
GLOSSARY

Accounting officer	The civil servant in a department who is accountable to Parliament for financial management. The accounting officer is usually the Director-General or the head of the department.
Accrual	An accounting convention by which payments and receipts are recorded as they occur, even if no cash flow takes place.
Ad valorem duty	A tax based on the value of a good, raised as a percentage of the price at the retail, wholesale or manufacturing stage, or at import.
Adjustments estimate	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Agency payments	Payments made by one government department to another in the same or in a different sphere of government to pay for services administered by the department receiving the payments. Agency payments do not form part of the budget of the department receiving the payment. (See also <i>conditional grants</i>)
Amortisation	The method by which a loan is repaid in instalments over the duration of the loan.
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by the provincial legislature from the Provincial Revenue Account. (See <i>statutory appropriation</i> ; <i>standing appropriation</i> ; <i>vote</i>)
Asset swap	An arrangement whereby financial institutions are permitted to exchange a portfolio of South African shares and securities for a portfolio of foreign shares and securities. This enables South African investors to diversify offshore, while minimising the impact on domestic financial markets and the rand.
Available expenditure	That part of the national budget which can be divided between the national, provincial and local spheres of government, after debt interest and the contingency reserve have been taken into account.
Average tax rate	Usually applied to personal income tax and understood to mean the proportion of tax paid to total income.
Balance of payments	A summary statement of all the international transactions of the residents of the nation with the rest of the world during a particular period of time.
Bond market capitalisation	The total value of securities issued in the bond market.

Budget Council	A body established to co-ordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for finance.
Capital formation	A measure of the net increase in the country's total stock of capital goods, after allowing for depreciation.
Capital goods	Durable produced goods used over a period of time for the production of other goods. (See also <i>intermediate goods</i>).
Capital inflow	An increase of foreign assets in the country or a reduction in the country's assets abroad.
Capital-output ratio	The ratio of the stock of capital employed to the amount of output produced.
Collective bargaining	Negotiations between employees and employers on procedures and rules to cover conditions of work and rates of pay.
Conditional grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements. Conditional grants appear as expenditure in the budget of the department making the grant and as revenue of the province or municipality receiving the grant. (See also <i>agency payments</i>)
Consolidated expenditure	Total expenditure by national and provincial government, including transfers to municipalities and other extra-budgetary agencies. Consolidated expenditure includes spending by provinces financed from own revenues. Consolidated spending is therefore the sum of national and provincial spending, excluding the double counting of transfers from national to provincial government.
Consolidated general government	National, provincial and local government, as well as extra-budgetary government institutions and social security funds.
Consumer price inflation	Price increases as measured by the consumer price index (CPI), which reflects the prices of a representative basket of consumer goods and services. (See also <i>inflation; GDP inflation</i>)
Contingency reserve	The portion of the spending total which is set aside in advance, in order to accommodate changes to the economic environment and to meet unforeseen spending pressures.
Core inflation	The change in the overall consumer price index excluding the prices of fresh and frozen meat and fish; vegetables, fresh fruit and nuts; interest rates on mortgage bonds, overdrafts and personal loans; value-added tax and property taxes. Core inflation measures the underlying inflation trend in the economy and excludes more volatile or policy-related elements. (See also <i>consumer price inflation</i>)
Crowding-out	A fall in either private consumption or investment as a result of a rise in government expenditure.

Current account deficit	The difference between total imports and total exports, also taking into account service payments and receipts, interest, dividends and transfers. A current account deficit means that South African residents consume more than they produce, which must be financed by capital inflows from abroad.
Debt interest	The cost of interest on government debt.
Dedicated levy	Revenue earmarked or assigned for specific purposes, usually outside the budget process, but accounted for within the consolidated accounts of the general government.
Deficit	The amount by which total expenditure exceeds total revenue. (See also <i>primary deficit</i>)
Depreciation (capital)	A reduction in the value of fixed capital as a result of wear and tear as well as redundancy.
Depreciation (exchange rates)	A reduction in the external value of the rand. A depreciation makes South African goods cheaper to foreign purchasers, and imported goods more expensive to South African buyers.
Derivative financial instrument	A financial asset that derives its value from an underlying asset, which may be a physical asset such as gold, or a financial asset such as a government bond.
Devaluation	A deliberate change in the exchange rate by a nation's monetary authorities from one fixed level to another.
Direct investment	Investment from abroad in physical assets such as factories. (See also <i>portfolio investment</i>)
Disposable income	Income less tax payments.
Dissaving	An excess of current expenditure over current income.
Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.
Domestic demand	The total level of spending in an economy, including imports but excluding exports.
Double taxation agreement	An agreement between two countries to prevent income that is taxed in one from being taxed in the other as well.
Economic growth	An increase in the total amount of output, income and spending in the economy.
Economically active population	That part of the population of working age which is employed, or seeking work in the market economy.
Equitable shares	The allocation of revenue to the national, provincial and local spheres of government as required by the Constitution.

