax deduction in respect of entertainment.
11. Sections 39, 41, 58, 59, 60  
Amendment providing that intent on the part of any vendor's employee or agent to avoid tax or to obtain an undue refund, will be attributed to such vendor.

12. Sections 44, 45 and 46  
An amendment to provide that a VAT refund will only be paid and interest calculated once a foreign vendor has appointed an agent in South Africa.
13. Section 44(8)  
An amendment providing that the Commissioner shall furnish reasons for his refusal to make a refund.
14. Section 48(6)  
An amendment to provide that any member of a close corporation will be personally liable for tax where he disposes of any money or funds from which the tax could be paid.
15. Section 54  
Insertion of a new subsection to allow an input tax deduction in respect of goods imported by foreign businesses which are not vendors in South Africa.
16. Various textual amendments.

### **General**

Consideration will also be given to such other amendments as may be necessary to prevent fraud, tax avoidance and tax evasion.



## **GOVERNMENT AND ITS FINANCES: DEFINITIONS AND EXPLANATIONS**

*The first section of this annexure provides an outline of the role of the government sector in the economy. The budget process and various fiscal concepts and accounting definitions are then explained.*

The annual Budget presents to Parliament and to the public the details of the financing of the many activities through which the Government performs its functions and meets its responsibilities. It is a central statement of the government's political commitments and economic strategy. The taxes, expenditure and borrowing associated with these activities affect the economy as a whole, as well as every individual. They impact on prices, income distribution, employment and economic growth. Used well, they are powerful instruments for social and economic transformation; used improperly, they can cause damage to the economy and the fabric of society.

The budget is a financial plan of the projected expenditure and revenue (including taxes and loans) of government. As such it is a tool of accountability, a tool of management and an instrument of economic policy. With regard to accountability, the budget spells out the details of the expenditure and financing programmes of spending departments, who are then held responsible for the proper control and cost-effective use of appropriated funds. As a management tool it provides financial content to the priorities of the government of the day.

As an operational plan, it spells out the goals of expenditure programmes, their costs and expected results. The economic policy dimension is embedded in the role of budgetary policy to meet Government's micro- and macroeconomic objectives.

Not all of the government's economic and developmental goals can be reached simultaneously and difficult choices must often be made. The budget reflects the tradeoffs which the government unavoidably faces between accelerating service delivery, promoting economic growth and employment and containing inflation.

South Africa, as elsewhere, must adopt an appropriate fiscal policy stance, taking the country's particular circumstances into account. In making these choices, fiscal policy decisions are underpinned by a supportive body of legislation, available economic statistics, an analytical infrastructure and expertise, and an ongoing interaction with the public and interested parties.

Fiscal policy implementation is nonetheless more of an art than a science. There is, for example:

- uncertainty regarding the impact of fiscal measures;
- uncertainty as to the present and anticipated economic conditions;
- a lag between fiscal decisions and their implementation;
- the possibility of conflict between political and fiscal policy objectives; and
- the complexity of intergovernmental financial relations.

These and other factors contribute to the frequent divergence of fiscal and economic outcomes from government's plans.

### **Coordination of fiscal and monetary policy**

Fiscal policy is only one element of overall economic policy and needs to be viewed in relation to other aspects, such as monetary policy, international economic relations, industry and trade promotion, labour policy and agricultural development. Except for monetary policy, the interaction of fiscal policy with other policies is not addressed in this annexure.

Monetary policy attempts to achieve macroeconomic balance (especially stability) through control of the monetary system by means of influencing the supply of money, the level and structure of interest rates and other measures affecting the availability of credit. The central bank (the South African Reserve Bank) is responsible for monetary policy, and has as its mission the protection of the external and internal value of the rand. The main instrument of monetary policy is the Bank rate, which is the interest rate charged by the central bank to other banks for money provided to enable them to meet their reserve requirements.

Although monetary and fiscal policies use different policy instruments, they are closely related in terms of certain objectives and their attainment through affecting the levels of income in the economy. Monetary policy is, however, often more flexible than fiscal policy and, although the economy's response to monetary policy is also subject to variable time lags, it can be changed more rapidly.

This close relationship between monetary and fiscal policies carries with it the possibility of conflict and sub-optimal policies, should their implementation be at cross purposes. On the other hand, a coordinated monetary-fiscal policy mix may be mutually reinforcing and therefore more effective.

In order to formulate and implement fiscal policy, a proper classification of financial information is required. What follows is a description of the main classification systems and the changing structure of government finances in South Africa.

