

# 7: FINANCE

## AIM

*The aim of the Department of Finance is to promote reconstruction and development to deliver rising standards of living for all by ensuring sound public finances and an efficient and equitable use of resources.*

## EXPENDITURE ESTIMATES

**Table 7.1 Expenditure by programme**

R million	Expenditure outcomes			Preliminary outcome	Medium term expenditure estimates		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration <sup>1</sup>	45,4	16,4	11,0	23,3	33,8	27,3	28,5
Financial and economic measures	20,7	19,5	25,5	33,6	35,9	38,9	41,5
Exchequer financing <sup>2</sup>	697,9	4,4	6,3	13,9	14,6	15,4	16,0
SARS	–	1 107,4	635,3	–	–	–	–
Fiscal transfers	545,3 <sup>3</sup>	652,6	1 245,5	2 065,4	2 165,7	2 055,6	2 069,8
Civil pensions and contributions to funds	564,7	1 079,8	1 001,0	1 266,1	1 270,8	1 269,8	1 301,7
Military pensions and other benefits	104,9	108,5	115,0	133,0	148,1	143,4	140,4
Provincial transfers <sup>5</sup>	71 995,8	84 092,2	85 927,6	3 729,3	2 500,0	2 212,0	2 000,0
Associated services <sup>1</sup>	51,5	1,7	0,2	7,6	5,8	8,0	8,4
Post Office losses	–	571,6	464,0	–	–	–	–
<b>Expenditure to be voted</b>	<b>74 024,2</b>	<b>87 654,1</b>	<b>89 431,4</b>	<b>7 272,3</b>	<b>6 174,7</b>	<b>5 770,4</b>	<b>5 606,3</b>
<b>Direct charges to the National Revenue Account</b>							
State Debt Costs	29 337,0	34 100,0	39 479,1	43 413,2	48 222,0	49 820,0	52 609,0
Provincial equitable share <sup>4</sup>	–	–	–	81 537,0	86 302,0	92 071,0	96 822,0
<b>Total expenditure</b>	<b>103 361,2</b>	<b>121 754,1</b>	<b>128 910,5</b>	<b>132 222,5</b>	<b>140 698,7</b>	<b>147 661,4</b>	<b>155 037,3</b>

<sup>1</sup> The comparative figures for 1995/96 are higher than those for 1996/97 as the Department of Finance and the South African Revenue Service were still one department during 1995.

<sup>2</sup> Authorised losses added: 1995/96 R1,3 million.

<sup>3</sup> Excluding R2 903,7 million transferred to the RDP fund for subsequent transfer to the National Revenue Fund for departmental and provincial RDP projects.

<sup>4</sup> With effect from 1998/99, the provincial equitable shares are reflected as direct charges against the National Revenue Account.

<sup>5</sup> Amounts included: 1995/96 R2 635,9 million (Provincial ICS) plus R70,7 million (Provincial RDP); 1996/97 R5 288,9 million (Provincial ICS); 1997/98 R3 529,6 million (Provincial ICS).

The Finance Vote is organised into the following programmes:

- ◆ *Administration* deals with policy formulation by management. It involves organising the department, rendering centralised administrative legal and office support services, managing departmental personnel and financial administration, determining working methods and procedures and exercising control.
- ◆ *Financial and economic measures* gives policy advice on state finances and the regulation of overall economic and financial policy.
- ◆ *Exchequer financing* funds the Exchequer by raising and administering domestic and foreign loans.
- ◆ *Fiscal transfers* are domestic transfer payments made to the Development Bank of Southern Africa and the South African Revenue Service. Foreign transfer payments are made to Lesotho and Namibia (to administer economic and financial agreements) and to the World Bank Group and the African Development Bank.
- ◆ *Civil pensions and contributions to funds* comprises payments in respect of provident funds and associated institutions, Parliamentary awards, additions to pensionable service for Defence Force members and awards in respect of discharge or death as a result of injury on duty. The programme also funds Government contributions to medical schemes, United Kingdom tax in respect of locally recruited staff, special pensions, augmentation of civil pensions and contributions to the Closed Pension Fund.
- ◆ *Military pensions and other benefits* are paid to ex-servicemen, for their service in the South African Citizen Force and Civil Protection.
- ◆ *Provincial transfers* supplement provincial revenues to meet education, health and welfare obligations.
- ◆ *Associated services* – miscellaneous payments and services for example the augmentation of the Public Investment Commissioner's bank account, rendering of supporting computer services, contingent liabilities to insurers and Government motor transport.