Expenditure and production switching	Changes in expenditure or output patterns brought about by tariff policies, exchange rate movements or other relative prices changes.
Externalities	The positive or negative spillover effect that one activity may have on another. For example, the environmental pollution generated by a factory may impose a negative externality on surrounding communities.
Financial and Fiscal Commission (FFC)	An independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.
Financial year	The twelve months according to which companies and organisations budget and account. (see also <i>fiscal year</i>)
Fiscal policy	Policy on tax, spending and borrowing by government.
Fiscal year	The twelve months upon which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
Fixed investment	Spending on buildings, machinery and equipment contributing to production capacity.
Foreign direct investment (FDI)	Movements of international capital entailing the purchase or establishment of ownership and control of a domestic operation by a foreign company.
Foreign investment	Any investment in another country which is carried out by private companies or individuals (not government aid).
Forward cover	Transactions involving an agreed exchange rate at which foreign currency will be purchased or sold at a future date. (See also <i>forward markets</i>)
Forward markets	Markets in which currencies, commodities or securities are bought and sold at agreed prices for delivery at specified future dates.
Function shift	The movement of a function from one departmental vote or sphere of government to another.
Funded pension arrangements	A pension scheme in which expected future benefits are funded in advance and as entitlement accrues.
GDP inflation	A measure of the total increase in prices in the whole economy. Unlike CPI inflation, GDP inflation includes price increases in goods that are exported, excludes imported goods, and includes intermediate goods such as machines. (See also <i>consumer price inflation; inflation</i>)
Generally recognised accounting practice (GRAP)	Accounting standards for government as required by the Constitution. The public sector equivalent of generally accepted accounting practice (GAAP) which sets out private sector accounting standards.

Government debt	The total amount of money owed by government as a consequence of Government's borrowing in the past.
Gross domestic fixed investment (GDFI)	The addition to a country's fixed capital stock during a specific period, before provision for depreciation.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
Hedging	An action taken by a buyer or seller to protect income against changes in prices, interest rates or exchange rates.
Improvements in conditions of service (ICS)	The sum set aside to meet the costs of pay increases for public servants. The distribution of improvements in conditions of service depends on the agreements between the government as employer and the public service unions.
Inflation	The rate of increase of prices. (See also <i>consumer price inflation</i> ; <i>GDP inflation</i>)
Inter vivos	A transfer of wealth while the transferor is still alive.
Intermediate goods	Goods produced to be used as inputs in the production of final goods.
Inventories	Stocks of goods held by firms. An increase in inventories reflects an excess of output relative to spending over a period.
Investment	The flow of expenditure on new capital goods. (See also <i>capital goods</i>)
Labour intensity	The relative amount of labour that is required to produce a fixed quantity of output.
Late requests and surrenders	Requests for additional funds, or the surrender of surplus funds, made by government departments after the end of the financial year.
Levies	Compulsory statutory payments made in exchange for non-direct benefits received, e.g. fuel levies.
Liquidity	The ease with which assets can be bought and sold.
Liquidity requirements	The amount of liquid or freely convertible assets that banks are required to hold relative to their liabilities, for prudential and regulatory purposes. (See also <i>liquidity</i>)