## **Government finances in general**

### **Classification systems**

There are two main systems of accounts in use internationally. The first aims to measure aggregate economic activity and was proposed by the United Nations Organisation ("A System of National Accounts") in 1968. The second provides a standard for setting out government accounts and was developed by the International Monetary Fund ("A Manual on Government Finance Statistics") in 1986. The United Nations Organisation system is commonly called the SNA, while the International Monetary Fund's system is referred to as GFS. The two systems provide distinct but complementary statistical approaches to analysing government's role in a country's economy. The SNA measures all transactions relating to production, income, consumption, saving and capital accumulation on an *accrual* basis, while the GFS records *cash* payments to and from government during a specific period.

Governments draw up their budgets on a *cash flow basis* and they may use the GFS system to classify all their activities during a specific year. However, governments may also have their own systems by which they compile their budgets, in which case the information has to be

reclassified according to the GFS system for purposes of analysis and cross-country comparisons.

According to the GFS system, revenue collected by government can be divided into *current and capital revenue*. Current revenue comprises *taxes and current non-tax revenue*. Taxes are classified by the types of activity upon which the tax is levied. Typically "tax bases" include income and profits, the consumption of domestic goods and services and international trade. Current non-tax revenue is classified by the nature of the inflow, i.e. property income, non-capital sales proceeds, fines, etc. Capital revenue includes proceeds from the sale of various kinds of capital assets and capital transfers from non-governmental sources.

Government expenditure may be classified in two ways according to the GFS system: functionally and economically. A *functional classification* of government's expenditure indicates the amount of money spent on each service that government provides (for example defence, health services, transport). In an *economic classification* of expenditure, the main distinction is between *current and capital expenditure*. Current expenditure includes the wage bill, interest, subsidies, transfers to households (such as social pensions) and transfer payments to the rest of the world. Capital expenditure includes the acquisition of fixed capital assets, land, stock and other intangible assets and capital transfers to business, households and the rest of the world.

The difference between current revenue and current expenditure determines the extent of government saving/dissaving.

### **Levels of government**

It is widely accepted that the broadest definition of "government" in any country is the *public sector*. According to the GFS system, this includes all the various levels of government and its non-financial public enterprises<sup>1</sup>. According to the SNA system, the definition of the public sector is even wider and includes financial public enterprises<sup>2</sup>.

The GFS system differentiates between the activities of the public sector and the so-called *general government*, which may be defined as the public sector excluding non-financial public enterprises. An important indicator of the overall fiscal stance is the *public sector borrowing requirement (PSBR)*, which reflects total borrowing by the public sector from other sectors in the economy and the rest of the world.

Institutionally, general government usually comprises three levels or subsectors: central government (first level), provincial or regional government (second level) and local government (third level). Financial relations between these tiers of government and operations and responsibilities at each level are dictated by the institutional framework in force in a specific country. There may also be extra-budgetary accounts, institutions or social security funds which are part of the general government as a result of their statutory nature and functions.

## **Government finances in South Africa**

### **Classification of government finances in South Africa**

Historical figures on government finances in South Africa, by *level* of government, are classified and published according to the GFS system in the Quarterly Bulletin of the South African Reserve Bank. The finances of the individual "components" of general government, as officially reported in their budgets and by the Auditor-General, *are not presented according to the GFS system*.

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<sup>1</sup> In South Africa non-financial public enterprises include, for example, Eskom, Mossgas, Telkom and Transnet.

<sup>2</sup> In South Africa financial public enterprises include the Development Bank of Southern Africa, the Industrial Development Corporation, the Public Investment Commissioners and the South African Reserve Bank.

As in many other countries, detailed information on a cash flow basis regarding South Africa's public sector is not readily and timeously available. The South African Reserve Bank does, however, publish information on South Africa's *public sector borrowing requirement (PSBR)* in its Quarterly Bulletin with a one-quarter lag.

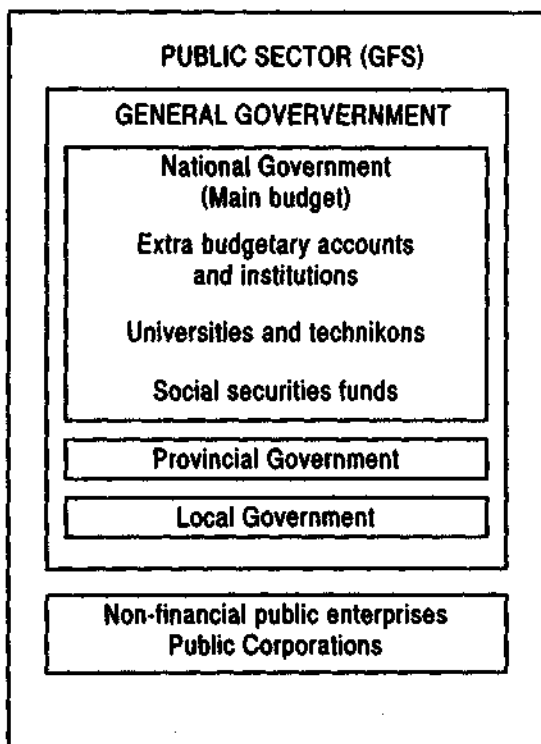
### Levels of government

South Africa's public sector according to the GFS system is illustrated in the adjacent figure.