Table 7.2 Commitments in respect of state debt

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
<b>Interest</b>	<b>29 250,5</b>	<b>33 113,0</b>	<b>38 785,0</b>	<b>42 727,5</b>	<b>46 061,7</b>	<b>49 703,8</b>	<b>52 524,2</b>
Domestic debt	28 537,6	32 197,6	37 810,8	41 516,9	44 320,7	47 949,8	50 261,2
Foreign debt	712,9	915,4	974,2	1 210,6	1 741,0	1 754,0	2 263,0
<b>Management cost</b>	<b>29,3</b>	<b>942,7</b>	<b>660,3</b>	<b>682,9</b>	<b>2 110,3</b>	<b>66,2</b>	<b>34,8</b>
Revaluation of maturing foreign loans	29,7	942,3	659,4	682,1	2 110,0	65,9	34,5
Other costs	(-0,5)	0,4	0,4	0,9	3,3	0,3	0,3
<b>Cost of raising loans</b> (excluding discount on government bond issues)	<b>57,3</b>	<b>44,3</b>	<b>33,8</b>	<b>2,7</b>	<b>50,0</b>	<b>50,0</b>	<b>50,0</b>
<b>Total state debt cost</b>	<b>29 337,0</b>	<b>34 100,0</b>	<b>39 479,1</b>	<b>43 413,2</b>	<b>48 222,0</b>	<b>49 820,0</b>	<b>52 609,0</b>
Excludes:							
Discount on issues of government bonds	8 385,0	6 704,4	3 029,0	6 354,6	3 713,0	3 180,0	5,0

Table 7.3 Economic classification of expenditure

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Current							
Personnel expenditure <sup>1</sup>	610,9	22,9	26,5	42,4	49,0	51,5	54,2
Other current expenditure	719,0	1 073,2	984,7	1 233,4	1 339,3	1 012,1	1 114,7
Transfer payments	71 995,8	86 590,8	81 881,5	87 207,4	90 845,6	96 508,7	100 982,9
Interest	29 250,5	33 113,0	38 785,0	42 728,4	46 061,7	46 065,0	52 524,5
Capital							
Capital transfers	17,1	11,2	6 569,0	324,2	283,8	314,3	321,0
Acquisition of capital assets	32,1	0,7	4,4	4,6	6,0	4,7	5,4
Revaluation of loans	29,7	942,3	659,4	682,1	2 110,0	65,9	34,5
<b>Total</b>	<b>103 361,2</b>	<b>121 754,1</b>	<b>128 910,5</b>	<b>132 222,5</b>	<b>140 698,7</b>	<b>147 661,4</b>	<b>155 037,3</b>

<sup>1</sup> Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

## POLICY DEVELOPMENTS

The main policy developments in the Department include:

### **Medium Term Expenditure Framework**

Together with the Department of State Expenditure, the Department of Finance has introduced a three-year budgeting framework as part of a broader budget reform programme.

### **Intergovernmental Relations Act of 1997**

This Act promotes co-operative governance in the budget making process and establishes the forums for consultation with provincial and local governments such as the Budget Council and the Budget Forum. It also establishes the process for the tabling of the annual Division of Revenue Bill and the procedure for taking into account recommendations of the Financial and Fiscal Commission.

### **Division of Revenue Bill**

The Division of Revenue Bill is tabled every year with the Budget and determines the equitable share of allocations between the three spheres of Government and all other allocations from the national to provincial and local governments.

