Medium Term Expenditure Framework

Treasury Guidelines:

Preparing budget submissions

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National Treasury

Republic of South Africa

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FOREWORD

We begin preparation for the 2002 Budget on a positive note. We are now starting to reap the benefits of five years of sound fiscal policy and economic reform. The choices and decisions that we have made have advanced social and economic transformation up to a point where we are able to look forward to a better quality of life for all our people in the years ahead.

Implementation of the Public Finance Management Act has led to significant reform of public sector financial management and budgeting practices. Medium-term budgeting is the basis of these budget reform initiatives. It reinforces the link between Government's policy choices, its budget and the delivery of services, which serves to strengthen political decision-making and accountability. Policy choices and trade-offs are made explicit, spending decisions are kept affordable in the medium term, and there is better management of public finances over time.

The scale and scope of budget reform should not be underestimated. It introduces considerable change in the management of public finances. The goal is to transform and modernise public finance management, delivering better value for money and improving the services that are delivered to communities.

We recognise that better financial management does not occur simply through the passing of legislation and regulations and the implementation of Treasury guidelines. Rather, it depends on appropriate training of existing managers and recruiting additional financial management skills into the public service. It means an overhaul of information systems and information analyses. It necessitates building of capacities and understanding about new concepts and systems. And it calls for a different style of management at all levels within the public services.

We firmly believe that public finance management reforms will stand us in good stead as we strive to deliver better services to our people and to make a better life for all South Africans. We recognise that implementation of reforms is a team effort and their success depends on the understanding and commitment of those involved.

National Treasury looks forward to working closely with the policy and budget teams of departments and spending agencies to improve on the extent and quality of policy, expenditure and service delivery information reflected in the budget submissions and documentation each year.

It is with this purpose that the enclosed Treasury Guidelines for preparing 2002 budget submissions take a broader approach to preparing budget submissions within the medium-term expenditure framework. As in the past, we rely on timely and considered submissions by all departments in order to provide Cabinet with sound budget proposals in preparation of the 2002 Budget.

I would like to express my sincere thanks to all departments and spending agencies for your cooperation in preparing quality budget submissions, ensuring that Government's service delivery priorities are properly reflected in the medium term expenditure framework.

Maria Ramos

Director-General: National Treasury

ABBREVIATIONS

FFC	Financial and Fiscal Commission
FOSAD	Forum of South African Directors-General
GFS	Government Financial Statistics
MEC	Member of the Executive Council (of a province)
MINMEC	Ministerial and Member of Executive Council meeting
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium-term Expenditure Framework
PFMA	Public Finance Management Act, 1999
PPP	Public Private-Partnership
SITA	State Information Technology Agency
SALGA	South African Local Government Association
SAPS	South African Police Service

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1

Introduction

Each year National Treasury issues guidelines or a “budget circular” to departments for preparing their MTEF budget submissions. The guidelines are issued as envisaged in the Treasury Regulations in terms of section 76 of the Public Finance Management Act (PFMA), No. 1 of 1999.

Treasury guidelines this year take a broader approach to preparing budget submissions within Government’s medium-term budgeting system.

Chapter 2 looks at the basic principles of budgeting within the Medium Term Expenditure Framework – fiscal policy and the budget framework; policy priorities and public expenditure; political oversight of the budget process and budgeting for service delivery.

The main players and decisions stages in the budget process are outlined in chapter 3 against the backdrop of the medium-term budgeting system. The chapter attempts to simplify the budget process by viewing it as a series of decision stages that form the building blocks in preparing the Budget each year.

Chapter 4 details the process and format that departments are requested to follow when compiling their budget submissions. This year’s guidelines focus on consolidation of reforms that have been introduced. The main changes made during the 2001 Budget process were the formats of the departmental budget submission and the national budget – the *Estimates of National Expenditure*. These form the starting point for the 2002 budget submission.

The main reform this year is the integration of strategic plans into the budget process. Integrated strategic planning, budgeting and monitoring of service delivery enhance the benefits of medium-term budgeting and facilitate better service delivery.

The key decision stages and events in the 2002 Budget process are set out in a detailed schedule in chapter 5.

Schedules of expenditure information that should accompany the departmental budget submission are set out in Annexure A.

Annexure B describes the format that departments should use to set out policy options for proposed changes to medium-term baseline allocations and the format for comments on proposed options.

Annexure C provides further guidelines to departments on integrating strategic planning into the budget process, based on the requirements of the *Treasury Regulations, 2001* and the *Public Service Regulations, 2001*. Strategic planning requirements for schedule 3A and 3C public entities are set out briefly in Annexure D.

Annexure E outlines the National Treasury personnel budgeting model that is a useful tool for departments in budgeting for personnel costs.

Annexure F provides the names and contact details of National Treasury spending teams and budget analysts.

These guidelines will assist departments in preparing their budget submissions for the **2002 Budget** that will be tabled for consideration by Parliament on **20 February 2002**.

In preparing for the 2002 Budget, National Treasury requests that national departments:

- Submit their 2002 budget submissions to National Treasury by **Friday 29 June 2001**
- Present the corporate plans and 3-year budgets of Section 3A entities, agencies and commissions for which they are responsible for to National Treasury by **Tuesday 9 October 2001**, in terms of sections 53 and 54 of the PFMA
- Submit a first draft of the relevant departmental chapter for the *2002 Estimates of National Expenditure* by **Wednesday 5 December 2001**
- Finalise the programme, standard item and economic classification of their medium-term allocations and submit the database inputs for the *2002 Estimates of National Expenditure* to National Treasury by **Wednesday 19 December 2001**

Departments should note that National Treasury is responsible for submitting comments on department policy options **no later than four weeks after receipt of departmental submissions**.

Departments may be requested to respond to National Treasury's comments or queries by **Monday 13 August 2001**.

Departmental budget submissions will be discussed and the National Treasury recommendations considered at the national Medium Term Expenditure Committee (MTEC) meetings from **Monday 3 September to Friday 20 September 2001**.

Changes to programme structure, programme names and/ or descriptions will be considered in a separate process following the MTEC hearings and discussions. A department wishing to change its programme structure, programme names and/or descriptions should submit a format request for such to National Treasury by **Monday 3 September 2001**. National Treasury will evaluate and finalise the request before **Friday 31 September 2001**.

Provincial treasuries are expected to issue their own guidelines for provincial departments, with similar deadlines and formats.

2

Budgeting within the Medium Term Expenditure Framework

The Medium Term Expenditure Framework

The Medium Term Expenditure Framework (MTEF) details 3-year rolling expenditure and revenue plans for national and provincial departments.

Provincial spending plans in the MTEF take account of transfers to provinces from the National Revenue Fund and revenue that provinces receive from their own sources, such as license fees. The MTEF also includes transfers from national and provincial spheres to local government, extra-budgetary agencies, funds and commissions, and universities and technikons.

Medium-term budgeting has the following advantages:

- Greater certainty as policy priorities are set out in advance, allowing departments to plan and budget for delivery of services in line with policy priorities
- Affordable spending in the medium-term as departments plan and spend on programmes according to an agreed 3-year expenditure envelope
- Strengthened political decision-making and accountability as policy choices may be linked more effectively to spending plans and to the delivery of services
- Improved management of public finances as Government's medium-term fiscal targets, tax policy and debt management may be linked to agreed spending commitments

Budgeting within the Medium Term Expenditure Framework is based on a set of basic principles that revolve around:

- Fiscal policy and the budget framework
- Policy priorities and public expenditure
- Political oversight of the budget process
- Budgeting for service delivery

Fiscal policy and the budget framework

Medium-term spending plans of national and provincial departments are prepared within the context of the Government's macroeconomic and fiscal framework set out in the previous budget. The framework set out in the previous budget outlines the 'resource envelope' within which budget submissions are prepared.

The macroeconomic projections and fiscal framework are revised during the year, as updated economic data become available. Macroeconomic projections are drawn from the National Treasury macroeconomic model.

As in the previous year, the overall framework for the 2001 national Budget includes the revenue and expenditure of social security funds – the Unemployment Insurance Fund, the Road Accident Fund and the Compensation Funds – and estimates of foreign grants and technical assistance to government agencies.

Incorporating all these elements into the budget framework improves transparency and accountability, giving a clearer picture of tax and spending.

The framework also includes a contingency reserve to provide for unanticipated expenditure and macroeconomic uncertainty as well as any new spending priorities. In the nature of a 3-year rolling budget process, each year the budget framework is revised. Additional resources for available expenditure are made up of the funds released by the drawdown of the contingency reserve and changes to the macroeconomic forecast.

Table 1 below shows the consolidated national budget framework set out in the 2001 Budget. The projections will be revised and extended to include estimates for 2004/05 once economic projections have been updated.

Table 1 National budget framework, 1999/00–2003/04

	1999/00	2000/01		2001/02	2002/03	2003/04
R million	Outcome	Budget	Revised	Medium-term estimates		
National Revenue Fund						
Revenue	**198 578**	**210 400**	**213 386**	**233 438**	**252 851**	**273 122**
Expenditure						
Interest on debt	44 290	46 490	46 186	48 138	49 651	51 022
% of GDP	*5,5%*	*5,3%*	*5,1%*	*4,9%*	*4,6%*	*4,4%*
Contingency reserve	-	2 000	-	2 000	4 000	8 000
Allocated expenditure[1]	170 460	184 962	188 863	208 180	223 672	238 502
Total	**214 750**	**233 452**	**235 048**	**258 318**	**277 323**	**297 524**
Main budget deficit (-)	**-16 172**	**-23 052**	**-21 663**	**-24 880**	**-24 472**	**-24 402**
Percentage of GDP	*-2,0%*	*-2,6%*	*-2,4%*	*-2,5%*	*-2,3%*	*-2,1%*
RDP Fund & foreign technical cooperation						
Receipts & technical cooperation	861	800	978	800	800	800
Disbursements	737	800	750	750	750	750
Social security funds						
Revenue	7 758	8 638	7 804	8 404	8 811	9 204
Expenditure	7 174	7 368	7 977	8 017	8 433	8 803
Consolidated national budget [2]						
Revenue	**207 181**	**219 818**	**222 150**	**242 615**	**262 443**	**283 106**
Expenditure	**222 645**	**241 601**	**243 758**	**267 058**	**286 487**	**307 057**
Percentage of GDP	*27,4%*	*27,3%*	*27,1%*	*27,1%*	*26,8%*	*26,6%*
Consolidated budget deficit (-)	**-15 464**	**-21 783**	**-21 608**	**-24 443**	**-24 044**	**-23 951**
Percentage of GDP	*-1,9%*	*-2,5%*	*-2,4%*	*-2,5%*	*-2,2%*	*-2,1%*
Gross domestic product	*811 884*	*885 200*	*897 900*	*987 200*	*1 069 300*	*1 154 900*

1. *Includes transfers to provinces and local government, the National Skills Fund and sectoral development funds.*
2. *Flows between funds are netted out*

The 2001 Budget seeks to balance several broad fiscal policy goals and objectives:

- Providing for social and developmental expenditure to overcome poverty and provide safety and security
- Raising investment in infrastructure and maintenance of Government's capital stock
- Reducing the overall burden of tax, so as to lower the costs of investment and job creation while releasing household spending power
- Stabilising the level of debt and reducing the budget deficit to contribute to lower interest rates and fiscal policy goals.

Over the past decade, fiscal policy – together with industrial restructuring, trade reform and financial liberalisation – has facilitated fundamental restructuring of our economy and contributed towards stabilisation of the macroeconomic environment. Public expenditure reforms have seen expenditure reprioritised towards Government's broad social and economic priorities, including education, health, social security and protection services.

The 2001 Budget shifts the emphasis in fiscal policy to improving the efficiency of spending, increasing capital expenditure and ongoing tax reform, while maintaining the stability achieved in recent years. Strong real growth in non-interest expenditure of 3,8 per cent a year in the 2001 medium-term period adds substantial additional funds to expenditure on public services across government.

Policy priorities and public expenditure

Strengthening the link between Government's policy priorities and public expenditure is at the core of medium-term budgeting. Public expenditure translates Government's policy priorities into the delivery of services to communities, and is therefore a key tool for accomplishing public goals.

Implementation of medium-term planning aligned to 3-year budgeting reinforces the link between the policy choices that Government makes, its budget and the delivery of services.

In formulating the 2001 Budget, Government sought to ensure that public expenditure is directed towards social and economic priorities and transformation. Competing resource needs were balanced against the budget constraints determined by the economic environment and by macroeconomic policies in the achievement of:

- Economic growth
- Job creation
- Equity and social development
- Strengthening the safety and justice sector

Economic growth and job creation require an appropriate set of sustainable and predictable macroeconomic policies. Government has adopted a macroeconomic policy framework aimed at improving competitiveness, reducing inflation and creating a more favourable investment climate.

The 2001 Budget targets significant resources for investment in new infrastructure and the maintenance and rehabilitation of existing infrastructure. The purpose of infrastructure investment is to lower the costs of production, consumption, transportation, and communication. This will enhance the economy's competitiveness and strengthen the foundations on which sustainable growth is built.