South Africa's general government comprises three levels of government, namely central<sup>3</sup>, provincial and local governments.

Each "component" of the three levels of government draws up a budget for a specific financial year. The services provided to the public by each of these government "components" are financed by, among others, taxes, user charges, levies, licences, intergovernmental grants and loans. An intergovernmental grant is a transfer of funds from one "component" of government to another which may be at the same, or at a different level of government. For example, a transfer of funds from the national budget (central government, first level) to a provincial budget (second level) to finance services

provided at the provincial level is shown as expenditure on the national government's budget, but as revenue on the provincial government's budget, if these budgets are analysed separately<sup>4</sup>. However, if these budgets are to be combined for purposes of analysis, their revenue and expenditure figures have to be consolidated. A *consolidated budget or account* indicates total revenue collected, total expenditure on services provided and total financing obtained by the relevant levels of government, *excluding* the flow of funds between the relevant authorities.



### The national budget

The national government is responsible for the *national budget*, which is usually tabled in Parliament in March each year. On the revenue side, the national budget reflects taxes and non-tax revenue collected nationally and used to finance the services of national government, as well as to finance intergovernmental transfers of funds to other levels of general government (i.e. extra-budgetary institutions and funds, provincial governments and local authorities). The shortfall between national budget revenue and expenditure is called the *(national) budget deficit*. In order to compare budget deficits over time, the budget deficit is usually also expressed as a percentage of the total domestic output of the economy, the gross domestic product (GDP).

<sup>3</sup> Comprising the main or national budget, extra-budgetary institutions and funds (such as the Human Sciences Research Council and the South African Bureau of Standards) and social security funds.

<sup>4</sup> Once the constitutionally envisaged system is in place whereby the nine new provincial governments will share in income taxes, value-added tax, the fuel levy and transfer duties, these transfers of revenue will be subtracted from the total revenue collected nationally and diverted to the respective provincial Revenue Funds, where it will be shown as tax revenue.

The national budget deficit represents the national government's *net borrowing requirement* for that financial year if no *closing balance* is brought forward from the previous financial year. A positive closing balance arises when total financing exceeds the borrowing requirement in a particular year and *reduces* the net borrowing requirement in the subsequent financial year.

During the course of a financial year, some of the loans obtained by government in the past reach maturity and have to be redeemed. Total *loan redemptions*, together with the net borrowing requirement, comprise the *gross borrowing requirement*.

*Financing* the gross borrowing requirement of the national budget takes the form of issuing government financing instruments on the domestic money and capital markets, as well as foreign capital markets. On the domestic money market government may issue short-term instruments, such as *treasury bills*, and on the domestic capital market long-term instruments, such as *government stock*. If government wants to borrow from foreign capital markets, it can make a *foreign bond issue*. Foreign investors can also purchase domestic government stock.

The net borrowing requirement is the main determinant of the amount by which government debt increases every year. In order to compare and analyse government debt over time, it is usually expressed as a percentage of GDP.

### **National budget process: definitions and explanations**

Preparations and planning for a specific year's expenditure budget usually starts about 16 months prior to the date the Budget is presented to Parliament. Since the Government has committed itself to the reprioritisation of expenditure, a revised budget planning process has been adopted which gives emphasis to the re-evaluation of all activities of government departments with reference to the goals and priorities of the new government.

This process takes place against the background of a multi-year fiscal framework for general government, which will in due course include a medium-term expenditure programme.

On Budget day, the following documents are tabled in Parliament by the Minister of Finance:

- the Printed Estimate of Expenditure (RP 2, First Print);
- the Printed Estimate of Revenue (RP 3, First Print);
- proposed changes to taxes (if any); and
- the Budget Review.

*The Printed Estimate of Expenditure (RP 2, First Print)*, commonly called the "White Book", contains the planned expenditure for which the national government takes responsibility, i.e. expenditure by national government spending agencies. Also included are transfer payments to be made from the national budget to other levels of general government, such as provincial and local governments. Finalisation of the "White Book" starts about two months before the Budget is tabled in Parliament.