### **Borrowing Powers of Provincial Government Act of 1996**

The Constitution limits provincial borrowing to borrowing for capital and bridging finances only. The Borrowing Powers of Provincial Government Act regulates the circumstances and procedures under which a province may borrow.

### **Cash Management Framework**

A Cash Management Framework was developed and approved by Cabinet. It aims to create an environment for improving working capital efficiency in Government through improved cash transmission techniques and improving the configuration of existing bank accounts. This framework forms an integral part of the overall review of debt management in Government.

### **Treasury Control Bill**

The Treasury Control Bill will be considered by Parliament during February 1999. This Bill was designed to modernise and improve financial management in the public sector. The Bill also seeks to provide greater clarity on the roles, powers and responsibilities of accounting officers and political office-bearers and improving accountability in the use of public funds.

### **Military Pensions Act**

The benefit structure of the Military Pensions Act of 1976 was amended by a regulation to remove all inequalities in benefits granted.

### **Public Investment Commissioners Amendment Bill**

The Public Investment Commissioners (PIC), acts as an investment agency for the Government Employees Pension Fund, has assets under its management of about R140 billion. In terms of the Public Investment Commissioners Amendment Bill, the PIC will be empowered to invest a maximum annual amount of 3,5 per cent of its total assets in infrastructure development and black empowerment initiatives. This amount will be held under the Isibaya Fund, which will be managed by private sector asset managers.

The Bill will broaden this scope of the PIC to allow investment in infrastructure projects such as housing, civil works and water reticulation as well as loans to aid black empowerment groups wishing to take part in privatisation of government-owned assets.

## DISCUSSION OF PROGRAMMES

### Programme 1: Administration

	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
R million						
1998 Budget	24,6	23,8	23,3	28,6	28,8	–
1999 Budget	–	–	–	33,8	27,3	28,5

### Programme 2: Financial and economic measures

	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
R million						
1998 Budget	34,5	34,3	33,6	43,0	42,5	–
1999 Budget	–	–	–	35,9	38,9	41,5

The programme *Financial and economic measures* operates several units as discussed below:

#### Financial Planning

Financial Planning, includes medium term expenditure planning; economic, social and administrative sectoral financial planning and financial reform.

Outcomes include the Government's Medium Term Expenditure Framework, improved budgeting and sound financial planning of public services. Six detailed sectoral reviews were completed to aid budgetary decision-making.

Progress was made towards meeting Government's fiscal targets, appropriate reforms of the budget process and strengthened accountability of agencies and other government entities.

#### Macroeconomic Policy Unit

The Macroeconomic Policy Unit provides information on macroeconomic developments and maintains government's macroeconomic model. It is responsible for the economic forecast underlining the annual budget.

Advice is rendered on the conduct of monetary and fiscal policy and on reforms required to achieve Government's developmental objectives. The unit also supervises financial conduct and exchange control regulation and is the conduit for a continuous flow of financial legislation.

#### Intergovernmental Relations

Intergovernmental Relations oversees the financial and fiscal relations between the three spheres of government and determines the share of nationally raised revenue to be allocated to the provincial and local spheres of government.

Financial and fiscal policy concerning the provincial and local government spheres is developed and the budgets of governments are monitored.

Firm foundations for the intergovernmental, fiscal and financial system have been laid. Helping to stabilise provincial finances was a major achievement of 1998.

**Tax Policy Unit**

The Tax Policy Unit advises the Minister on all tax issues that arise in the three spheres of government.

Economic analysis and structural reviews of the existing tax system were initiated in order to identify weaknesses, structural shortcomings and aspects that might dissuade international investors.

The unit has given extreme assistance to the Katz Commission in the preparation of its nine interim reports.

**International Development Finance**

International Development Finance assists central government, regional governments and the private sector in accessing resources and in matching financial packages with appropriate projects.