Departments and provinces are encouraged to leverage in private sector investment to support this drive for infrastructure. National Treasury has published Guidelines on Public-Private Partnerships to assist identification and preparation of such projects. Well structured private involvement facilitate efficiency gains, as a result of an enhanced output focus, innovative use of assets, managerial expertise, and effective risk management.

In reinforcing long-term growth, Government's focus is on human development, with significant resources being channelled into education and training, while also seeking to ensure that the quality of spending on the development of human capital is enhanced. Skills development will gain momentum as new learnership programmes are introduced in 2001 and will form a key priority of Government in the coming medium-term expenditure period.

Government is committed to reducing inequality and promoting social development over the medium to long term. The system of social grants delivered by provincial welfare departments is the largest single redistributive programme. These grants, including old age, disability and child support grants, provide income support to more than 3 million South Africans every month. These significantly reduce the impact of poverty among people living in rural areas.

In addition to these programmes, Government provides R1,5 billion a year for a range of poverty relief programmes.

Government's land redistribution and agricultural policies are also designed to ensure that rural poverty is reduced by providing access to land, investing in rural infrastructure and broadening access to markets.

These policies and poverty reduction priorities, evident in the provision of resources to subsidise basic services, are integral parts of the new Integrated Rural Development Strategy and the Urban Renewal Strategy that Government has adopted.

Spending on public education and health services is strongly redistributive. The 2001 Budget sees Government strengthening investment in schools and prioritising programmes for early childhood learning programmes over the medium term.

Raising spending capacity and improving its quality in the justice system are also critical concerns. To the extent that crime is also a deterrent to increased investment, spending additional resources should also raise the growth and employment prospects of the economy. In addition, since crime, particularly violent crime, tends to impact disproportionately on poorer people, improving policing, justice and prisons should reduce the vulnerability of the poor.

Political oversight of the Budget

The key to strengthening the link between Government priorities and spending plans lies in enhancing political oversight of the budget process. Cabinet, supported by the Ministers' Committee on the Budget, the Budget Council and the Budget Forum, plays a leading role in guiding the alignment of resource allocation with national priorities. At the provincial level, the MECs for Finance and the Executive Councils play a parallel role in guiding the alignment of resource allocation with provincial priorities. The Budget Forum also plays a role in advising Cabinet on the resource allocation for the local sphere.

Political oversight of the budget process is essential to ensure that:

- The political executive is responsible for policy and budget planning and prioritisation
- Policy priorities are linked to departmental spending plans and the delivery of services

The 2002 Budget process commences with the Ministers' Committee on the Budget, the Budget Council, Budget Forum and Cabinet giving consideration to policy priorities for the new medium-term expenditure period, 2002/03 to 2004/05.

Budgeting is primarily about the choices and trade-offs that Government has to make in deciding how to meet the agreed set of policy priorities and objectives for service delivery. Political oversight of the budget process allows Government to manage the tension between competing policy priorities and budget realities. This helps to reprioritise spending and make more informed policy choices that are affordable in the medium term.

Other significant co-operative governance forums play important roles in the political decision-making and budgeting process. In particular, the sectoral MinMecs provide a joint forum for national and provincial office bearers to debate policy issues that affect both spheres of government. The local sphere participates in the process through the Budget Forum and the local government MinMec.

Budgeting for service delivery

Strengthening the link between Government's priorities and spending plans is not an end in itself. The goal is to improve delivery of services and ultimately the quality of life of people throughout South Africa.

Budgeting for service delivery is enhanced by the Public Finance Management Act (PFMA), No. 1 of 1999, which sets out a framework for modernising the financial management of national and provincial departments, government agencies and public enterprises. The Act gives managers greater flexibility while holding them accountable for the use of resources to deliver services to communities.

The 2001 Budget took a significant step forward in implementation of the financial reforms required in terms of the PFMA. The *2001 Estimates of National Expenditure* extends the scope and quality of information on Government's spending plans that is tabled in Parliament and made available to the public.

The new budget format outlines policy developments, legislation and other factors affecting expenditure alongside spending plans. Details of departmental outputs and service delivery indicators take another step forward towards setting 'measurable objectives' in line with the Public Finance Management Act. Such measurable objectives, linked to departmental performance targets and annual reporting to Parliament and provincial legislatures, will be a formal requirement of the 2004 Budget for national and provincial departments. In the meantime, the new format allows departments to build the necessary capacity to develop, implement and track service delivery indicators and performance measures.

Better information on service delivery shows how public money is being spent. This is good practice in terms of transparency and accountability. It informs departmental managers, policy- and decision-makers and the public about what progress departments are making towards their objectives. It helps departments plan, budget and manage programmes better. It improves accountability and control. And it assists Government policy- and decision-makers direct funds to where they are needed most and to where they will best meet Government's priorities.

Improving service delivery information in the budget is the focus of Government's budget reform programme in the next few years. Refining service delivery measures, setting targets or 'milestones' and measuring progress towards those targets are the next steps in improving service delivery information in the budget. National Treasury looks forward to working with departments in this regard, building capacity and understanding in this area in a manner that contributes towards better service delivery in Government as a whole.

Political confirmation of policy priority considerations in budget submissions

The section above emphasises the importance of the links between policy priorities and choices, the allocation of resources and the delivery of services in a medium-term budgeting system.

The 2002 budget submission guidelines attempt to strengthen these links by requesting a ministerial (MEC) covering letter that identifies the key departmental policy shifts and priorities, reports on the processes followed to reprioritise within baseline and add spending plans for the third year of the new medium-term period. The letter should also detail how the proposed policy options for changes to baseline allocations are in line with the department's medium-term policy priorities.

Ministerial (MEC) confirmation of departmental policy prioritisation and proposed spending plans is essential in Government's attempt to strengthen the policy, budget, and service delivery link.

3

Streamlining the budget process

A process of collective responsibility

The Budget is the foremost statement of collective responsibility within Government regarding its policy priorities and spending plans over the next three years. When the Minister of Finance tables the Budget before Parliament, he or she tables documentation that is the responsibility of several key players in the budget process.

These players include:

- National and provincial departments
- National Treasury and the nine provincial treasuries
- The national and provincial Medium Term Expenditure Committees
- The Financial and Fiscal Commission (FFC)
- The Technical Committee on Finance and the joint sectoral technical committees ("4x4"s)
- Budget Council and the Budget Forum
- Sectoral MinMecs
- The Minister of Finance and the provincial Members of Executive Council for Finance
- The Ministers' Committee on the Budget
- Treasury Committee
- Cabinet and provincial Executive Councils

Departments are responsible for preparing their MTEF budget submissions in line with Government and departmental policy and spending priorities.

This is a key stage in the budget process as it determines the quality and extent of information provided to the budgetary decision-makers. It is important, therefore, that departments prepare and present the best possible policy, budget and service delivery information in their MTEF budget submissions.

At the national level, departments are also responsible for submitting the first draft of the relevant departmental chapter for the *Estimates of National Expenditure* and working with National Treasury spending teams and budget analysts to finalise the documentation.

National Treasury is responsible for:

- Advising Cabinet on the economic trends and the overall level of spending that can be afforded within the macroeconomic and fiscal framework
- Advising the Ministers' Committee on the Budget and Cabinet on the Division of Revenue between the spheres
- Evaluating departmental budget submissions and policy options
- Submitting comments and views to departments regarding proposed department 'options'
- Negotiating allocations, reprioritisation and funding levels of programmes including savings therein
- Developing and presenting the national MTEF for consideration by the Ministers' Committee on the Budget and Cabinet

- Preparing and finalising budget document, including the *Estimates of National Expenditure*, for Budget Day

The national *Medium Term Expenditure Committee (MTEC)* is chaired by the Director-General of the National Treasury and includes senior National Treasury officials and other Directors-General (or their representatives) from a number of departments including the Presidency and the Department of Public Service and Administration.

The Committee is responsible for:

- Evaluating departments' budget submissions based on policy and budgetary 'options', taking into account the available resources stated within the macroeconomic and fiscal framework and the set of medium-term policy priorities agreed to by Cabinet.
- Compiling recommendations on changes to the medium-term allocations to national votes to the Ministers' Committee on the Budget
- Identifying spending risk items that are not accommodated within the MTEC recommendations but pose potential claims on available resources
- Compiling a draft memorandum to Cabinet detailing the recommendations of the Ministers' Committee on the Budget on changes to the medium-term allocations to national votes, given Government's medium-term policy and spending priorities.

Provinces follow a similar approach. Provincial MTECs are typically chaired by the *Member of Executive Council (MEC) for Finance* or the head of the provincial treasury and comprise senior provincial treasury officials.

Improved policy and budgetary information submitted by departments to treasuries and to the MTECs will allow the Committees to play more effective roles in the MTEF allocation process. In turn, the national and provincial MTECs are able to improve the quality of information submitted to the Ministers' Committee on the Budget, provincial Executive Councils and Cabinet. This contributes to more robust budgetary decision-making at the political level.

It is also important that departments submit and confirm information on policy and spending plans that affect provincial and local government timeously in order to ensure credibility and certainty of budget planning at the subnational level.

The MTEC recommendations on changes to medium-term allocations to national votes are reviewed by the *Minister of Finance* and considered by the *Ministers' Committee on the Budget*, given Government's medium-term policy and spending priorities. At the provincial level the MECs for Finance review the MTEC recommendations and advise the provincial *Executive Councils* on proposed changes to medium-term allocations to provincial votes.

The *Ministers' Committee on the Budget* plays an important role in building the level of political involvement and participation in the process of policy review and budgetary prioritisation. The Committee considers key policy and budgetary issues that pertain to the budget process before they are tabled at Cabinet. These include:

- Government's medium-term policy and budgetary priorities
- The macroeconomic and fiscal framework and the Division of Revenue between the three spheres of government
- The Medium Term Budget Policy Statement which signals Government's broad policy priorities and spending commitments for the coming 3-year period three months ahead of the detailed Budget presented to Parliament
- Recommended changes to the MTEF allocations to national votes

The *Budget Council* and the *Budget Forum* are key players in promoting intergovernmental co-operation between the spheres of government on fiscal, budgetary and other financial matters.

The *Budget Council* consists of the Minister of Finance and the nine provincial MECs for Finance. The Council is consulted on any fiscal or financial matter affecting provincial government, including proposed legislation or policy that has financial implications at the provincial level. The Technical Committees on Finance and the sectoral technical committees (known as the '4x4s') support the Budget Council.

The *Budget Forum* is the equivalent body for fiscal and financial matters of concern to local government. Its membership includes the Budget Council, five members nominated by the South African Local Government Association (SALGA) and one representative from each of the provincial associations. Though not a member, the Minister of Provincial and Local Government is also invited to these meetings.

Sectoral *Joint MinMecs*, comprising the national ministers and MECs of a concurrent function including health, education, welfare and housing, meet during the year to review sectoral trends, clarify sectoral priorities and address the budgetary implications of national policies for provincial implementation.

The *Treasury Committee*, which is chaired by the Minister of Finance and comprises a selected number of cabinet ministers, meets during October every year to decide on allocations to national departments for unforeseen and unavoidable expenditure that has occurred during the current year, in terms of section 32(b) of the PFMA. The Committee also makes decisions on in-year allocations to provinces. These are included in the adjustments to the original budget and tabled in the Adjustments Estimate during October each year.

Cabinet considers and makes the ultimate decisions on Government's medium-term policy and spending priorities, the macroeconomic and fiscal framework and the Division of Revenue between national, provincial and local government, the Medium Term Budget Policy Statement and changes to the medium-term allocations to national votes.

Medium-term budgeting and the budget process

In recent years, substantial progress has been made in reforming the budget process to optimise the benefits of medium-term budgeting. The objectives of this have been to:

- Enhance political oversight of the process
- Strengthen the link between Government's policy priorities and spending plans
- Help meet Government's service delivery objectives

Changes in the 2001 Budget process focused on streamlining the process around key decision stages or nodes in the annual budget cycle. The intent was to align the process to maximise the benefits of budgeting within a Medium Term Expenditure Framework.

Key reforms to the process include:

- Facilitating early political consideration and guidance on Government's medium-term policy and spending priorities that frame resource allocation decisions in the new medium-term expenditure period
- Enhancing intergovernmental consultative processes that shape recommendations to Cabinet on the Division of Revenue between the three spheres of government
- Strengthening co-operative governance by setting out a clear framework for the passing of mechanisms

Key decision stages in the budget process

Unpacking the budget process is simplified by viewing it as a series of decision stages that form the building blocks in preparing the Budget.