When the Budget is tabled in Parliament, the Minister of Finance may announce supplementary expenditure proposals, which are to be included in the *Supplementary Estimate of Expenditure (RP 4)* some time after the Budget, when it is approved by Parliament. In the past, supplementary expenditure proposals included, among others, expenditure that could not be included timeously and/or expenditure that could not be allocated to a specific spending agency in the "White Book".

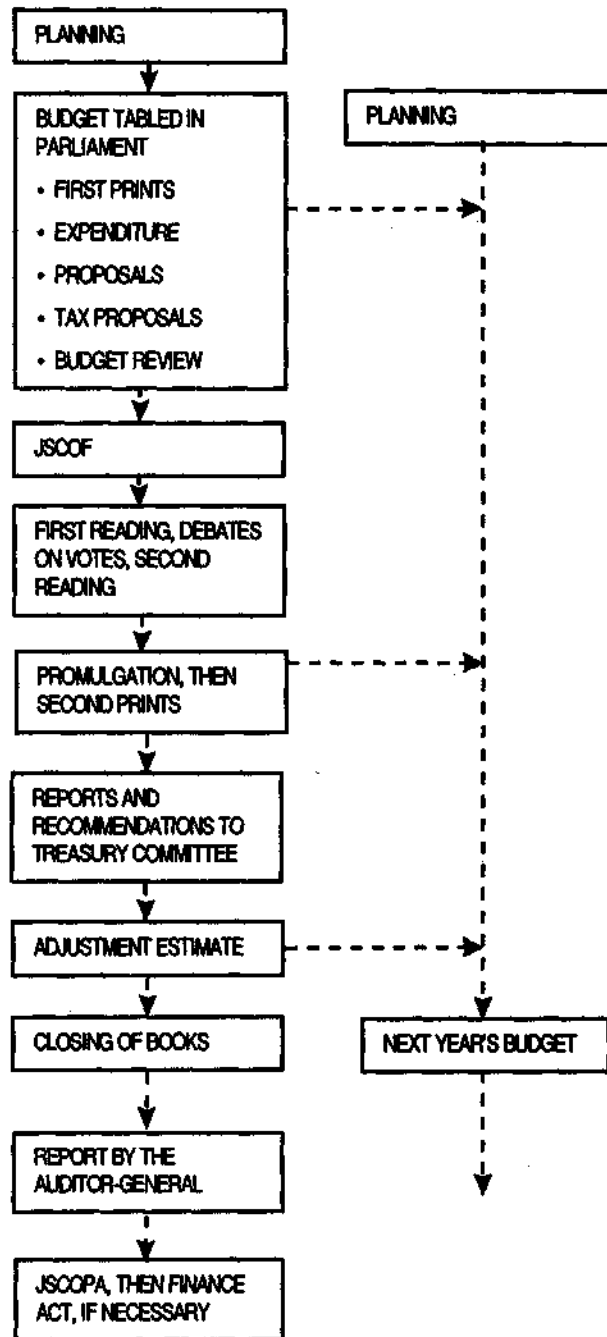
*The Printed Estimate of Expenditure (RP 2 and 4, Second and Final Print)*, commonly called the "Blue Book", comprises the expenditure contained in both the "White Book" and the Supplementary Estimate of Expenditure. At the time of the Budget, the Minister of Finance can also identify estimates of certain expenditure that may arise during the financial year, but due to lack of detail, could not be allocated to a specific spending agency in the "White Book"

or "Blue Book". These are included in the *Adjustments Estimate* towards the end of the financial year.

Thus, at the time of the Budget, the Minister of Finance gives a *total estimate of the expenditure level* for the new financial year, which constitutes the sum of expenditure contained in the "White Book", supplementary expenditure proposals (if any) and other expenditure that will be included in the Adjustments Estimate (if any).

When the Budget is tabled in Parliament, projections of total revenue (i.e. taxes and non-tax revenue) to be collected by the national government in that specific financial year are contained in the *Printed Estimate of Revenue (RP 3, First Print)*. The First Print enables policy makers to ascertain the level of revenue for a specific year if no changes are made to the tax structures and rates of the previous fiscal year. The Minister of Finance may then announce *tax proposals*, which are proposed changes to the existing tax bases, rates and/or brackets, or may include the introduction of new taxes. *Total estimated revenue* for the new financial year is, therefore, the projected collections after the tax proposals have been taken into account and is included in the *Printed Estimate of Revenue (RP 3, Second and Final Print)*.