**International Development Co-operation**

Offers of aid from bilateral and multilateral sources are evaluated and negotiated by an International Development Co-operation office on the utilisation of the funds for Government projects. The optimum use of the grants is ensured by incorporating them into integrated funding packages for the programmes. The office concentrates on government-to-government funding.

**Finance and Investment Sector Co-ordinating Unit**

The Finance and Investment Sector Co-ordinating unit (FISCU) works towards financial integration and the establishment of a sound investment environment in the Southern African region. The unit also encourages macroeconomic stability and the promotion of mutually beneficial, financial co-operation between Southern African Development Community member countries.

**Programme 3: Exchequer financing**

	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
R million						
1998 Budget	12,0	12,8	12,5	14,0	14,1	–
1999 Budget	–	–	–	14,6	15,4	16,0

**Asset and Liability Management**

The *Exchequer financing* programme operates an Asset and Liability Management office, the functions of which are as follows:

- ◆ Advising Government on appropriate policies and strategies relating to domestic and foreign debt management, the extent and structure of Government debt, suitable methods of financing Government and the establishment of Government's reputation as a reliable and competitive issuer of domestic and foreign debt.
- ◆ Verifying, recording and registering all purchase and sale transactions and servicing of Government debt.
- ◆ Promoting and contributing to the orderly functioning and development of the domestic financial markets.

- ◆ Advising Government on and preparing the annual estimate of the cost of servicing Government's debt portfolio and managing the risk exposure of Government.
- ◆ Advice on the management of working capital to improve the timing and flow of receipts and payments and creating an awareness within government departments of the importance of stores and supplies management on cash management.
- ◆ Compiling and maintaining a database on the financial assets and liabilities of national government, compiling a statement of these assets and liabilities and providing information to Government, parliament and the financial markets.

#### Programme 4: Fiscal transfers

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	1 898,0	2 146,1	2 065,4	1 939,4	2 004,0	–
<b>1999 Budget</b>	–	–	–	<b>2 165,7</b>	<b>2 055,6</b>	<b>2 069,8</b>

The programme *fiscal transfers* makes funds available to public authorities and other institutions in terms of various statutory provisions governing the financial relations between Government and institutions.

**Table 7.2 Fiscal Transfers**

R million	Expenditure outcomes		Preliminary outcome 1998/99	Medium term expenditure estimates		
	1996/97	1997/98		1999/00	2000/01	2001/02
<b>Domestic transfer payments</b>						
Independent Broadcasting Authority	35,0	35,0	–	–	–	–
Transitional National Development Trust	50,0	–	–	–	–	–
Post and Telecommunications	446,4	500,8	–	–	–	–
Development Bank of Southern Africa contribution	0,0	0,0	0,0		0,0	0,0
SA Revenue Service	–	589,2	1 856,2	1 888,7	1 750,6	1 759,9
National Development Agency	–	50,0	50,0	100,0	90,0	91,4
Financial and Fiscal Commission	5,1	6,6	6,8	6,8	7,0	7,6
<b>Foreign transfer payments</b>						
Economic and financial agreements:						
Lesotho and Namibia	104,9	102,1	127,0	100,0	103,6	100,7
Purchase of shares in						
World Bank Group	0,1	0,0 <sup>1</sup>	0,0 <sup>1</sup>	0,0 <sup>1</sup>	0,0 <sup>1</sup>	0,0 <sup>1</sup>
African Development Bank	11,1	11,6	41,2	70,2	104,3	110,0
<b>Total</b>	<b>652,6</b>	<b>1 245,5</b>	<b>2 081,2</b>	<b>2 165,7</b>	<b>2 055,6</b>	<b>2 069,8</b>

**Programme 5: Civil pensions and contributions to funds**

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	1 057,3	1 292,7	1 266,1	1 136,1	1 158,6	–
<b>1999 Budget</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 270,8</b>	<b>1 269,8</b>	<b>1 301,7</b>

*Civil pensions and contributions to funds.* Benefits are paid out of pension, other funds and schemes and awards granted to beneficiaries of State departments, State-aided bodies and other specified persons.