The process comprises seven overlapping stages that correspond to the critical decision nodal points:

- The *Prioritisation stage* between April to September calls for the political executive to focus on the broad medium-term policy and spending priorities associated with Government's social, economic and developmental priorities
- *Preparation and review of MTEF budget* submissions of national departments and MTEF budgets at the provincial sphere takes place between April to August
- *Review of the macroeconomic and fiscal framework and the Division of Revenue* between the three spheres of government, are the subject of technical analyses and consultation between July to August, and are considered by the extended Cabinet in September.
- The *Medium-term allocation process: Recommendation stage* is initiated by during the Medium Term Expenditure Committee hearings and discussions at the national and provincial level between September and October
- Government's broad medium-term policy and spending plans are considered by Cabinet and tabled before Parliament in the October *Medium Term Budget Policy Statement*
- The *Medium-term allocation process: Decision stage* in November facilitates determination of the new medium-term allocations to national votes and those to provincial and local government
- The stage, *Preparation for the Budget,* between November to February sees national departments and provincial treasuries work closely with National Treasury to prepare the budget documentation that is tabled before Parliament and before provincial legislatures

The prioritisation stage

The 2002 Budget process commences with the Ministers' Committee on the Budget, the Budget Council, the South African Local Government Association (SALGA) and Cabinet giving consideration to policy priorities for the new medium-term expenditure period, 2002/03 to 2004/05, as identified by the President in his annual State of the Nation Address and embodied in departmental medium-term strategic priorities.

Cabinet has to make further policy choices and trade-offs made when evaluating competing social and economic priorities against resource constraints. This narrows Government's broad policy agenda into a more focused set of medium-term policy and spending priorities that guide resource allocation decisions for the new medium-term expenditure period.

The prioritisation stage commences in April as National Treasury and provincial treasuries prepare for initial discussions on Government's 2002 policy and spending priorities at the Ministers' Committee (May to June) and the Budget Council Lekgotla (provisionally scheduled for Wednesday 4 July to Saturday 7 July 2001). Consultations with organised local government also take place through the Budget Forum or the local government MinMec. These forums also take into account any recommendations of the FFC on the Division of Revenue, tabled during April/ May each year.

The 2002 Budget process differs slightly from that of the previous year in its acknowledgement that the prioritisation stage is initiated between April and June by early discussions at the Ministers' Committee on the Budget and the Budget Council Lekgotla, and continues through July and August. Cabinet decisions on medium-term policy and spending priorities are integral to

Cabinet's consideration of the macroeconomic and fiscal framework and the Division of Revenue to national, provincial and local government early in September.

Preparation and review of MTEF budget submissions

Departments are responsible for preparing their MTEF budget submissions as set out in chapter 4: Compiling the budget submission below. Departments are requested to prepare their MTEF budget submissions in line with Government and departmental policy and spending priorities and to submit them to National Treasury on **Friday 29 June 2001**. Provincial treasuries will circulate their own guidelines and deadlines for provincial departments.

National Treasury spending teams and budget analysts are responsible for evaluating the departmental budget submissions in regular consultation with departments. Annexure F sets out the contact details of National Treasury spending teams and budget analysts aligned to each department.

Departments should note that National Treasury is responsible for submitting comments on department policy options to departments **no later than four weeks after receipt of departmental submissions**.

Departments may be requested to respond to National Treasury comments or queries by **Monday 13 August 2001** in preparation for the Medium Term Expenditure Committee discussions early in September.

The integrated justice sector cluster review team, comprising the Departments of Safety and Security, Justice and Constitutional Development, Correctional Services and National Treasury, is a key forum in this stage. The team will meet in June to develop a common approach to the policy and budgetary priorities of the cluster, and facilitate alignment of the departmental budget submissions to cluster priorities. During July the team will consider cluster-wide issues affecting each departments' budget submission, as well as assisting National Treasury to compile a cluster-wide assessment of needs and priorities. The team will continue to meet until MTEC has completed the process of drafting recommendations to the Ministers' Committee on the Budget and Cabinet.

Review of the macroeconomic and fiscal framework and the Division of Revenue

While National Treasury spending teams and budget analysts are evaluating and consulting departments on their budget submissions, processes between July to September are underway to finalise the macroeconomic and fiscal framework and the Division of Revenue between the three spheres of government.

This is a key decision stage in the budget process for national, provincial and local government as the macroeconomic and fiscal framework and the Division of Revenue lead to key economic and policy decisions that impact on each sphere.

The stage focuses on two inter-related but distinct decisions:

- The overall budget framework, including fiscal policy considerations, which leads to overall spending growth, inflation assumptions, and includes debt interest projections
- Evaluation of the Division of Revenue between the three spheres of government

Reforms to the division of revenue process allow the relevant national departments, provinces and organised local government to have an earlier discussion on the Division of Revenue and conditional grants in particular.

National departments which are responsible for conditional grants should note that National Treasury intends working closely with departments to ensure that the process for determining conditional grant MTEF allocations, provincial breakdowns and conditions for allocations is better structured in the coming financial year.

In particular, the 2001 Division of Revenue Act sets out a clear framework for the passing of grants to the provincial and local spheres, together with reporting and monitoring mechanisms. This approach will enable provincial and local governments to improve their planning and budgeting processes.

Departments should note that details of existing and new conditional grants are to be submitted in the budget submissions to National Treasury on **Friday 29 June 2001**. National and provincial departments, and National Treasury and provincial treasuries will thereafter participate in the relevant joint technical committees – better known as '4x4s' – to examine research and recommendations regarding key provincial spending pressures and issues, including the administration and implementation of conditional grants. This process informs and is supported by National Treasury visits to provincial treasuries during July. A consultative process between the National Treasury and organised local government will also take place for local government grants.

Chapter 4: Compiling the budget submission takes a closer look at the conditional grant framework and the requirements for national departments responsible for administering conditional grants in setting the context to schedule 8: Conditional grants to provincial and local government.

Review of the macroeconomic and fiscal framework, the key spending pressures at national, provincial and local government and the main conditional grants to provinces (including the central hospital grant, the hospital training grant, and supplementary grants) will take place at the Division of Revenue workshop on **Wednesday 2 August to Thursday 3 August 2001**. The workshop is to be chaired by the Director-General: National Treasury, and the accounting officers of all national departments, the chairs of FOSAD cluster committees, the heads of the nine provincial treasuries and local government representatives are invited to attend.

The outcome of discussions at the workshop feed into:

- Sectoral Joint *MinMecs*, comprising the national ministers and MECs of a concurrent function including health, education, welfare and housing, which meet during August to review sectoral trends, clarify sectoral priorities and address the budgetary implications of national policies for provincial implementation.
- Preparations of memoranda on the preliminary macroeconomic and fiscal framework and the Division of Revenue (based on June economic data) that are discussed by the Ministers' Committee on the Budget, the Budget Council and the Budget Forum in August.

The Ministers' Committee on the Budget takes its recommendations to an extended Cabinet meeting, early in September. The extended Cabinet comprises the national Cabinet and the nine provincial premiers.

Cabinet's consideration and recommendations on the preliminary macroeconomic and fiscal framework and the Division of Revenue are taken into account in the preparation of the revised memorandum (based on September economic data) that is considered by Cabinet in early October in preparation of the Medium Term Budget Policy Statement.

The Medium-term allocation process: Recommendation stage

The first stage of the *medium-term allocation process* – the *Recommendation stage* – occurs during the Medium Term Expenditure Committee hearings and discussions at the national and provincial level. The MTECs are technical committees that formulate recommendations to political decision-makers on the changes to the medium-term allocations of departments, given the preliminary Division of Revenue between the three spheres of government.

Budgeting within a 3-year framework strengthens the credibility of the medium-term baseline allocations that departments receive. The MTEC hearings and discussions are therefore mainly focused on reprioritisation within baseline and allocations for the third year of the medium-term expenditure period. Departments will also be given opportunity to table 'options' for increases or decreases to their overall medium-term baseline allocations.

Departments should note that the national MTEC hearings and discussions are scheduled to take place from **Monday 3 September to Friday 20 September 2001** at which the budget submissions of all national spending agencies are discussed and National Treasury recommendations considered.

The accounting officer, chief financial officer and other senior departmental officials are invited to the MTEC when departmental inputs are considered.

The Committee makes recommendations to the Minister of Finance on changes to the 3-year allocations for national votes taking into account:

- *Government's broad policy and spending priorities* for the next three years, guided by political discussion at the start of the budget cycle
- The *estimated change to the national share* based on the preliminary macroeconomic and fiscal framework and the Division of Revenue between the three spheres of government

Medium Term Budget Policy Statement

The Minister of Finance tables the *Medium Term Budget Policy Statement* (MTBPS) before Parliament at the end of October each year.

The MTBPS is a significant step forward in public transparency and accountability as it sets out Government's medium-term macroeconomic and fiscal position and its broad policy and spending priorities over the next 3-year period three months before the detailed Budget is presented to Parliament. Parliament and the public are therefore able actively to engage with Government's medium-term priorities and spending plans even though they are not involved in compiling the annual Budget itself.

National Treasury is responsible for drafting the Medium Term Budget Policy Statement during October, taking into account Government's medium-term macroeconomic and fiscal position and its broad policy and spending priorities. The Minister of Finance reviews the draft MTBPS and tables the revised document before the Ministers' Committee on the Budget and Cabinet for further consideration in the middle of October. The Minister of Finance tables the Statement before Parliament towards the end of October.

The Medium-term allocation process: Decision stage

The *Decision stage* of the *medium-term allocation process* follows tabling of the MTBPS in November. The Minister of Finance reviews the recommendations of the Medium Term Expenditure Committee on changes to the 3-year allocations of national votes, and tables these before the Ministers' Committee on the Budget.

Simultaneously, the Minister of Finance reviews the final allocations to provincial and local government, including conditional grants, and tables these before the Budget Council and Budget Forum.

The recommendations of Ministers' Committee on the Budget, the Budget Council and the Budget Forum are submitted to Cabinet for further consideration.

Cabinet's decision on changes to the MTEF allocations of national votes, provincial and local government are set out in Treasury allocation letters to departments and provincial treasuries in mid November. These detail the rationale and conditions of the final allocations for national votes and provinces for the new MTEF period.

Preparation for the Budget

The final stage of budget preparation stage involves preparation of budget documentation that the Minister of Finance tables before Parliament on Budget Day and the budget documentation that provincial MECs for Finance table before provincial legislatures. The Budget that the Minister or MEC for Finance has proposed is taken thereafter through a legislative process that reviews, analyses and discusses Government's proposed spending plans in relation to stated Government policy priorities over the medium-term period.

In the preparation for budget stage, departments play a significant role in drafting and finalisation of the national Budget – the *Estimates of National Expenditure.*

In preparation of the *2002 Estimates of National Expenditure*, departments are requested to:

- Submit a first draft of the relevant departmental chapter for the *2002 Estimates of National Expenditure* by **Wednesday 5 December 2001**, focusing on revision of policy developments and service delivery indicators in particular.
- Finalise the programme, standard item and economic classification of their medium-term allocations and submit the database input for the *2002 Estimates of National Expenditure* by **Wednesday 19 December 2001**.
- Collaborate with the National Treasury spending teams and budget analysts in finalisation of the *2002 Estimates of National Expenditure*. Accounting officers will be requested to formally 'sign-off' their approval of the relevant departmental chapters in the second week of February prior to printing of the documentation.

A final draft of the Division of Revenue Bill is circulated to the FFC, provincial MECs of Finance and organised local government for final consultation on the Division of Revenue at the end of January. Cabinet reviews the Bill taking into account recommendations flowing from the consultations and approves the Bill for tabling on Budget Day.

The Minister of Finance will table the *2002 Estimates of National Expenditure* before Parliament on Budget Day, **Wednesday 20 February 2002**.

Provincial MECs for Finance will table the 2002 provincial budgets before their respective provincial legislatures between **21 February and 6 March 2002**.

4

Compiling the budget submission

Consolidation of reforms

The message in the guidelines this year is primarily one of 'consolidation of reforms'. Numerous financial management and budgeting reforms have been introduced over the past few years, giving effect to the legislative framework set out in the Public Finance Management Act.

The scale and scope of these reforms should not be underestimated. They introduce considerable change in the management of public finances. The goal is to transform and modernise public finance management, delivering bettering value for money and improving the services that are delivered to communities.

National Treasury recognises that better financial management does not occur simply through the passing of legislation and regulations and the implementation of Treasury guidelines. Implementation of reforms requires appropriate training of existing managers and recruitment of additional financial management skills into the public service. It means an overhaul of information systems and information analyses. It necessitates building of capacities and understanding about new concepts and systems. And it calls for a different style of management at all levels within the public service. These considerable implementation challenges are to be met over the medium to long term.

This year's Treasury guidelines to departments focus on consolidation of reforms that have been introduced. The main changes made during the 2001 Budget process were the formats of the departmental planning submission and the national budget – the *Estimates of National Expenditure*. These form the starting point for the 2002 budget submission.

Integrating strategic planning into the budget process

The main reform this year is the integration of strategic plans into the budget process. In terms of the *Treasury Regulations, 2001* and the *Public Service Regulations, 2001* departments are requested to prepare and table strategic plans before Parliament or the relevant provincial legislature within 15 working days after the Minister of relevant MEC for Finance has tabled the annual budget.