The *Budget Review* summarises and puts in perspective the proposed expenditure and revenue of national government for the coming year, against the background of an overview of the country's economic circumstances and prospects, the outcome of the previous year's budget, important trends and developments in the field of public finance and the broad approach which government intends following to ensure sound fiscal management and in pursuit of particular policy goals.



## RDP PROJECT EXPENDITURE

*Actual expenditure on RDP projects in 1994/95 is tabulated in this Annexure, together with budgeted and other available funds for RDP projects in 1996/97 and carry-through costs included in the 1997/98 Budget. In respect of RDP spending in provinces in 1995/96, only amounts transferred from the national RDP vote are included as details of provincial projects are unavailable.*

	1994/95	1995/96	1996/97			1997/98
	Actual	Actual	Main Budget	Roll-over of funds	Donor funding	Total
VOTE:	R'000	R'000	R'000	R'000	R'000	R'000
<b>Executive Deputy President</b>						
• Poverty report					701	701
<b>Parliament</b>						
• People's participation in Constitution		1 250				
• Constitutional Assembly					29 654	29 654
<b>Agriculture</b>						
• Small scale farmer development		2 124		3 260		3 260
• Boskop training project					2 000	2 000
<b>Arts, Culture, Science and Technology</b>						
• Development of youth and children				20 000		20 000
<b>Constitutional development</b>						
• Municipal services	167 553	133 800	750 000	302 414		1 052 414
• Masakhane		19 553	30 000			30 000
• Stable rural government & democratisation			200 000			200 000
<b>Correctional services</b>						
• Youth development centres	1 164	1 307				
<b>Education</b>						
• Culture of learning	41	53 641				
• Additional funds: Provinces		215 000				
• Classrooms		22 970				
• Youth colleges			160 000			160 000
<b>Finance</b>						
• Transitional National Development Trust			50 000			50 000
• Community radio broadcasting					3 139	3 139

TE:	1994/95	1995/96	1996/97				1997/98
	Actual	Actual	Main Budget	Roll-over of funds	Donor funding	Total	Carry-through costs
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Health</b>							
Clinic building programme	157	27 617	65 000	205 298		270 298	
Primary school nutrition	136 730	248 940	4 000			4 000	
Tertiary to primary care		502 000					
Free health care		38 082		31 462		31 462	
Donor-funding				32 836		32 836	
Combating AIDS			40 000			40 000	
Target health care					8 404	8 404	
Prevention of blindness					2 654	2 654	
<b>Urban development</b>							
Urban Infrastructure Investment Planning Team	321	779		213		213	
National Urban Reconstruction and Housing Agency	11 233	104 953	619 000	636 027		1 255 027	244 832
Urban renewal			200 000	200 000		400 000	
Infrastructure subsidies			400 000	300 000		700 000	350 000
Housing bulk infrastructure				45 000		45 000	
Rural cluster development							
<b>Justice</b>							
Democratisation of SA				1 613		1 613	
Conference on justice system				195		195	
Transformation of justice					5 677	5 677	
TRC					2 535	2 535	
<b>Land and rural affairs</b>							
Land redistribution		11 636	107 491	168 576		276 067	300 000
Restitution of land rights			74 144	31 900		106 044	
Presidential lead projects			29 390			29 390	
Pilot projects (reform)			120 875	26 600		147 475	
Labour tenants			20 000			20 000	25 000
Development facilitation			18 000	21 806		39 806	
Land reform					34 028	34 028	
<b>Mineral and energy affairs</b>							
Electrification of schools		17 127		68 873	14 999	83 872	
Rehabilitation of mine dumps		416		184		184	
<b>Promoting the RDP</b>							
Administration	2 357	13 007					
Integrated national disability strategy		320					
Gender project		143					
National information		52					
Monitoring of projects		23					
Bridging infrastructure			122 100			122 100	
<b>Public Service and Administration</b>			5 000			5 000	
Communication							
<b>Public works</b>							
National public works programme	18 917	93 526	100 000	137 557		237 557	
Youth development centre				19 434		19 434	
<b>S A Police Service</b>							
Infrastructure		95 000					
Human rights & community policing		84 000		17 641		17 641	