**Table 7.3 Payments under pension and other schemes**

R million	Expenditure outcomes		Preliminary outcome 1998/99	Medium term expenditure estimates		
	1996/97	1997/98		1999/00	2000/01	2001/02
Members of Parliament	0	1,9	0	8,9	–	–
Addition to pensionable service	0,8	0,7	0,8	0,8	0,7	0,7
Other beneficiaries	32,8	32,1	39,1	41,1	60,6	78,5
Discharge and/or death as a result of injury on duty	43,1	67,6	61,8	71,7	78,9	87,0
Government contributions to medical schemes	551,0	660,9	543,5	753,9	751,1	757,1
Special pensions	0,7	151,7	500,0	200,0	300,0	300,0
Contribution to Closed Pension Fund	71,9	67,0	67,0	67,0	67,0	67,0
Other payments	375,8	2,9	33,3	119,0 <sup>1</sup>	1,8	1,9
Administrative and auxiliary services	3,7	16,2	9,4	10,1	9,4	9,4
	<b>1 079,8</b>	<b>1 001,0</b>	<b>1 254,9</b>	<b>1 270,8</b>	<b>1 269,7</b>	<b>1 301,7</b>

<sup>1</sup> Includes R1 000million for the Pension Fund for Political Office Bearers

**Programme 6: Military pensions and other benefits**

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	136,0	135,8	133,0	136,6	136,6	–
<b>1999 Budget</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>148,1</b>	<b>143,4</b>	<b>140,4</b>

This programme pays military pensions to ex-servicemen involved in pre-1914 SA wars, the First and Second World Wars, the Korean War, service in the SA Citizen Force, Civil Protection as well as persons paid in accordance to the Special Pensions Act of 1996. Other benefits include payments for medical and orthopaedic treatment, hospitalisation, medical and other aids and assistance to dependants of ex-servicemen in respect of their funerals. An administration grant is also paid to the SA Legion.

**Programme 7: Provincial transfers**

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	2 800,0	3 807,6	3 729,3	2 600,0	2 400,0	–
<b>1999 Budget</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 500,0</b>	<b>2 212,0</b>	<b>2 000,0</b>

Provincial authorities are financed by the *Provincial transfers* programme and a contingency reserve fund for the provinces is administered.

**Conditional grant to provinces**

Following the financial difficulties in provinces in 1997/98, Cabinet agreed to a supplementary grant to provinces subject to the following conditions:

- ◆ Provincial budgets, as enacted by its legislature, must reflect adequate funding of health, education and welfare.
- ◆ Provincial budgets must reflect adequate steps to improve the collection of own revenue.
- ◆ A province must comply with generally recognised financial management practices and treasury norms and standards.
- ◆ A province must comply with agreements in the Budget Council on borrowing and all relevant legislation.
- ◆ The province must supply information required by the Minister of Finance to facilitate transparency and effective monitoring of expenditure.

This grant has contributed to significant improvements in provincial budgeting and financial management.

### Programme 8: Associated services

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	7,8	7,8	7,6	7,8	8,3	–
<b>1999 Budget</b>	–	–	–	<b>5,8</b>	<b>8,0</b>	<b>8,4</b>

The *Associated services* programme provides for miscellaneous payments and services including the investment of public moneys, computer services, contingent liabilities to insurers and government motor transport.

## NON-DEPARTMENTAL AGENCIES

### South African Revenue Service (SARS)

In 1995, Cabinet approved the reform of the Offices of the Commissioners for Inland Revenue and Customs and Excise in the Department. They are now both part of the South African Revenue Service (SARS), which functions under a Board of Directors.

During the 1996/97 financial year, SARS became an independent agency and its budget was separated from that of the Department of Finance. Its funding is, however, still voted on the budget of the Department of Finance and is dealt with as a transfer payment.