Development of strategic plans and their integration into the budget process is an iterative exercise. Strategic planning and prioritisation is the starting point for preparation of the departmental budget submission as it guides departmental reprioritisation within medium-term baseline allocations and provides the rationale for policy options regarding changes to baseline allocations over the next 3-year period. During strategic planning it is also important to consider whether and where public-private partnerships may be pursued, as such partnerships should be affordable in terms of the department's medium-term baseline allocation.

Integrating strategic planning, budgeting and monitoring of service delivery performance, coupled with effective financial information and advice, will enhance the link between the services that departments provide and the benefits and costs of such services.

Therefore, rather than submitting a draft strategic plan together with the departmental budget submission to National Treasury in June, departments are requested to integrate strategic planning procedures and results into the budget planning submission. Once departments have received their final allocations in November, more detailed strategic and operational (first year) plans may be prepared and tabled before Parliament or the relevant provincial legislature within 15 working days after the Minister of relevant MEC for Finance has tabled the annual budget.

In practical terms this means that National Treasury is requesting departments to revisit their departmental chapters in the 2001 *Estimates of National Expenditure* as the basis for preparing their 2002 budget submissions. The submissions should be seen as a first 'revision' of the departmental chapters in preparation of the 2002 Budget, setting out departmental 'bids' to the Medium Term Expenditure Committee based on strategic planning and reprioritisation exercises. Departments should therefore revise the contents of the departmental chapter text (excluding expenditure tables that were part of the "text" section of the chapter) and submit expenditure information within the pre-formatted schedules that form the annexure to the budget submission (see Annexure A).

Those departments that have received broad 3-year allocations from the supplementary allocation in the 2001 Budget targeted towards specific infrastructure-related projects should note that detailed breakdowns into specific allocations for each of the three years and economic and standard item classification are required in the 2002 budget submission. These departments should also provide details of project planning, budgeting, service deliverables and monitoring implementation within the 2002 budget submission and strategic plan.

Format of the budget submission

The format of the budget submission is set out here. The ministerial and accounting officer's covering letters should be attached to the budget submission. As noted above, the submission is based on a first revision of the departmental chapter in the *2001 Estimates of National Expenditure*. The format of the budget submission includes sections on:

- Vote submission name and number
- Accountability information
- Aim
- Key objectives and programmes
- Baseline medium-term allocation
- Strategic overview and policy developments: 1998/99 - 2004/05
- Departmental receipts
- Vote expenditure trends
- Programme number and name
- Programme policy developments
- Outputs and service delivery trends
- Programme expenditure trends
- Public entities reporting to the responsible Minister
- Annexure to the Vote submission (schedules)

Ministerial covering letter

The Minister's covering letter should report on the strategic and prioritisation process that the department has followed and briefly identify:

- Key policy priorities or shifts that should be taken into account in the 2002 Budget
- Policy options that are proposed in line with departmental medium-term policy priorities

- Reprioritisation within baseline and the addition of spending plans for the third year of the new medium-term period

The Ministerial letter should confirm the Minister's concurrence and approval with the budget submission, and particularly the policy options that are proposed.

Accounting officer's covering letter

The Accounting officer's covering letter should report on the process that the department followed to reprioritise within baseline and add spending plans for the third year.

The report should include descriptions on:

- The involvement of the Minister, Deputy Minister and accounting officer
- The role of other senior managers
- The issues particularly addressed in the process.

The accounting officer should briefly explain any options for additions to or reductions to medium-term baseline allocations that are prepared for consideration by the Medium Term Expenditure Committee.

Further material on the process should not be included in the budget submission, but should be available to National Treasury.

Vote submission name and number

The Vote submission name and number are sequenced according to the functional groupings, as in the *2001 Estimates of National Expenditure*:

- Central government administration
- Financial and administrative services
- Social services
- Justice and protection services
- Economic services and infrastructure development

This facilitates analysis of interdepartmental initiatives and service delivery. It is important to note that the functional groupings are informal and not consistent with the more rigorous functional classification of expenditure reported in the *Budget Review*.

Departments should indicate their request to change the Vote name, if it is to differ from that set out in the *2001 Estimates of National Expenditure.*

Accountability information

Information (including names) on the responsible minister, deputy minister, accounting officer and administering department should be detailed here to enhance accountability.

Aim

The aim of the Vote submission reflects the social and economic outcomes or results that the department wishes to achieve.

The aim of the Vote submission is the budget terminology that is analogous to the mission of a department, as identified in strategic planning exercise. The mission of a department is the fundamental, unique purpose that distinguishes from any other organisation of its type, serving as a guide for departmental actions and ensuring that all activities and application of resources are aimed at the same end result.

Key objectives and programmes

The identification of key departmental strategic medium-term objectives and their association to spending programmes strengthens the link between strategic planning and budgeting.

The Public Finance Management Act raises the importance of programme objectives and descriptions that are clearly linked to departmental medium-term priorities and objectives.

The PFMA stipulates that expenditure may be considered to be unauthorised if it comprises:

- Overspending of a vote or main division (programme) of a vote
- Expenditure that is not in accordance with the main purpose of a vote, or in the case of a main division (programme), not in accordance with the main division (programme)

Changes to programme structure, programme names and/or descriptions will be considered in a separate process following the MTEC hearings and discussions. However, departments wishing to change their programme structure, programme names and/or descriptions should include an explanatory note of half a page in length in their budget submission, outlining the possible changes and reasons for those changes.

A department wishing to change its programme structure, programme names and/or descriptions should then submit a formal request for such to National Treasury by **Monday 3 September 2001**.

National Treasury will evaluate and finalise the request before **Friday 31 September 2001**.

If the request for a change in programme structure is approved, it will be granted to the department on the undertaking that the department:

- Indicates the capacity and commitment to updating the relevant information in the departmental database and chapter in the *Estimates of National Expenditure*
- Provides comparative figures for all applicable years according to the new programme structure

Baseline medium-term allocation

The baseline medium-term allocation for the Vote submission as in table 2 below reflects the baseline allocation for each year of the new medium-term period, 2002/03 to 2004/05, denoted in rand thousands. Departments should insert their 2002 baseline medium-term allocation (in rand thousands) in the table below.

Table 2 Vote [number]: [name]: 2002 medium-term baseline allocation

2002/03 R'000s	2003/04 R'000s	2004/05 R'000s

The baseline estimates for 2002/03 and 2003/04 are the forward estimates for these years published in the *2001 Estimates of National Expenditure*. The baseline for total expenditure in the third year of the medium-term expenditure period, 2004/05, is 6,0 per cent above the baseline for 2003/04. This is based on a preliminary National Treasury inflation forecast of 4,5 per cent for 2004/05, shown in table 3.

It is important that departments note that they should budget for salary increases of 6 per cent for 2002/03, 5,5 per cent for 2003/04 and 5,0 per cent for 2004/05. These salary increases would come into effect on 1 July of each year.

Table 3 Inflation projections, 2001/02 to 2004/05

	2001/02	2002/03	2003/04	2004/05
GDP inflation	**6,0**	**4,7**	**4,6**	**4,5**

Strategic overview and policy developments: 1998/99 to 2004/05

This section describes the policy development and legislative changes that frame departmental spending plans over the seven-year period.

Strategic prioritisation and direction for the 2002 medium-term expenditure period come to the fore here, as they guide departmental reprioritisation within medium-term baseline allocations. They also provide the rationale for policy options regarding changes to baseline allocations over the next 3-year period.

Departmental receipts

Departments are requested to provide detail of any estimated departmental receipts that are deposited into the National Revenue Fund for 2001/02 and for the medium-term expenditure period in terms of sections 27.3 (i) and 28.1(a) of the PFMA. Departments should itemise the receipts as indicated in table 4 below, and indicate in terms of which Acts or regulations the receipts are collected.

Table 4 Departmental receipts, 2001/02 to 2004/05

R'000s	2001/02	2002/03	2003/04	2004/05
Sale of products				
Monies prescribed by law				
Fines and forfeitures				
Pension contributions				
Other				
Monies not prescribed by law				
Leasing				
Domestic services				
Profits on trading accounts				
Other (commission)				
Miscellaneous revenue				
Recoveries				
Unspecified				
Total receipts				

Vote expenditure trends

The main programme structure changes and expenditure trends in the vote over the seven-year period should be tabled, giving effect to policy development and departmental priorities. This section should focus on the 2002 medium-term period (that is 2002/03 to 2004/05), setting out briefly the changes arising from reprioritisation within the baseline medium-term allocations.

In particular, departments are asked to explain:

- The logic for major shifts between and within programmes over the 2002 medium-term period and the changes they entail in terms of programme allocations
- Emphases placed on recurrent versus non-recurrent spending over the medium-term period
- Changes to departmental policies which relate to spending
- Changes to intended service deliverables and outputs

Schedule 2 in the annexure should complement this section, setting out a short, concise summary of the reasons for reprioritisation within baseline.

Programme number and name

Each programme is reviewed in turn. The programme number and name are followed by its aim and description. The description is carefully defined in terms of relevant legislature to ensure that all spending may be accommodated within the approved programme structure.

Programme 1 is always Administration, which includes spending on the ministry and senior management of the department, and central corporate services.

Programme policy developments

Policy developments that are specific to each programme should be detailed here. This section should describe the policy development and legislative changes that frame programme spending plans over the seven-year period, focusing on the 2002 medium-term period in particular.

Outputs and service delivery trends

Key outputs and measurable service delivery indicators should be listed for each subprogramme. This section will be expanded in subsequent Budgets as further progress is made in developing service delivery indicators and targets.

For the 2001 Budget, departments were asked to specify outputs and develop output and quantity indicators for each of these outputs. In certain instances, particularly for more policy-orientated departments, quality and timeliness indicators proved more applicable. National Treasury developed a brief guide on outputs and service delivery indicator specification, and worked closely with departments during the exercise.

Essentially, outputs are defined as the final goods and services produced or delivered by departments to customers who are external to the department. Service delivery indicators are important as they measure:

- What goods and services budgeted monies buy
- What progress Government makes in terms of its policy priorities and objectives
- Whether Government is getting value for its money

National Treasury and departments experienced the considerable difficulties of defining a set of meaningful and manageable indicators during the 2001 Budget process. For the 2002 Budget, National Treasury aims to work with departments to consolidate and rationalise indicators. Departments will be asked to develop a service delivery target or milestone for each indicator that has been identified.

Tracking service delivery indicators in terms of targets or 'milestones' informs department heads, policy-makers and the public about the progress that departments are making towards their objectives. This facilitates better planning, budgeting and programme management by departments. It improves accountability and control, informs policy- and decision-making, and provides information to the public.

Programme expenditure trends

The main expenditure trends over the seven-year period within the programme itself, giving effect to policy development and departmental priorities. This section should focus on the 2002 medium-term period (that is 2002/03 to 2004/05), setting out briefly the changes arising from reprioritisation within the baseline medium-term allocations for the programme

Public entities reporting to the responsible Minister

Information on public entities reporting to the responsible Minister for the Vote should be provided here. Examples of these entities include the National Roads Agency, Telkom, the science councils, and the Unemployment Insurance Fund. Often these entities, rather than the department itself, are the front-line deliverers of services to the communities.

The information presented on such bodies varies along with the nature, financial and service significance of the body. In general, more emphasis is given to entities that are primarily funded by taxation, whether transferred from the National Revenue Fund (for example, the Electoral Commission) or transferred directly to the body itself (the Unemployment Insurance Fund). The aim is to provide key financial and service delivery information for the spending of public money.

Annexure to the Vote submission

Standard schedules of spending data should accompany each Vote submission. These include:

- Schedule 1: Summary of expenditure programmes and options
- Schedule 2: Reasons for changes to medium-term baseline allocations (reprioritisation)
- Schedule 3: Summary of options proposed
- Schedule 4: Summary of expenditure per economic classification and standard item
- Schedule 5: Summary of programme expenditure per subprogramme
- Schedule 5(a): Details of programme expenditure by subprogramme, economic classification and standard item *(This schedule must be completed for each programme)*
- Schedule 6: Personnel expenditure according to programmes and subprogrammes
- Schedule 7: Capital works and accommodation expenditure
- Schedule 8: Conditional grants to provinces and local government
- Schedule 9: Poverty relief, infrastructure investment and job summit projects
- Schedule 10: Information and communication technology expenditure per programme
- Schedule 11: Project loans
- Schedule 12: Donor grant funding
- Schedule 13: Public-Private Partnerships

All the schedules are shown in Annexure A and explained below. Departments are requested to enter their data into the pre-formatted schedules on a computer disk, provided together with these guidelines.

Schedule 1: Summary of expenditure programmes and options

The first table in schedule 1 shows 7-year expenditure trends and estimates for:

- Each programme in the Vote

- The sub-total for these programmes
- Activities that have been discarded
- The total for the Vote

Column 1 shows programme names according to the programme structure approved in the 2001 Budget.

Column 2 and 3 shows audited expenditure for 1998/99 and 1999/00, respectively (in rand thousands).

Column 4 shows the preliminary outcome for 2000/01(in rand thousands).