VOTE:	1994/95	1995/96	1996/97			1997/98	
	Actual R'000	Actual R'000	Main Budget R'000	Roll-over of funds R'000	Donor funding R'000	Total R'000	Carry-through costs R'000
<b>State Expenditure</b>							
• Billboards				3 000		3 000	
• Procurement reform					1 068	1 068	
• Presidential awards			20 000			20 000	
• Monitoring of projects			4 000			4 000	5 000
<b>Trade and Industry</b>							
• Presidential conference		1 010					
<b>Transport</b>							
• National Taxi Task Team							39 600
• Rural roads: upgrading		5 680					
• Special development initiatives			143 000			143 000	200 000
<b>Water Affairs and Forestry</b>							
• Water law review project					3 163	3 163	
• Rural community water programme	11 369	144 233	817 000	346 888	5 983	1 169 881	500 000
• Community forestry project					4 487	4 487	
<b>Welfare</b>							
• Transformation of youth care		972		4 294		4 294	
• Youth at risk and secure care					20 218	20 218	
<b>National government total</b>	<b>349 842</b>	<b>1 859 171</b>	<b>4 000 000<sup>1)</sup></b>	<b>2 644 871</b>	<b>136 730</b>	<b>6 682 691</b>	<b>2 194 432</b>

1) The amount voted on promoting the Reconstruction and Development Vote has been re-allocated.

PROVINCE	1994/95	1995/96	1996/97			1997/98	
	Actual R'000	Actual R'000	Main Budget R'000	Roll-over of funds R'000	Donor funding R'000	Total R'000	Carry-through costs R'000
<b>Eastern Cape</b>							
• Project preparation facilities		2 021		3 000		3 000	
• Presidential project			100 000			100 000	100 000
• Task teams		11 131				28 000	
• Infrastructure (IBAYHI)			14 000	14 000		370 708	226 396
• Discretionary funds			230 396	140 312		331 045	
• Health service			262 973	68 072			
• Education							
• Development facilitation							3 150
<b>Northern Cape</b>							
• Project preparation facilities		160		2 840		2 840	
• Discretionary funds	1 676	6 466	9 000	9 858		18 858	
• Development facilitation							2 100
• Health services			43 798	14 937		58 735	41 798
• Education			7 935	22 623		30 558	
• Public works programme				1 485		1 485	
<b>Western Cape</b>							
• Project preparation facilities	11			2 989		2 989	
• Discretionary funds		1 369	10 000	18 631		28 631	
• Health services			232 957	13 330		246 287	197 957
• Education			35 202	22 685		57 887	
<b>KwaZulu/Natal</b>							
• Presidential project			100 000			100 000	
• Project preparation facilities				3 000		3 000	
• Peace initiatives							100 000
• Discretionary funds		910	14 000	27 090		41 090	
• Development facilitation							5 040
• Health services			252 256	226 781		479 037	245 256
• Education			202 512	72 513		275 025	
<b>Free State</b>							
• Project preparation facilities				3 000		3 000	
• Discretionary funds		5 043	10 000	16 257		26 257	
• Development facilitation							2 940
• Health services	21 016		106 934	29 463		136 397	96 934
• Education			30 829	29 037		59 866	
<b>Mpumalanga</b>							
• Project preparation facilities		658		2 342		2 342	
• Discretionary funds		11 455	10 000	6 545		18 545	
• Development facilitation							4 140
• Health services	13 361		76 885	31 051		107 936	74 885
• Education			69 765	41 309		111 074	
<b>Northern Province</b>							
• Project preparation facilities				2 850		2 850	
• Discretionary funds	150	2 318	13 000	23 682		36 682	
• Development facilitation							2 040
• Health services	24 837		198 521	54 783		253 304	196 521
• Education			237 517	72 837		310 354	

PROVINCE	1994/95	1995/96	1996/97			1997/98	
	Actual R'000	Actual R'000	Main Budget R'000	Roll-over of Aunde R'000	Donor funding R'000	Total R'000	Carry-through costs R'000
<b>North West</b>							
• Project preparation facilities				3 000		3 000	
• Discretionary funds		8 047	10 000	11 953		21 953	
• Development facilitation							3 180
• Health services	16 141		90 362	20 277		110 639	88 362
• Education			95 046	43 340		138 386	
<b>Gauteng</b>							
• Project preparation facilities		1 075		1 925		1 925	
• Discretionary funds		20 000	10 000			10 000	
• Development facilitation							7 410
• Health services	211 447		418 891	20 899		439 790	368 891
• Education			58 221	73 114		131 335	
<b>Provincial governments total</b>	<b>288 639</b>	<b>70 853<sup>1)</sup></b>	<b>2 951 000</b>	<b>1 153 810</b>		<b>4 104 810</b>	<b>1 787 000</b>
<b>Cross cutting project</b>							
• Unblocking of criminal justice system and community safety centres (Justice, Police, Correctional Services, Public Works, Welfare)			55 732			55 732	406 739
<b>Total</b>	<b>638 481</b>	<b>1 929 824</b>	<b>7 105 732</b>	<b>3 798 681</b>	<b>138 730</b>	<b>11 043 143</b>	<b>4 368 171</b>

1) Actual expenditure for 1995/96 on Vote: RDP only.