#### Aims

The main function of SARS is to fund the Exchequer by collecting revenue in the most efficient and effective manner in terms of appropriate legislation.

**Table 7.4 Expenditure per standard item**

	Actual	Estimate		Medium term expenditure estimates		
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Personnel	785,3	806,8	915,2	1 093,9	1 184,1	1 288,2
Administration	105,2	195,6	319,7	321,7	337,5	352,5
Stores	45,3	37,7	67,1	68,6	72,9	78,1
Equipment	80,8	85,9	161,9	114,3	64,4	64,3
Land and buildings	0,3	2,6	32,3	283,6	234,3	236,5
Professional service	78,8	94,7	234,6	61,3	51,2	49,6
Miscellaneous	11,8	1,6	7,9	1,5	1,5	1,6
<b>Total</b>	<b>1 107,5</b>	<b>1 224,9</b>	<b>1 738,7</b>	<b>1 944,9</b>	<b>1 945,9</b>	<b>2 070,8</b>

<sup>1</sup> 1998/99 included R34,5 million in respect of conditions of service not yet finalised in the Bargaining Chamber and excludes R194,9 million in respect of additional funding requested from the Treasury Committee for payment of the SARS incentive bonus.

### **Black economic empowerment**

An aim of SARS is to increase the percentage of the total value of services and equipment procured from small businesses, from 25 per cent in 1997/98 to 35 per cent in 1998/99. A number of information technology contracts have already been awarded to consortiums. Areas in which such consortiums will be involved in are the introduction of the wide area network and the development of the new income tax system.

### **Efficiency improvement of service levels**

Within the budget, operations must be maintained and efficiency and service levels must be improved.

### **Balancing regional development**

Projects relating to the decentralisation process of SARS and the building of capacity in the regions have been initiated. Funds have also been provided for the broadening of the tax base in the various regions.

The broadening of the tax base will benefit society by distributing the tax burden in a more equitable manner.

### **Technology integration**

The budget allows for information technology (IT) standards to be set and integration and synergy to be achieved. Integration would be achieved through interfaces between the various tax systems, which would significantly reduce duplication, loss of revenue and oversights.

### **INDIVIDUAL TAX PAYMENTS**

In late 1998 a total of 2 263 079 people were registered as individual taxpayers. Of these, 1 516 263 (67 per cent) were men and 746 816 (33 per cent) were women. In addition 180 393 trusts were registered as individuals for tax purposes.

Interfaces with the external environment such as banks are also achieved through the Payments at Banks project. This, together with electronic communications to be achieved with the Deeds Office and Credit Bureaus would ensure that a sound working environment through mutual compliance to prescribed technology and other standards is achieved.

### **Technology transfer**

Funding is provided in the budget to address the Year 2000 problem in all the critical systems. Funding is also provided for upgrading and replacement of equipment to ensure that appropriate technology levels are maintained in the organisation. Technology transfers included in the

budget relate to the human resource system, income tax system, financial system and the procurement system. The introduction of new systems will have a major impact on the skills and numbers of personnel required with effect from the 1999/00 financial year.

**Table 7.5 Revenue collected by SARS**

<b>R million</b>	<b>1993/94</b>	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>
Total collections	88 802,9	107 242,2	123 466,8	142 824,7	160 201,0	173 620,9
Total collection cost (budget)	636,9	730,1	788,9	1 107,4	1 225 ,0	1 738,8
GDP	395 929,0	444 853,0	498 389,0	556 371,0	612 717,0	668 858,0
Collections as % of GDP	22,43%	24,11%	24,77%	25,67%	26,15%	25,96%
Cost as % of collections	0,72%	0,68%	0,64%	0,78%	0,76%	1,00%

### **National Development Agency**

The National Development Agency (NDA) was established by legislation in 1998. The NDA is responsible for the co-ordination of donor funding to non-governmental organisations. The Agency will become fully operational during 1999/00.

During 1996/97 the functions were executed by the Transitional National Development Trust which received transfer payment on the Finance Vote.