Column 5 shows budgeted expenditure for 2001/02 (in rand thousands).

Columns 6 to 9 show data for 2002/03. Column 6 shows the medium-term baseline allocation for 2002/03 for the relevant programme.

Column 7 shows the change to the baseline estimates (in rand thousands) that the department is proposing in its reprioritisation within baseline. That is, the amount by which the programme is expected to increase or decrease when compared to the baseline estimate.

Column 8 shows the proposed reprioritised baseline. That is, the result of how the department proposes to re-allocate resources to programmes in line with policy priorities if it receives its medium-term baseline allocation. (Note that column 8 = column 7 + 6).

Column 9 shows the year-on-year growth rates of the reprioritised allocation as represented in column 8. (That is, column 9 = (column 8 – column 5) –1 as a percentage).

Columns 10 to 13 show the corresponding data for 2003/04.

Columns 14 to 17 show the corresponding data for 2004/05.

Column 18 shows the annual average growth rate over the 3-year period 1998/99 to 2001/02.

Column 19 shows the annual average growth rate over the 3-year period 2001/02 to 2004/05.

These columns are used in most of the other schedules.

The second part of the schedule – the summary of options table sets out summarised information for each policy option proposed by the department for a change to the medium-term baseline allocation of the Vote.

Column 1 lists the names of each option. A maximum of six options may be proposed.

Columns 2 and 3 show the estimated cost of the option (in rand thousands) for 2002/03 and the National Treasury budget analyst or spending team recommendation (in rand thousands).

Columns 4 and 5 show the estimated cost of the option (in rand thousands) for 2003/04 and the National Treasury budget analyst or spending team recommendation (in rand thousands).

Columns 6 and 7 show the estimated cost of the option (in rand thousands) for 2004/05 and the National Treasury budget analyst or spending team recommendation (in rand thousands).

Schedule 2: Reasons for changes to medium-term baseline allocations (reprioritisation)

Schedule 2 shows the rationale for reprioritisation within medium-term baseline allocations, consistent with schedule 1 (that is columns 7,11 and 15 of schedule 1). The schedule should reflect a short, concise summary of the detail of reprioritisation within baseline set out in the main body of the budget submission.

Column 1 lists the programme name and the specific service or activity that has been reprioritised.

Column 2 shows the main reasons for reprioritisation within baseline allocations.

Columns 3 to 5 show the changes to the medium-term baseline allocations. These should be consistent with schedule 1.

Schedule 3: Summary of options proposed

Schedule 3 shows a summary of the policy options proposed by the department for changes to their medium-term baseline allocation. The schedule should reflect a short, concise summary of the more detailed option descriptions set out in Annexure B.

Column 1 shows the name of the option.

Column 2 shows the programme(s) to which the option refers.

Column 3 briefly sets out the motivation for the option. The option section, referred to below, will describe each option in greater detail.

Columns 4 and 5, 6 and 7, and 8 and 9 set out the departmental option request and the National Treasury recommendation in terms of rand thousands for 2002/03, 2003/04 and 2004/05, respectively.

Schedule 4: Summary of expenditure per economic classification and standard item

The first table in schedule 4 shows expenditure information by economic classification. This is based on international standards for classification of Government Financial Statistics (GFS) developed by the International Monetary Fund. While government expenditure in South Africa is more commonly classified according to a system of "standard items", progress has been made in converting standard item information into broad Government Financial Statistics classifications. More detail on government accounts and the Government Financial Statistics can be found in Annexure D of the *2001 Budget Review*.

The table disaggregates current expenditure into spending on personnel, transfer payments and other current expenditure.

Personnel expenditure is disaggregated into salaries and wages, and other.

Current transfer payments are disaggregated further into subsidies to business enterprises, transfer payments to other levels of governments, to households and non-profit organisations, and to foreign countries and international credit institutions.

Transfer payments to other levels of government are broken down into transfers to social security funds, to universities and technikons, to extra-budgetary institutions, to provincial government and to local government.

Capital expenditure is disaggregated into transfer payments, spending on moveable capital and spending on fixed capital.

Capital transfer payments are disaggregated into transfers to other levels of government and other capital transfers.

Expenditure on moveable capital is broken down into spending on motor vehicles (transport), computer equipment, other office equipment and other (miscellaneous) spending on moveable capital.

Expenditure on fixed capital is disaggregated into spending on land, buildings, infrastructure and other (miscellaneous) fixed capital spending.

The second table in schedule 4 shows expenditure information by standard item.

Standard item expenditure is disaggregated into spending on personnel, administration, inventories, equipment, land and buildings, professional and special services, transfer payments and miscellaneous spending.

Personnel expenditure is broken down further into spending on the base salary amount, new salary improvements and the carry through cost of salary improvements.

Expenditure on professional and special services is disaggregated into spending on professional services and consultants.

Schedule 5: Summary of expenditure per subprogramme

Schedule 5 shows the information detailed in schedule 1 but broken down further to the level of subprogramme.

Departments are requested to identify medium-term allocations to conditional grant programmes separately where these fall under programmes or subprogrammes.

Similarly, departments are requested to identify separately 3-year estimates of the transfers and subsidies to public entities, agencies and commissions for which they are responsible.

Public entities, agencies and commissions reporting to departments are required to submit information as required by the accounting officer of the department for inclusion in the departmental budget submission due on **29 June 2001**.

Departments are request to submit strategic plans, including multi-year revenue and expenditure plans, for Section 3A entities, agencies and commissions for which they are responsible in terms of sections 53 and 54 of the PFMA to National Treasury by **Tuesday 9 October 2000**.

The requirements for public entity strategic planning submissions are detailed in sections 30(1) and 30(2) in the *Treasury Regulations, 2001*. These are set out in Annexure D below.

Schedule 5 (a) Details of programme expenditure per subprogramme, economic classification and standard item

Schedule 5 (a) shows programme expenditure by subprogramme, economic classification and standard item. There must be a separate schedule per programme.

Schedule 6: Personnel expenditure according to programmes and subprogrammes

Government has set the reconstruction and development of South Africa within an environment of fiscal discipline as its key objectives. Personnel expenditure forms about half of consolidated national and provincial spending, excluding payment of interest on government debt. This situation is clearly not in line with government's key objectives.

There has been real growth in public spending over the past few years. But spending on personnel expenditure has increased faster than the budget. Social and economic infrastructure expenditure has suffered as a result of increased personnel expenditure.

Government's moderation of personnel spending has facilitated a shift to investment in and maintenance of the infrastructure that is essential to the economy and to the delivery of public services

The slowdown in personnel growth is largely due to a moderation in the annual wage settlements and a reduction in the numbers of personnel. The 2000 wage settled further strengthens the trend of moderating growth in Government's wage bill. In addition to agreement on an average salary increase of 6,5 per cent for all employees, agreement has also been reached on abolishing near-automatic rank and leg promotions in 2001.

In the 2002 Budget process, National Treasury intends working with departments to strengthen the link between departmental policy priorities, budget and personnel management decisions. Departments are required to budget for the cost of salary increases that come into effect on 1 July 2001, the carry though costs of the 2000 salary agreement and changes in benefits, personnel numbers or grades over the forecast period. The medium-term baseline allocations of departments make provision for salary and related increase.

In the 2002 Budget process, departments are requested to budget for personnel within their reprioritised medium-term baseline allocations, fully reflecting the cost of increased take-up or adjustments to all elements of remuneration. This includes medical aid contributions, the motor vehicle finance scheme, overtime and other allowances.

In determining personnel budgets for the new medium-term period, departments should take the following elements into account:

- Numbers of staff and possible changes over the medium-term period. Departments should use actual numbers of personnel employed, rather than 'funded posts', for budgeting purposes. This means that departments should only budget for vacant posts that it plans to fill in the current financial year and over the medium-term period.
- Grades and level of each person employed or to be employed
- Rank and leg promotions and possible backlog payment required in this regard
- Increased take-up of benefits such as medical aid and the homeowners allowance
- Contract employees
- Payment for overtime
- Merit bonuses
- Basic salary costs, which should accommodate an annual increase equivalent to inflation from 1 July each year
- Pension fund contributions, thirteenth cheque and overtime linked to the basic salary cost and annual increases.
- Medical aid contributions and their annual increase, linked to the medical inflation index (MPI)
- Increased take up of the homeowners allowance
- Other allowances such as entertainment allowances, camping allowances, computer allowances, newspaper and journal allowances and clothing allowances.

In preparing their 2002 budget submissions departments should note the National Treasury inflation forecasts, set out in table 1. However, departments should budget for salary increases of 6 per cent for 2002/03, 5,5 per cent for 2003/04 and 5 per cent for 2004/05. These salary increases would come into effect on 1 July of each year.

Departments are requested to utilise realistic assumptions concerning the effects of rank and leg promotions, the payment of outstanding promotions (backlogs) as well as other promotions or changes in staff numbers. Excluding rank and leg promotions and backlogs, the department may choose the appropriate level of wage drift accommodated in its reprioritised medium-term baseline allocations.

'Wage drift' is a collective term to describe increases in the wage bill that occur as a result of promotions, particularly rank and leg promotions; changes in post levels; increases in allowances and the take-up of these allowances. That is, it refers to increases in the wage bill that occur in the absence of the annual wage agreement.

National Treasury intends working with departments in manner which guides rather than prescribes to departments the process for budgeting for personnel costs. Departments are themselves responsible for managing the process, aided by accurate data and advice provided by National Treasury and the Department of Public Service and Administration. It is important to note however, that National Treasury does provide strong guidance to departments regarding maximum levels of personnel spending and departmental submissions that exceed these levels will come under strong scrutiny.

Annexure E sets out a manual and optional model to personnel budgeting that departments may choose to use in preparing schedule 6 which shows personnel expenditure according to programmes and subprogrammes. The electronic version of the model is provided on disk, supplied as part of the 2002 Treasury Guidelines.

In schedule 6, column 1 shows the names of programmes and subprogrammes.

Column 2 shows audited personnel spending (in rand thousands) for 1998/99.

Column 3 shows the number of personnel posts filled in 1998/99.

Column 4 and 5 show audited personnel spending (in rand thousands) for 1999/00 and the number of personnel posts filled in 1999/00, respectively.

Column 6 and 7 show the preliminary outcome for personnel spending (in rand thousands) for 2000/01 and the number of personnel posts filled in 2000/01, respectively.

Column 8 and 9 show budgeted personnel expenditure (in rand thousands) for 2001/02 and the expected number of personnel posts filled in 2001/02, respectively.

Column 10 and 11 show the reprioritised budgeted personnel expenditure (in rands thousands) for 2002/03 and the expected number of posts filled in 2002/03, respectively.

Column 12 and 13 show the reprioritised budgeted personnel expenditure (in rands thousands) for 2003/04 and the expected number of posts filled in 2003/04, respectively.

Column 14 and 15 show the reprioritised budgeted personnel expenditure (in rands thousands) for 2004/05 and the expected number of posts filled in 2004/05, respectively.

Schedule 7: Capital works and accommodation expenditure

As part of the budget reform programme, the 2001 Budget took a further step towards devolving accountability for capital and maintenance to accounting officers. The reforms intended to advance the devolution of asset management responsibilities to departmental accounting officers. As in previous budget rounds, expenditure on capital works and land provided by the Department of Public Works to departments was included in the user department's medium-term baseline allocations rather than that of the Department of Public Works. The intention was to move towards maintenance provided by the Department of Public Works also being budgeted for in a similar manner.

Over the past year the Department of Public Works has engaged in extensive strategic planning regarding the impact of budget reform principles on the future role of Public Works. National Treasury and the Department of Public Works intend reaching agreement on arrangements for budgeting for capital works and accommodation at beginning of May.

Departments should therefore note that National Treasury will distribute amendments to these guidelines on budgeting for capital works and accommodation early in May. However, departments should still be able to complete schedule 7 that shows capital works and accommodation expenditure prior to receipt of the guidelines amendments.

Part A of column 1 shows information on capital works projects for stated-owned property (Public Works). Part A is disaggregated into works completed (2001/02), works-in-progress, new works, and expenditure on capital works currently on the Public Works Vote. The first three subcategories are broken down further into capital expenditure; professional fees; planned maintenance and municipal services; rates and taxes. Expenditure on works that is currently on the Public Works Vote is broken down into planned maintenance and municipal services, rates and taxes.

Part B of column 1 shows information on other accommodation costs. This includes leasing/rentals and other costs that may pertain to PPP projects and other projects. Departments should itemise and footnote the explanation for leasing/ rentals and other costs that may sit on the Public Works Vote, but which will be included in PPP project expenditure.

Column 2 shows the budgeted expenditure for the project in 2001/02.

Column 4 shows the medium-term baseline allocation for the project in 2002/03.

Column 5 shows the change to the medium-term baseline allocation for the project in 2002/03 reflected by reprioritisation shown in column 6.

Columns 7 to 9 show the same information for 2003/04 and 2004/05, respectively.

Column 10 shows the same information for the third year of the medium-term period, 2004/05.