## ANNEXURE F

## SUMMARY OF THE NATIONAL BUDGET

	1996/97	1997/98		
	Revised Estimates	Printed Estimate and additional proposals	Percentage change	
	Rm	Rm	%	
<b>EXPENDITURE</b>				<b>EXPENDITURE</b>
Printed Estimate (RP 2-'97: First Print)		184 033,2		Printed Estimate (RP 2-'97: First Print)
Plus:				Plus:
Expenditure to be voted in the Supplementary Estimate		339,2		Expenditure to be voted in the Supplementary Estimate
Durban academic hospital		227,0		Durban academic hospital
Social grants		175,0		Social pensions
Savings in pension fund contributions		-400,0		Savings in pension fund contributions
Improvements in Conditions of Service		337,2		Improvements in Conditions of Service
Expenditure to be voted in the Adjustments Estimate		2 074,4		Expenditure to be voted in the Adjustments Estimate
Child support benefits		75,0		Child support benefits
Poverty relief		300,0		Poverty relief
Report of the Steyn Commission		150,0		Report of the Steyn Commission
Integrated computer system		83,4		Integrated computer system
Contingency Reserve		1 466,0		Contingency Reserve
<b>Total: Budget votes and statutory amounts</b> 1)	<b>175 775,1</b>	<b>186 446,8</b>	<b>6,1%</b>	<b>Total: Budget votes and statutory amounts</b> 1)
Standing appropriations 2)	295,0	300,0		2) Standing appropriations
<b>Total estimated expenditure level</b>	<b>176 070,1</b>	<b>186 746,8</b>	<b>6,1%</b>	<b>Total estimated expenditure level</b>
<b>REVENUE</b>				<b>REVENUE</b>
Customs and Excise at existing rates in Printed Estimate (RP 3-'97: First Print)		19 731,8		Customs and Excise at existing rates in Printed Estimate (RP 3-'97: First Print)
Plus:				Plus:
Tax proposals in respect of:				Tax proposals in respect of:
Customs duties: Improvement in collections and collection of arrear taxes		250,0		Customs duties: Improvement in collections and collection of arrear taxes
Ad valorem customs duties (imported goods)		-100,0		Ad valorem customs duties (imported goods)
Excise duties		848,0		Excise duties
Beer		200,0		Beer
Sorghum beer and sorghum flour		15,0		Sorghum beer and sorghum flour
Wine and other fermented beverages		60,0		Wine and other fermented beverages
Mineral water		18,0		Mineral water
Spirits		55,0		Spirits
Cigarettes and cigarette tobacco		438,0		Cigarettes and cigarette tobacco
Pipe tobacco and cigars		12,0		Pipe tobacco and cigars
Ad valorem duties (locally produced goods)		-50,0		Ad valorem duties (locally produced goods)
Ad valorem duties: improvement in collections and collection of arrear taxes		100,0		Ad valorem duties: improvement in collections and collection of arrear taxes
Fuel levy		800,0		Fuel levy
<b>Total: Customs and Excise</b>	<b>19 928,9</b>	<b>21 529,8</b>	<b>8,0%</b>	<b>Total: Customs and Excise</b>