## **COMMISSIONS AND COMMITTEES**

### **Nel Commission**

The Nel Commission is to inquire into and report on the financial problems of Masterbond Trust Investment Holdings Limited. It will make recommendations in the 2000/01 financial year regarding legislation for the protection of investors.

The Nel Commission is funded out of the Department of Finance's budget, while the salaries are paid by the Department of Justice. The expenditure estimate for the 1998/99 year is R0,2 million and the expenditure estimate for the 2000/01 financial year is R0,8 million.

### **Policy Board for Financial Services and Regulation**

The Financial Services Board and the South African Reserve Bank are responsible for executing policy with regard to financial regulation. The Board was given the responsibility for formulating and co-ordinating policy relating to the further development of the financial services sector and financial regulation. The Board advises the Minister of Finance on changes in the structure of the financial services sector, changes in the regulatory structure, amendments to existing financial legislation and the introduction of new financial legislation.

The Board is funded from levies on the services of financial institutions, such as pension funds, but excluding banks. The sale of information is another source of funds.

### **Public Investment Commissioners**

All trust and other funds in the hands of government departments, provincial authorities and other public sector institutions approved by the Minister and available for investment are payable to the Commissioners,

who are obliged to invest such funds. On 31 March 1998 there were 138 different accounts with a total book value of R160 897,7 million, excluding the investments in terms of the Debt Standstill Agreement.

In the 1998/99 financial year the Public Investment Commissioners' Bank Account showed an estimated expenditure of R6,0 million and estimated revenue of R19,0 million. The surplus of R13,0 million will be transferred to their reserve account.

#### **Katz Commission**

A seven-member commission was appointed in 1994 to inquire into the tax structure of South Africa. Eight interim reports have been released and the ninth interim report will be released during February 1999. The Commission is still working on a final report which may suggest a review of existing tax policy and point out the need to continue with tax reform processes in a rapidly changing commercial environment, both domestically and internationally.

The Katz Commission is funded from the budget of the South African Revenue Service (SARS). The expenditure outcomes of the Katz Commission were R193 817 for the 1996/97 year and R313 779 for the 1997/98 year. Up to August 1998, expenditure for the 1998/99 year amounted to R141 512. No provision has been made in the 1999/00 budget.

#### **Tax Advisory Committee**

The Tax Advisory Committee (TAC) is a permanent 14-member advisory body which reports regularly to the Minister of Finance on tax related matters. The TAC meets monthly and since its establishment in 1988 it has addressed a wide range of technical, legislative and policy matters. It is funded from the SARS budget.

#### **Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) is an independent statutory institution which is constitutionally required to give advice and make impartial recommendations to Parliament, provincial legislatures and other authorities on matters affecting intergovernmental fiscal relations. The FFC is funded by a transfer from the financial and economic measures programme under the Department's vote.

## **PARASTATAL**

### **Development Bank of Southern Africa (DBSA)**

Established in 1983, the DBSA is a South African development finance institution, which supports infrastructural development in the Southern African Development Community (SADC) region. In April 1987 the institution was transformed to bring it in line with the Constitution of the new South Africa and the transformation of the region. In April 1987 the Development Bank of Southern Africa Act was passed, confirming the DBSA's new mandate as development bank in the SADC region. Regulations promulgated in 1997 confirmed the focus on infrastructure. The South African Government is the sole shareholder of the DBSA.

#### **Focus on infrastructure development**

The DBSA aims to maximise its contribution to development by mobilising and providing finance and expertise that focuses on infrastructure, in order to improve the quality of life of the people of Southern Africa. Loans are provided to local authorities for the development of infrastructure projects.

**Key financial information**

The total assets of the DBSA amounted to R12 001,6 million at the end of the 1998 financial year, an increase from R5 758,2 million in 1995. The gross revenue/turn over increased from R380,3 million in 1995 to R1 405,4 million in 1998 while the net income/profits of the Bank also increased to R427,4 million from R28 million in 1995.