Columns 11 to 16 show the same information for projects that extend beyond the 2002 medium-term period.

Schedule 8: Conditional grants to provinces and local government

Conditional grants to provinces and local government constitute part of the broader provincial/ local share. They are of critical concern to all three spheres of government. National departments use the conditional grant mechanism to influence the implementation of national policy and priorities at the provincial and local level. Provinces and local government have the responsibility to implement the programmes funded through conditional grants.

In the 2001 Budget process, certain implementation difficulties arose due to the approval of conditional grant requests on national votes without clarity on the concomitant policy structure and framework underlying the grant, including clear specification of outputs, mechanisms for disbursing and monitoring, capacity at national and receiving spheres to administer and monitor the grants.

Clarity on the underlying conditional grant policy framework is essential to ensure that proper planning and design of grants occurs to enable effective spending by the receiving spheres. This information requirement is consistent with the PFMA with regard to planning, introduction of measurable objectives for programmes and monitoring.

Departments are therefore requested to provide expenditure and policy framework information on existing conditional grants, and proposals for new grants, as part of their 2002 budget submissions.

Specifically, schedule 8 on conditional grants to provinces and local government requests:

- Historical audited expenditure for 1998/99 and 1999/2000
- The preliminary outcome for 2000/01
- Projected expenditure for 2001/02
- Medium-term baseline allocations, disaggregated by province or municipality
- Requested changes to the baseline allocation, including proposals for any new grants

It is important to note that information changes to baseline allocations or proposals for new grants that are funded from reprioritisation within the medium-term baseline allocation of the Vote should be detailed in schedule 8. However, the department should propose an option for existing or new conditional grants if it requires additional funding over and above the medium-term baseline allocation for the grant.

Departments are also requested to provide, and improve on, the information submitted and published in Appendix E1 of the *2001 Budget Review*. This should also reflect any changes in the underlying policy of the grant. Departments should provide descriptions of the grant in terms of:

- Purpose of the grant
- Conditions of the grant
- Measurable outputs
- Allocation criteria – these should be equitable and transparent
- Reasons why the programme cannot be funded from an increase in the provincial or local government equitable share
- Monitoring mechanism to monitor performance and service delivery
- Assessment of past performance with respect to implementation of the grant
- Projected life of the grant
- Capacity and preparedness of the department to implement the grant
- Proposed payment schedule

This information should be attached as an additional schedule to the 2002 budget submission. Departments should submit the requested information in the same format as Appendix E1 of the *2001 Budget Review*

Where there is an 'option' proposed for additional funding over and above the conditional grant baseline allocation, departments should indicate how the additional funding, if approved, would change the grant framework. It is also important to note that any change in policy should not jeopardise the planned programme of provinces by reducing their grant baseline allocations. Reductions in grant baseline allocations should only be proposed if performance has been taken into consideration, which will have to be strongly motivated for in the grant framework.

Following National Treasury's receipt of departmental budget submissions, National Treasury would engage in bilateral consultations with respective departments to ensure that all relevant information and motivations for conditional grants are provided in the submission.

The evaluation process would work towards ensuring a policy framework for each grant, consolidation of certain grants, refined requests for additional funding and grants, and the reflection of policy priorities in grant frameworks and motivations.

In completing schedule 8, departments should note that the first table shows expenditure information for conditional grants to provincial and local government.

Column 1 shows the name of the conditional grant.

Column 2 lists the nine provinces, a single category for local government and an unallocated category for each grant

Columns 3 and 4 show audited expenditure on the conditional grant (broken down by province, in the case of provincial grants) for 1998/99 and 1999/00, respectively.

Column 5 shows the preliminary outcome for expenditure on the conditional grant (broken down by province, in the case of provincial grants) for 2000/01.

Column 6 shows the budgeted expenditure on the conditional grant (broken down by province, in the case of provincial grants) for 2001/02.

Column 7 shows the medium-term baseline allocation for the conditional grant (broken down by province, in the case of provincial grants) for 2002/03.

Column 8 shows the change to the baseline allocation of the grant reflected by reprioritisation of the baseline allocation for 2002/03, shown in column 9.

Column 10 shows the year-on-year growth rate of the reprioritised baseline allocation compared to the previous year's budgeted expenditure for 2002/03.

Columns 11 to 14 and columns 15 to 18 show the same information for 2003/04 and 2004/05, respectively.

The second table shows the conditions that are proposed for each grant for the 2002 Division of Revenue Bill and the formula for allocation for each grant.

Schedule 9: Poverty relief, infrastructure and job summit projects

The 2001 Budget provided R1,5 billion for 2001/02, R1,5 billion for 2002/03, and R1,5675 billion for the special poverty relief, infrastructure investment and job summit programme.

Departments were allocated funds for projects that, for the most part, combine income generation, particularly for poor rural people, with some additional objective such as protection of water resources, erecting useful community infrastructure, waste management and training.

Continued underspending on the allocation remains a key problem and is related in part to the late finalisation of allocations to departments and insufficient project management capacity within departments. The 2001 Budget allocated the special fund to departments in the main budget estimate for the first time. Departments therefore received their allocations before the start of the financial year, facilitating appropriate planning and budgeting for projects. The past year has also seen increased capacity in certain departments to manage and implement these projects.

Departments that receive funding for programmes from the special allocation are requested to complete schedule 9, detailing expenditure information for poverty relief, infrastructure and job summit projects for the period 1998/99 to 2003/04. (Note that the third year of the 2002 medium-term period, 2004/05, does not form part of the schedule as the poverty relief fund allocation process will be reviewed in 2001 and 2002.)

Column 1 lists the name of the poverty relief programme.

Column 2 lists the names of the nine provinces and a single category for national government in order to show the provincial disaggregation of the poverty relief programme.

Columns 3 and 4 show audited expenditure on the programme for 1998/99 and 1999/00, broken down by province and national government.

Column 5 shows the preliminary outcome of spending on the poverty relief programme for 2000/01, broken down by province and national government.

Column 6 shows the budgeted expenditure for the poverty relief programme for 2001/02, broken down by province and national government.

Column 7 shows the medium-term baseline allocation for the poverty relief programme in 2002/03, broken down by province and national government.

Column 8 shows the year-on-year growth rate represented by column 7 compared to the previous year's budgeted allocation in column 7.

Columns 9 and 10 show the same information for 2003/04.

Schedule 10: Information and communications technology expenditure per programme

Schedule 10 shows information and communications technology related expenditure by programme.

Column 1 shows the name of each programme, and the specific information technology project listed under the programme.

Column 2 shows expenditure on two categories: technology and services.

Technology: (assets that depreciate over time and can be disposed off at the end of its useful life) is broken down into:

- Hardware: physical equipment
- Software and licences: media and certificates, including upgrades
- Audio-visual equipment
- Systems (turnkey solutions that include hardware, software, licences and consulting

Information technology services is divided into:

- Consulting: people working for government on an hourly or other predetermined tariff, normally ad-hoc, short term contracts, shorter that 12 months –the so-called bodyshops
- Outsourcing: wide area network services, mainframe bureau services, maintenance services and support services – measurable deliverables typically provided by the state information technology agency (SITA) or other third party vendors through formal service level agreements, normally 12 month or longer contracts

Column 2 shows expenditure on computer equipment, other equipment, professional and special services (disaggregated into professional services and consultants).

Column 3 shows the budgeted expenditure on information and communications technology related items for 2001/02.

Column 4, 5 and 6 shows reprioritised baseline allocations for information and communications technology related items for 2002/03, 2003/04 and 2004/05, respectively.

Schedule 11: Project loans and donor funding

The budget submission must include details of project loans, long-term lease agreements or any other financing arrangements for specific expenditure plans. The associated expenditure forms part of a department's medium-term expenditure allocations.

Project loans, therefore, do not increase the amount available for expenditure, but instead may – through the loan terms, and/ or through associated technical assistance – provide better value than financing through the general state debt programme.

National Treasury issued a guidance note on the procedures associated with project loans and their approval by National Treasury in 2000. Departments should refer to this guidance note for further details.

Departments are requested to provide all relevant information on project loans in schedule 11. Implementation of a project by provincial or local government should be indicated in the schedule as a footnote to the project name.

The first table in schedule 11 shows information for project loans that have been agreed to by the department.

The table shows the name of the project loan; the programme and subprogramme under which it is classified; whether or not the loan has been included in the medium-term baseline allocation; the donor(s); and the expenditure information for the seven year period, 1998/99 to 2004/05.

The second table shows information for project loans that are under consideration by the department. The table shows the name of the proposed project loan; the programme and subprogramme under which it is classified; whether or not the loan will be included in the medium-term baseline allocation; the donor(s); whether or not the loan has been discussed with National Treasury; the status of the project loan; and expenditure information for the period 2001/02 to 2004/05.

Schedule 12: Donor grant funding

Unlike project loans, donor grant funding is additional to the medium-term baseline allocation for the Vote. Departments are requested to complete schedule 12, showing information on all existing donor grant funding and projects under consideration. Transfer of a donor grant to provinces should be indicated as a footnote to the name of the grant.

This information will be used to provide perspective on the use made of donor funding, and to prepare budgetary data.

Some donor grant funding is received as cash to departments. But other donor grant funding does not involve actual payment of cash from the donor to departments, but is provided "in kind" – for example, through the donor directly funding a project in support of the department or the donor paying a consultant. The estimated cost to the donor of such support should be indicated in schedule 12.

The first table shows information for existing donor grants. The table shows the name of the donor grant; whether it was received or is expected to be received in cash or in kind; the name of the donor(s); and the estimated cost to the donor over the period 1998/99 to 2004/05.

The second table shows information for donor grants under consideration by the department. The table shows name of the donor grant; whether it was received or is expected to be received in cash or in kind; the name of the donor(s); the status of the proposed donor funding; and the estimated cost to the donor over the period 2001/02 to 2004/05.

Schedule 13: Public-private partnerships (PPPs)

Several departments are contracting private service providers through public-private partnerships (PPPs) to improve service delivery. Currently, projects either in progress or in the process of design include vehicle fleet management, information technology, accommodation and facilities management, tourism, rapid rail and health services.

It is important to stress that PPPs are not a means to circumvent the budget. Planning and submissions for PPPs should be integrated into the annual budget process. National Treasury authorisation for PPPs depends on their inclusion in the departmental medium-term baseline allocation.

In 2000, a specialised PPP Unit was established in the National Treasury to support departments through policy development and technical assistance, and to approve project proposals from a budgetary perspective. Three criteria guide the National Treasury in this regard. The project:

- Must be affordable
- Provide good value for money
- Must transfer appropriate technical, operational and financial risk to the private party

The framework within which PPPs are to be pursued, under the strategic guidance of the PPP Unit, but driven by individual departments, is guided by a set of resources published in hard copy and available electronically on the National Treasury website. These include:

- A *Strategic Framework for Public-Private Partnerships*
- Chapter 16 of the *Treasury Regulations, 2001*
- *Public-Private Partnership Guidelines*

Like for other programmes, the baseline for public-private partnerships in the third year of the medium-term expenditure period, 2004/05, is 6 per cent above the baseline for 2003/04. This is based on the preliminary National Treasury inflation forecast of 4,5 per cent for 2004/05, shown in table 3.

Affordability means that the cost of the PPP over the whole project life (as determined by a detailed feasibility analysis) can be accommodated in the budget of the relevant department, given its existing commitments. This is different from *value-for-money*, which means that private provision of a government function / service results in a net benefit to government in terms of enhanced quality, quantity and accessibility of services and / or less exposure to commercial and operating risk. A PPP contract may therefore be unaffordable, even though it provides “value for money”. If a project is unaffordable, it jeopardises the Government’s ability to deliver other services. Unless Government’s overall priorities change, the project should therefore not be pursued, even if there is a possibility that it may meet “value for money” criteria.

To determine the project budget, departments should refer to the broad *2001 Estimates of National Expenditure*, and to their own detailed budgets. The same format applies while conducting feasibility analysis (as required under Treasury Regulations), and it includes all the applicable amounts from the budget (that is, direct and indirect costs, as well as any third party revenues). Where necessary, departments should include budgetary allocations that reside on other departmental budgets that would be available to the project. For example, capital works items for government accommodation on Public Works votes should be itemised on departmental budgets.

Because many PPP projects are likely to extend beyond the three years of the medium-term expenditure period, departments should extrapolate their budgets beyond the medium-term period. It is generally prudent to assume that budgets remain constant in real terms, thus that they increase only in line with inflation over the duration of the project. Any change to this assumption must be well argued and documented.

Appropriate benchmarks from similar projects should be used in the feasibility study to develop accurate costing. All assumptions should be clearly spelt out so that National Treasury can make a reasoned assessment of the adjustment that has been made.