M3	The broadest definition of money supply in South Africa, including notes and coins; demand and fixed deposits; and credit. (See also <i>money supply</i>)
Marginal lending rate	A penalty rate of interest charged by the Reserve Bank for lending to financial institutions in the money market in excess of the daily liquidity provided to the money market at the repurchase rate. (see also <i>repurchase agreements</i>)
Marginal return to labour	The fraction of income attributed to the portion of output produced by an additional unit of labour.
Marginal tax rate	The rate of tax on an incremental unit of income. The rate is also applied to increments of expenditure and gifts.
Maturity	The date upon which the liability of the issuer of a security expires. The date for the repayment of the principal.
Medium term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the budget.
Merchandise exports	Exports of goods, but not services. In the South African accounts this usually excludes exports of gold.
Monetary policy	Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy is usually focused mainly on keeping control of inflation. (See also <i>inflation</i>)
Money supply	The amount of money in an economy. (See also M3)
Mutual insurer	A life insurance company that is owned by its policyholders.
National Budget	The projected revenue and expenditures which flow through the national Exchequer Account. Does not include spending by provinces or local government from their own revenues.
Negotiable certificate of deposit (NCD)	Short-term deposit instruments issued by banks, at a variable interest rate, for a fixed period of time.
Net open forward position	The difference between aggregate future commitments of purchases and sales of foreign exchange by the South African Reserve Bank.
Nominal exchange rates	The current rate of exchange between the rand and foreign currencies. (see also <i>real exchange rate</i>)
Nominal wage	The return, or wage, to employees at the current price level.
Non-financial public enterprises	Government owned or controlled organisations in goods and non-financial services trading as business enterprises. Includes Eskom, Telkom, SABC, Transnet, Mossgas, etc.
Non-tax revenue	Income received by the government as a result of administrative charges, licences, fees, sales of goods and services, etc.

Organisation for Economic Co-operation and Development (OECD)	An organisation of 29 mainly industrialised member countries. South Africa is not a member of the OECD.
Outputs	Goods and services delivered by government.
Personal saving rate	Saving as a percentage of disposable income.
Portfolio investment	Investment in financial assets such as stocks and shares or government bonds. (see also <i>fixed investment</i>)
Primary deficit	The amount by which total government expenditure exceeds total revenue, minus interest payments on government debt.
Primary rebate	A rebate from income tax that is available to all taxpayers.
Producer price inflation	Price increases measured by the producer price index (PPI), which reflects the prices of a representative basket of goods used in domestic production. (See also <i>inflation</i> ; <i>GDP inflation</i>)
Productivity	A measure of the amount of output generated from every unit of input. Typically used to measure changes in labour efficiency.
Public authorities	Includes national, regional and local government departments and extra-budgetary government bodies and funds.
Public corporations	Companies that are fully or partly owned by government or public authorities and are regulated by law. (see also <i>public authorities</i>)
Public sector	National government, provincial government, local government, extra budgetary governmental institutions, social security funds and non-financial public enterprises.
Public sector borrowing requirement (PSBR)	The consolidated cash borrowing requirement of general government and public enterprises.
R293 towns	Towns in which municipal services are provided by a provincial department in terms of regulations applied in former homeland areas.
Rating agency	Institutions that evaluate the ability of countries or other borrowers to honour their international and domestic debt obligations. Credit ratings are used by international investors as indications of the sovereign risk of a country.
Real effective exchange rate	A measure of the rate of exchange of the rand relative to a trade-weighted average of South Africa's trading partners' currencies, adjusted for price trends in South Africa and the countries included.
Real exchange rate	The level of the exchange rate taking account of inflation differences. (see also <i>nominal exchange rate</i>)
Real expenditure	The level of expenditure after taking account of inflation. (see also <i>inflation</i>)
Real wage	The return, or wage, to employees measured at a constant price level.

Recession	A period in which national output and income declines. A recession is usually defined as two consecutive quarters of negative growth. (see also <i>economic growth</i>)
Regional service council (RSC) levies	Taxes on payroll and turnover collected by local authorities to fund mainly infrastructural development projects.
Remuneration	The costs of personnel including salaries, housing allowances, car allowances, and other benefits received by personnel.
Repo rate	The discount rate at which the Reserve Bank accepts repurchases of certain liquid securities from banks. Under this system, the Bank determines daily the amount of liquidity it is willing to supply, and allows the market to determine the respective interest rate. (See also <i>repurchase agreements</i>)
Repurchase agreements	Short-term contracts between the Reserve Bank and private banks in the money market to sell specified amounts of money at an interest rate determined by daily auction. (see also <i>repo rate</i>)
Reserves	Holdings of foreign exchange, either of the Reserve Bank only, or of the Reserve Bank and domestic banking institutions.
Residence principle	A tax system where income that accrues to a resident of a country is subject to the taxes of that country.
Retained earnings	Those funds retained from net profits for use in the financing of a firm's activities.
Rolling budgets	A budget system in which three year forward projections are revised each year.
RP1	The final Estimate of Expenditure including initial estimates, supplementary proposals and adjustments announced later in the year.
RP2	The First Print of the Estimate of Expenditure or "White Book", setting out the initial budget estimates.
RP2&4	The Second and Final Print of the Estimate of Expenditure or "Blue Book", including budget estimates and supplementary allocations announced at the time of the Budget.
RP3 (First Print)	The Estimate of Revenue, setting out revenue forecasts for the next financial year based on the preceding financial year's tax rates and brackets, i.e. before tax proposals.
RP3 (Second Print)	The Second and Final Print of the Estimate Revenue, including budget estimates and tax proposals announced at the time of the Budget.
RP4	The Supplementary Estimate of Expenditure.
Saving	The difference between income and spending.