Continues on page F.2

## ANNEXURE F (continues)

## SUMMARY OF THE NATIONAL BUDGET

	1996/97	1997/98		
	Revised Estimates	Printed Estimate and additional proposals	Percentage change	
	Rm	Rm	%	
Inland Revenue at existing rates and brackets in Printed Estimate (RP 3-97: First Print), excluding premium on government stock ("book-profit")		140 652,2		Inland Revenue at existing rates and brackets in Printed Estimate (RP 3-97: First Print), excluding premium on government stock ("book-profit")
Plus:				Plus:
Tax proposals in respect of:				Tax proposals in respect of:
Individuals		-1 631,0		Individuals
Restructuring of tax rates and brackets		-2 800,0		Restructuring of tax rates and brackets
Fringe benefits:				Fringe benefits:
Company cars and traveling allowances		320,0		Company cars and traveling allowances
Housing anti-avoidance measures		50,0		Housing anti-avoidance measures
Exemption for scholarships or bursaries		-1,0		Exemption for scholarships or bursaries
Improvement in collections and collection of arrear taxes		800,0		Improvement in collections and collection of arrear taxes
Non-mining companies				Non-mining companies
Improvement in collections and collection of arrear taxes		700,0		Improvement in collections and collection of arrear taxes
Tax on Retirement Fund Industry		250,0		Tax on Retirement Fund Industry
Unit trusts and interest-bearing instruments		200,0		Unit trusts and interest-bearing instruments
Improvement in collections		50,0		Improvement in collections
Interest on overdue tax				Interest on overdue tax
Improvement in collections and collection of arrears		100,0		Improvement in collections and collection of arrears
Value-added tax				Value-added tax
Improvement in collections and collection of arrear taxes		400,0		Improvement in collections and collection of arrear taxes
Marketable securities tax		-50,0		Marketable securities tax
Reduction in rate		-100,0		Reduction in rate
Inclusion of foreign investors		50,0		Inclusion of foreign investors
Stamp duties and fees		-25,0		Stamp duties and fees
Share certificates		-75,0		Share certificates
Improvement in collections		50,0		Improvement in collections
Transfer duties				Transfer duties
Improvement in collections		50,0		Improvement in collections
<b>Total: Inland Revenue</b>	<b>125 740,6</b>	<b>140 446,2</b>	<b>11,7%</b>	<b>Total: Inland Revenue</b>
<b>Total ordinary revenue after tax proposals</b>	<b>145 669,5</b>	<b>161 976,0</b>	<b>11,2%</b>	<b>Total ordinary revenue after tax proposals</b>
Grants (RDP)	138,7	-		Grants (RDP)
<b>Total revenue and grants</b>	<b>145 808,3</b>	<b>161 976,0</b>	<b>11,1%</b>	<b>Total revenue and grants</b>

Continues on page F.3

## ANNEXURE F (continues)

## SUMMARY OF THE NATIONAL BUDGET

	1996/97	1997/98		
	Revised Estimates	Printed Estimate and additional proposals	Percentage change	
	Rm	Rm	%	
<b>BORROWING REQUIREMENT</b>				<b>BORROWING REQUIREMENT</b>
National budget deficit	30 281,8	24 770,8		National budget deficit
Budget deficit as percentage of GDP	5,4%	4,0%		Budget deficit as percentage of GDP
Less: Cash opening balance	6 737,5	0,0		Less: Cash opening balance
<b>Net borrowing requirement</b>	<b>23 524,3</b>	<b>24 770,8</b>		<b>Net borrowing requirement</b>
Plus:				Plus:
Loan redemptions	17 495,9	12 078,4		Loan redemptions
Government stock and bonds	16 697,0	10 828,3		Government stock and bonds
Premium on government stock ("book-profit") 3)	-1 100,0	-200,0		3) Premium on government stock ("book-profit")
Short-term loans (net)	-	-		Short-term loans (net)
Foreign loans 4)	1 898,9	1 450,1		4) Foreign loans
<b>Gross borrowing requirement</b>	<b>41 020,2</b>	<b>36 848,2</b>		<b>Gross borrowing requirement</b>
<b>FINANCING</b>				<b>FINANCING</b>
Short-term loans (net)	2 000,0	2 000,0		Short-term loans (net)
Domestic loans	34 241,0	27 702,0		Domestic loans
Government stock 5)	34 241,0	27 702,0		5) Government stock
Bonds	-	-		Bonds
Foreign loans	2 831,0	4 000,0		Foreign loans
Transfer from IMF Deposit Account at SARB	345,3	1 381,2		Transfer from IMF Deposit Account at SARB
Transfer from Strategic Fuel Fund	1 603,0	1 250,0		Transfer from Strategic Fuel Fund
Proceeds from the sales of state assets	-	516,0		Proceeds from the sales of state assets
<b>Total financing</b>	<b>41 020,2</b>	<b>36 848,2</b>		<b>Total financing</b>
<b>Closing balance</b>	<b>0,0</b>	<b>0,0</b>		<b>Closing balance</b>

1) Budgetary figure for purposes of Parliamentary legislation, i.e. budget votes and statutory amounts.

2) Estimated guarantee claims that may realise, subscription payments to the IDA and the IBRD and valuation adjustment payments to the IMF.

3) Provided in the Printed Estimate of Revenue (RP 3), but since it does not represent an actual cash flow, it is regarded as "negative" loan redemptions for purposes of analysis.

4) Includes the repayment of Contingency and Compensatory Financing Facility of the IMF (R345,3 million in 1996/97 and R1,381 billion in 1997/98).

These payments are financed by way of a transfer to the Exchequer from the IMF Deposit Account at the South African Reserve Bank.

5) Excluding the full discount on sales of government stock.