It is necessary to distinguish between projects that involve cash outflows and ones that include cash inflows. Cash outflows could either be aimed at new capital expenditures or occur within the existing baseline. Where the outflows are towards new capital expenditures, this should be listed as an option, as outlined in the section below. The procedure followed will depend on whether the project has been a PPP from the outset or a conventional procurement that has been transformed into a PPP. With the transformation to a PPP, it may be necessary to roll out the amount over a longer period than the medium-term expenditure period. The department will require National Treasury approval for this. Where the project is a PPP from the outset, the initial expenditure is likely to be spread in smaller amounts over a longer period. If there is no budgetary provision, the department will have to enter the next budgetary cycle to find the funds.

In the case of cash outflows within baseline, the line items on the budget will provide the envelope within which the project can be developed. If the feasibility study shows that the project's budgetary requirements exceed the baseline amount, the department will have to apply afresh for the additional funds. If it falls within baseline, the project can go ahead.

Cash inflows are determined during the resource allocation process, and departments are typically expected to provide an outline of what cash inflows they will secure for the department. From a budgetary perspective, the inflows must cover basic government costs, such as ensuring compliance with relevant regulations (for instance, environmental regulations) and any specific costs the Government may incur (such as basic infrastructure costs). It is the department's responsibility to take all these budgetary requirements into account when it requests and evaluates bids.

With regard to savings or additional revenue obtained through a PPP, the general approach is that user charges would likely go to the department (arising from provisions within the department's relevant legislation); whereas rates, license fees and taxes would generally go to the National Revenue Fund. The correct steps applicable to PPPs which are not specifically governed by regulation in this respect, nevertheless remain unclear in many circumstances. It is therefore important that departments raise this issue up front with the National Treasury during their PPP and budget planning.

Schedule 13 shows information on departmental public-private partnership projects.

Column 1 shows the project description: projects under implementation and new projects.

The project description is further broken down into:

- A PPP unitary charge: annualised total of periodic unitary charges paid for provision of the service
- Advisory fee: remuneration for specialised advisory services provided by consultants and consulting firms related to preparing and implementing PPP transactions
- Revenue generated: in cases where a project results in cash inflow, such as in the case of a concession fee
- The project monitoring cost: annualised total of all direct and indirect costs related to monitoring the performance of the service provider.

Column 2 shows the total cost of the project.

Column 3 shows the budgeted expenditure for the project in 2001/02.

Column 4 shows the medium-term baseline allocation for the project in 2002/03 reflected by reprioritisation shown in column 6.

Column 7 to 9 and columns 10 to 12 show the same information for 2003/04 and 2004/05, respectively.

'Options' for changes to medium-term baseline allocations

A key aspect in the review of departmental medium-term baseline allocations is the decision whether to increase departmental medium-term baseline allocations, reduce them or leave them unchanged when reviewed against departmental strategic priorities and the Government's policy and spending priorities for the medium-term period.

In preparing its budget submission for **Friday 29 June 2001**, each department should especially consider whether it wants to propose increases or decreases to its medium-term baseline allocations. These proposals should be included as 'options' in the budget submission.

What is an option?

An option sets out a possible change to a department's medium-term baseline allocation that is related to strategic priorities of the department. The option may increase or reduce the baseline allocation – or even increase/ reduce/ leave it unchanged in different years. For instance, the option could propose an increase in the first year and a reduction in the second to reflect expected increased take-up of a programme in the earlier period.

An option may, for example be:

- A proposal for a new policy that cannot be accommodated within the baseline allocation or would lead to a reduction in the baseline allocation required
- A proposal for a change in the level of output associated with an existing programme or subprogramme which changes the baseline allocation
- A rephasing of a programme or a project, which sees an increase in the baseline in some years and a reduction in others
- A saving, for example, from greater efficiency (due maybe to implementation of a PPP), or from discarding a (sub)-programme that is no longer a priority

An option cannot, however, leave the baseline allocation unchanged. Proposals that do so should, instead, be included in the department's reprioritisation within baseline.

The options should also reflect any proposals that may be forthcoming from provinces, municipalities, agencies, public entities or institutions that would require funding through an increase in a department's baseline allocation. Departments should make it clear to such bodies that if a proposal is not put forward at this stage, there will be no opportunity to request such an increase until the next budgeting round, beginning in 2002, and that increase, if approved, would not be available until 2003/04.

Departments should note that additional funding may only be secured through the annual budget process. Policy proposals that are not listed as options in the budget submission will therefore have to be funded through rearrangements of the relevant department's baseline allocation.

Before submitting an option, departments should examine their existing baseline allocations and priorities carefully to determine if the option could be accommodated by reprioritising within the medium-term baseline allocation.

Departments have discretion as to whether they should include options for reducing their baseline allocations. But they should be aware that, depending on possible shifts in priorities, or adverse changes in the macroeconomic and fiscal position, they may in due course be required to identify reductions in their baseline allocations.

Setting out options in the budget submission

Each department may set out up to six options. The part of the submission describing these options should cover no more than 12 pages in total (so, for example, if there are six options each may take up at most two pages on average, but if there are only three options each could average four pages in length).

This restriction is essential as the Medium Term Expenditure Committee has to consider options across all departments.

The format for each option is explained below and a skeleton of the format is shown in Appendix B. Schedule 3 in Annexure A should complement the section on options setting out a short, concise summary of departmental options.

Option number and name

Each option should be given a number (from 1 to 6) and a name. These should appear at the top of the option's description.

Following the number and name, the description of the option should begin with a table showing the total change to the department's medium-term baseline allocation in rand thousand. Below this, the change should be broken down between the department's programmes.

Summary of option

R'000s	2002/03	2003/04	2004/05
Total	**-50 000**	**100 000**	**30 000**
of which			
Programme [number, name]	-100 000	30 000	10 000
Programme [number, name]	40 000	50 000	20 000
New programme [number, name]	10 000	20 000	0

Description of the option and link to strategic objectives

The option should be described in detail here. In particular, departments should explain how the option for changing the medium-term baseline allocation of the department contributes to the strategic priorities, objectives and policy developments of the department outlined at the start of the budget submission.

The department should also set out the capacity and ability of the department to plan, budget for, implement and monitor the option. This is particularly important with respect to options relating to non-recurrent expenditure.

Option output and service delivery specification

Once the option has been outlined in terms of its contribution to strategic priorities and objectives, it should be defined with respect to the services that the option would 'buy'. That is, the outputs or service deliverables that the department intends providing should the option be approved. Output service delivery indicators and targets should also be defined in order to provide an indication on how service deliverables will be measured and progress on delivery tracked.

This information should be set out in a table, analogous to the key output and indicator table in the *2001 Estimates of National Expenditure*.

Option	Outputs	Service delivery indicators	Service delivery targets

Costing of the option

The department should explain how the option was costed. It is critical that the department include all direct and indirect costs and that any new capital or non-recurrent costs and operating costs required to provide the output specified be detailed. The explanation should also indicate the financial impact to other bodies, particularly provinces and local government.

The summary of the option table should be expanded in this section to cover the all elements pertaining to the full costing of the option, including any costs beyond the medium-term period.

The method of costing and risks that that have been identified (for instance, planning and implementation risk on a capital project) that may impact on expenditure and service delivery should be described in detail below the table.

R'000s	2002/03	2003/04	2004/05	2005/06	2006/07 etc.
Total	**-50 000**	**100 000**	**30 000**		
of which					

Interdepartmental (or other body) linkages

Any interdepartmental linkages that implementation of the option would require should be set out here. This should include:

- Complementary expenditure programmes in other departments
- The views of stakeholders, including provinces, local government and other departments, which may be affected by implementation of the option
- Elements of the option (if any) which involve transfers to other bodies, such as provinces, local government, public entities, agencies or commissions

Public-private partnership options

Options for PPPs should follow the format set out above. Departments should note that if the capital expenditure for the project has already been approved, it may be used as the benchmark for assessing affordability. If capital expenditures have not been approved however, the PPP feasibility study may be used to bring it on to the budget. If the feasibility study shows the project to be affordable, it could be submitted for inclusion within the medium-term expenditure period.

Following the budget submission

After National Treasury has received the departmental budget submissions, spending teams and budget analysts will compile and send two documents to departments **within four weeks after the departmental submissions have been received**. These include:

- Up to three pages in total of National Treasury spending teams and budget analysts' written comments or queries on the department's options
- Up to six further pages with National Treasury spending teams and budget analysts' views on other possible changes to the department's baseline allocation

These documents would reflect the views of National Treasury spending teams and budget analysts. It will, of course, be open to the Medium Term Expenditure Committee and the Ministers' Committee on the Budget to consider other views and possibilities too.

The department may then offer up to three pages in total of written comments on National Treasury spending teams and budget analysts' views. These should be sent to National Treasury by **Monday 13 August 2001**. An example of a comment may be seen in the proposed comment format in Annexure B.

Comments may offer different opinions and perspectives from the options to which they refer. But the description of options themselves should only be amended if material factual inaccuracies.

The Medium Term Expenditure Committee and Ministers' Committee on the Budget evaluation of departmental budget submissions will focus on how their options related to department strategic policy priorities and to Government's broader medium-term policy and spending priorities.

5

2002 Budget process schedule

	2001
mid April	National Treasury guidelines issued to departments and provincial treasuries to guide the preparation of budget submissions
mid April – 29 June	Departments prepare 2002 budget submissions FFC submits its recommendations during April/ May
mid April – end August	Provincial treasuries prepare 2002 MTEF budgets
22 May	**Ministers' Committee on the Budget holds initial discussions on the 2002 medium-term policy priorities and other considerations**
June	Integrated justice sector cluster review team meets to develop a common approach to policy and budgetary priorities of the cluster
13 June	**Ministers' Committee on the Budget meets to discuss Poverty Relief Fund considerations: report on 2000/01**
27 June	**Cabinet review of consideration of poverty relief fund considerations: report on 2000/01**
29 June	Departments submit 2002 budget submissions to National Treasury
29 June – 10 August	National Treasury review of 2002 budget submissions National Treasury and departments produce supporting documentation wrt policy and budgetary options submitted to MTEC
July	Integrated justice sector cluster review team considers cluster-wide issues affecting departmental budget submissions and assists the national Treasury to compile a cluster-wide assessment of needs and priorities
July	National Treasury visits to provincial treasuries
4 – 7 July (provisional date)	**Budget Council Lekgotla**
2 – 3 August	**Division of Revenue workshop**

7 August	**Ministers' Committee on the Budget Preliminary consideration of spending pressures in relation to the 2002 Division of Revenue**
13 August	Departmental responses to National Treasury comments or queries on departmental budget submissions submitted to National Treasury in preparation for MTEC
28 August	Provincial treasuries to submit preliminary MTEF budgets to National Treasury (for MTBPS)
30 August	**Ministers' Committee on the Budget to consider the 2002 macroeconomic and fiscal framework and the Division of Revenue in relation to Government Priorities**
3 September	Department submit requests to change programme structure, programme names and/ or descriptions to National Treasury
3 – 20 September	Medium Term Expenditure Committee (MTEC) on allocations to national votes for 2002/03 – 2004/05
3 – 28 September	Provincial MTEC hearings: 2002/03 – 2004/05
5 September	**Extended Cabinet meeting to consider:** **Macroeconomic and fiscal framework and Division of Revenue in relation to Government Priorities**
31 September	National Treasury evaluates and finalises departmental requests to change programme structure, programme aims and/ or descriptions
9 October	Departments to submit 3-year corporate plans and budgets of public entities to National Treasury (s53 of PFMA)
10 October	**Cabinet to consider revised memorandum on Fiscal and Macroeconomic Framework and Division of Revenue (incl. Conditional Grants)**
18 October	**Ministers' Committee on the Budget to consider draft 2001 Medium Term Budget Policy Statement**
24 October	**Briefing of Cabinet on Adjustments Estimate: 2001/02 and draft 2001 MTBPS**
26-27 October	**Ministers' Committee on the Budget to consider 2002 MTEF allocations to national votes and ministerial peer review discussions**
29 October (assumed date)	**Adjustments Estimate: 2001/02 and the 2001 Medium Term Budget Policy Statement presented to Parliament**

7 November	**Cabinet to consider 2002 MTEF allocations to national votes**
mid November	Allocations for 2002/03 to National departments
mid-end November	National Treasury visits to provincial treasuries
5 December	Departments submit draft *2002 Estimates of National Expenditure* departmental chapter
19 December	Departments submit *2002 Estimates of National Expenditure* database inputs for 2002/03 – 2004/05
19 December	Provinces submit printer's proofs for the 2002/03 financial year
	2002
6 January	Drat 2002 Division of Revenue Bill submitted to the FFC and to Cabinet
20 February	**Budget Day : 2002 Budget tabled before Parliament**
21 February - 6 March	**Provincial budgets tabled before provincial legislatures**

Glossary

Accounting officer	The civil servant in a department who is accountable to Parliament for financial management, usually the Director-General or head of the department.
Appropriation	The approval by Parliament of spending from the National Revenue Fund, or by the provincial legislature from the Provincial Revenue Account. (See *statutory appropriation*; *standing appropriation*; *vote*)
'Baseline' estimates	The estimates for year 1 and year 2 of the new MTEF are the forward estimates for the respective years published in the previous year's budget.
Budget Council	A body established to coordinate financial relations between national and provincial government, comprising the Minister and Deputy Minister of Finance and the nine provincial MECs for Finance.
Budget Forum	A body established to coordinate financial relations between national, provincial and organised local government, comprising the Budget Council, five members nominated by the South African Local Government Association (SALGA) and one representative from each of the provincial associations. Though not a member, the Minister of Provincial and Local Government is invited to the meetings of the Budget Forum.
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 *agency payments)*
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.
Donor grant funding	Donor grants used to supplement MTEF allocated expenditure.
Division of revenue	The allocation of funds between the spheres of government, as required by the Constitution.
Equitable shares	The allocation of revenue to the national, provincial and local spheres of government, as required by the Constitution.
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 12 months on which government budgets are based, beginning 1 April and ending 31 March of the subsequent calendar year.
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.
GDP inflation	The rate of increase of prices across gross domestic product.
Option	Sets out a possible change in a department's baseline allocation.
Medium-term expenditure framework (MTEF)	The 3-year spending plans of national and provincial governments, published at the time of the budget.
Project loan	Strategy of debt financing using the project loan facilities of international lending institutions. Usually includes elements of technical support and capacity building.
Reprioritisation within baseline	The proposed re-allocation of resources to programmes and activities if the department were to receive the medium-term baseline as its allocation.
Rolling budgets	A budget system in which 3-year forward projections are revised annually.
Treasury (national)	The national departments responsible for financial and fiscal matters, that is, the Departments of Finance and State Expenditure
Treasury committee	Committee that evaluates all requests for additional funds for unavoidable and unforeseen expenditure during a financial year.
Vertical division of revenue	The division of revenue between spheres of government.
Vote	An appropriation voted by Parliament.