Secondary rebate	A rebate from income tax, in addition to the primary rebate, that is available to taxpayers over the age of 65.
Section 21 company	Non-profit making entities registered in terms of section 21 of the Companies act.
Service and transfer payments	Services involve transactions of non-tangible commodities, whilst transfers are unrequited transactions which do not generate a counter economic value (e.g. gifts and grants).
Source principle of taxation	A tax system where income is taxed in the country where that income originates.
South African Customs Union (SACU)	An agreement that allows for the unrestricted flow of goods and services between South Africa, Botswana, Namibia, Lesotho and Swaziland. The Customs Union collects taxes on member states' imports from the rest of the world and allocates the amounts, together with excise duties collected, according to an agreed formula.
Southern African Development Community (SADC)	A regional governmental organisation which promotes collaboration, economic integration and technical co-operation throughout Southern Africa. Member nations are South Africa, Botswana, Namibia, Lesotho, Swaziland, Mozambique, Zimbabwe, Zambia, Angola, Malawi, Tanzania, the Democratic Republic of Congo, Mauritius and the Seychelles.
Sovereign debt rating	An assessment of the likelihood that a government will default on its debt obligations. (see also <i>rating agency</i>)
Specific excise duty	A tax on each unit of output of a good, unrelated to the value of the good.
Spot exchange rates	The nominal price of a currency traded for immediate delivery.
Spot markets	Markets in which currencies or commodities are traded for immediate delivery.
Standing appropriations	Expenditure obligations of government that do not require a vote or statutory provision, including contractual guarantee commitments and international agreements.
Statutory appropriations	Amounts appropriated to be spent in terms of statutes and not requiring appropriation by vote.
Tax amnesty	When the tax authorities allow a period within which taxpayers who are outside the tax net, but should be registered for tax purposes, can register for tax without incurring penalties for the period in which they were illegitimately outside the net.
Tax arbitrage	This entails taking advantage of the different rates at which different kinds of income or different individuals are taxed, or where the same kinds of income or individuals are taxed differently in different tax-jurisdictions.

Tax avoidance	When individuals or businesses use provisions in the tax laws to reduce their tax liability.
Tax base	The aggregate value of income, sales or transactions on which particular taxes are levied.
Tax evasion	When individuals or businesses illegally reduce their tax liability.
Tax incentives	Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities, e.g. accelerated depreciation provisions to encourage investment and provisions to encourage retirement saving.
Tax incidence	Tax incidence refers to the final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to those who experience a decrease in real income as a result of the imposition of a tax..
Total factor productivity (TFP)	An index used to measure the efficiency of all inputs that contribute to the production process. Increases in TFP are usually attributable to technological improvements. (See also <i>productivity</i>)
Trade regime	The system of tariffs, quotas and quantitative restrictions applied to protect domestic industries, together with subsidies and incentives used to promote international trade.
Transfer pricing	The pricing of goods and services outside normal commercial parameters so as to gain some tax advantage.
Treasury committee	Committee that evaluates all requests for additional funds during a financial year for unavoidable and unforeseen expenditure.
Unauthorised expenditure	Money that was spent for purposes other than for what it was appropriated, or expenditure in excess of appropriations. (see also <i>appropriation</i>)
Unit labour costs	The cost of labour per unit of output. Calculated by dividing average wages by productivity (output per worker per hour).
User charge	Voluntary payments made in exchange for direct benefits accrued, e.g. road toll fees.
Velocity	The number of times that a unit of currency changes hands in a year. Calculated as GDP divided by money supply. (See also <i>money supply</i> ; <i>GDP</i>).
Vertical division	The division of revenue between spheres of government. (See also <i>horizontal division</i>)
Vote	An appropriation voted by Parliament.
Zero coupon bonds	A security upon which interest is accrued and paid on maturity. (See also <i>accrual</i>)