Annexure A

2002 budget submission schedules 1 to 13

- Schedule 1: Summary of expenditure programmes and options
- Schedule 2: Reasons for changes to medium-term baseline allocations (reprioritisation)
- Schedule 3: Summary of options proposed
- Schedule 4: Summary of expenditure per economic classification and standard item
- Schedule 5: Summary of programme expenditure per subprogramme
- Schedule 5(a): Details of programme expenditure by subprogramme, economic classification and standard item *(This schedule must be completed for each programme)*
- Schedule 6: Personnel expenditure according to programmes and subprogrammes
- Schedule 7: Capital works and accommodation expenditure
- Schedule 8: Conditional grants to provinces and local government
- Schedule 9: Poverty relief, infrastructure investment and job summit projects
- Schedule 10: Information and communications technology expenditure per programme
- Schedule 11: Project loans
- Schedule 12: Donor grant funding
- Schedule 13: Public-Private Partnerships

VOTE:

SCHEDULE 1

SUMMARY OF EXPENDITURE PROGRAMMES AND OPTIONS

PROGRAMME	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (Estimates of National Expenditure (ENE))	MTEF 2002/03				MTEF 2003/04				MTEF 2004/05					
					MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	% 1998/99 TO 2001/02	% 2001/02 TO 2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000			
1 Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus : Activities discarded	-	-	-	-														
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SUMMARY OF OPTIONS

No.	NAME OF OPTION	2002/03		2003/04		2004/05	
		DEPT	TREASURY	DEPT	TREASURY	DEPT	TREASURY
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		R'000	R'000	R'000	R'000	R'000	R'000
1	Option name	-	-	-	-	-	-
2	Option name	-	-	-	-	-	-
3	Option name	-	-	-	-	-	-
4	Option name	-	-	-	-	-	-
5	Option name	-	-	-	-	-	-
6	Option name	-	-	-	-	-	-
TOTAL (Options)		-	-	-	-	-	-

VOTE:

SCHEDULE 2

MAIN REASONS FOR CHANGES TO MEDIUM-TERM BASELINE ALLOCATIONS (REPRIORITISATION)

(columns 7, 11 and 15 of Schedule 1)

PROGRAMME (1)	SUMMARISED REASONS FOR REPRIORITISATION (2)	2002/03 (3)	2003/04 (4)	2004/05 (5)
		R'000	R'000	R'000
1 ADMINISTRATION		-	-	-
- specify service / activity				
2 PROGRAMME NAME		-	-	-
- specify service / activity				
3 PROGRAMME NAME		-	-	-
- specify service / activity				
TOTAL		-	-	-

VOTE:

SCHEDULE 3

SUMMARY OF OPTIONS PROPOSED

OPTION	PROGRAMME	SHORT DESCRIPTION OF OPTION	2002/03		2003/04		2004/05	
			DEPT	TREASURY	DEPT	TREASURY	DEPT	TREASURY
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			R'000	R'000	R'000	R'000	R'000	R'000
1 OPTION NAME	PROGRAMME		-	-	-	-	-	-
2 OPTION NAME	PROGRAMME		-	-	-	-	-	-
3 OPTION NAME	PROGRAMME		-	-	-	-	-	-
4 OPTION NAME	PROGRAMME		-	-	-	-	-	-
5 OPTION NAME	PROGRAMME		-	-	-	-	-	-
6 OPTION NAME	PROGRAMME		-	-	-	-	-	-
TOTAL			-	-	-	-	-	-

VOTE:

SCHEDULE 4

SUMMARY OF EXPENDITURE PER ECONOMIC CLASSIFICATION AND STANDARD ITEM CLASSIFICATION

CLASSIFICATION	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (Estimates of National Expenditure (ENE))	MTEF												% 1998/99 TO 2001/02	% 2001/02 TO 2004/05
					2002/03				2003/04				2004/05					
					MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000			
ECONOMIC CLASSIFICATION																		
CURRENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Subsidies to business enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other levels of government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
universities and technikons	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
extra-budgetary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
provincial government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
local government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Households and non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign countries & international credit inst.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other levels of government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Motor vehicles (transport)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Computer equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (Economic classification)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

STANDARD ITEM																		
Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Base amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- New salary improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Carry through cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Consultants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (Standard items)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 5

SUMMARY OF PROGRAMME EXPENDITURE PER SUBPROGRAMME

PROGRAMMES/ SUBPROGRAMMES	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (Estimates of National Expenditure (ENE))	MTEF												% 1998/99 TO 2001/02	% 2001/02 TO 2004/05
					2002/03				2003/04				2004/05					
					MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000			
1 Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 Transfer payment: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 Poverty relief project: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.15 Conditonal grant: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.3 Transfer payment: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Poverty relief project: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.15 Conditonal grant: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Transfer payment: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4 Poverty relief project: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.15 Conditonal grant: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Programme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 subprogramme name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Transfer payment: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4 Poverty relief project: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.15 Conditonal grant: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plus: Activities discarded	-	-	-	-														
-specify																		
-specify																		
-specify																		
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 5 (a)

DETAILS OF PROGRAMME EXPENDITURE PER SUBPROGRAMME, ECONOMIC CLASSIFICATION AND STANDARD ITEM

1 Programme name

					MTEF													
	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (ENE)	2002/03				2003/04				2004/05					
					MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	% 1998/99 TO 2001/02	% 2001/02 TO 2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000			
SUBPROGRAMME																		
Subprogramme	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payment: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Poverty relief project: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conditonal grant: specify	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ECONOMIC CLASSIFICATION																		
CURRENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Subsidies to business enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other levels of government																		
social security funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
universities and technikons	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
extra-budgetary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
provincial government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
local government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Households and non-profit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign countries & international credit inst.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other levels of government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movable capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Motor vehicles (transport)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Computer equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other office equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

STANDARD ITEM CLASSIFICATION																		
Personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Base amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- New salary improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Carry through cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Consultants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 6

PERSONNEL EXPENDITURE ACCORDING TO PROGRAMMES AND SUBPROGRAMMES

PROGRAMMES	1998/99		1999/2000		2000/01		2001/02		2002/03		2003/04		2004/05	
	ACTUAL	POSTS	ACTUAL	POSTS	ACTUAL	POSTS	TOTAL	POSTS	MTEF	POSTS	MTEF	POSTS	MTEF	POSTS
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	R'000		R'000		R'000		R'000		R'000		R'000		R'000	
1 **Administration**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 subprogramme name														
1.2 subprogramme name														
1.3 subprogramme name														
1.4 subprogramme name														
1.15 subprogramme name														
2 **Programme name**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 subprogramme name														
2.2 subprogramme name														
2.3 subprogramme name														
2.4 subprogramme name														
2.15 subprogramme name														
3 **Programme name**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1 subprogramme name														
3.2 subprogramme name														
3.3 subprogramme name														
3.4 subprogramme name														
3.15 subprogramme name														
4 **Programme name**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 subprogramme name														
4.2 subprogramme name														
4.3 subprogramme name														
4.4 subprogramme name														
4.15 subprogramme name														
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS	AMOUNT	NO. OF POSTS
	R'000		R'000		R'000		R'000		R'000		R'000		R'000	
Posts filled														
Posts to be filled														
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 7

CAPITAL WORKS AND ACCOMMODATION EXPENDITURE

	2001/02 MTEF BASELINE	MTEF							LONG-TERM PLANNING					
		2002/03			2003/04			2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
		MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
A CAPITAL WORKS PROJECTS STATE OWNED PROPERTY (Public Works)														
WORKS COMPLETED (2001/02)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
WORKS-IN-PROGRESS (per project)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
NEW WORKS (per project)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
WORKS CURRENTLY ON PUBLIC WORKS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Planned maintenance														
- Municipal services, rates and taxes														
TOTAL (A)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B OTHER ACCOMMODATION COSTS														
LEASING / RENTALS	-	-	-	-	-	-	-	-						
- (specify)														
- (specify)														
OTHER	-	-	-	-	-	-	-	-						
- (specify)														
- (specify)														
TOTAL (B)	-	-	-	-	-	-	-	-						

VOTE:

SCHEDULE 8

CONDITIONAL GRANTS TO PROVINCES AND TO LOCAL GOVERNMENT (as per Division of Revenue Act)

GRANT	PROVINCE	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (Estimates of National Expenditure)	MTEF											
						2002/03				2003/04				2004/05			
						MTEF BASELINE (Estimates of National Expenditure)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (Estimates of National Expenditure)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
		R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000	
1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Eastern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Free State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Gauteng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KwaZulu-Natal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mpumalanga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Province	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	North-West	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Western Cape	-	-	-	-	-	-			-	-			-	-		
	Local Government	-	-	-	-	-	-			-	-			-	-		
	Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Eastern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Free State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Gauteng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KwaZulu-Natal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mpumalanga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Province	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	North-West	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Western Cape	-	-	-	-	-	-			-	-			-	-		
	Local Government	-	-	-	-	-	-			-	-			-	-		
	Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

GRANT		CONDITIONS FOR 2002/03	FORMULA FOR ALLOCATION OF GRANT
1	-		
2	-		

VOTE:

SCHEDULE 9

POVERTY RELIEF, INFRASTRUCTURE INVESTMENT AND JOB SUMMIT PROJECTS

PROGRAMME / SUBPROGRAMME	PROVINCE / NATIONAL	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF ALLOCATION	MTEF 2002/03 MTEF ALLOCATION	MTEF 2002/03 % YEAR ON YEAR	MTEF 2003/04 MTEF ALLOCATION	MTEF 2003/04 % YEAR ON YEAR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		R'000	R'000	R'000	R'000	R'000		R'000	
PROGRAMME									
Subprogramme		-	-	-	-	-	-	-	-
	Eastern Cape						-		-
	Free State						-		-
	Gauteng						-		-
	KwaZulu-Natal						-		-
	Mpumalanga						-		-
	Northern Cape						-		-
	Northern Province						-		-
	North-West						-		-
	Western Cape						-		-
							-		-
	National						-		-
PROGRAMME									
Subprogramme		-	-	-	-	-	-	-	-
	Eastern Cape						-		-
	Free State						-		-
	Gauteng						-		-
	KwaZulu-Natal						-		-
	Mpumalanga						-		-
	Northern Cape						-		-
	Northern Province						-		-
	North-West						-		-
	Western Cape						-		-
							-		-
	National						-		-
TOTAL		-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 10

INFORMATION AND COMMUNICATIONS TECHNOLOGY EXPENDITURE PER PROGRAMME

PROGRAMME/PROJECT	ITEM	2001/02	MTEF		
			2002/03	2003/04	2004/05
(1)	(2)	(3)	(4)	(5)	(5)
		R'000	R'000	R'000	R'000
PROGRAMME	**TECHNOLOGY** - Hardware - Software and licences - Audio-Visual equipment - Systems **IT SERVICES** - Consulting - Outsourcing				
SUBTOTAL					
PROGRAMME	**TECHNOLOGY** - Hardware - Software and licences - Audio-Visual equipment - Systems **IT SERVICES** - Consulting - Outsourcing				
SUBTOTAL					
TOTAL		-	-	-	-

VOTE:

SCHEDULE 11

PROJECT LOANS

A: PROJECT LOANS - RECENT AND AGREED FOR MTEF YEARS

PROJECT	PROGRAMME / SUBPROGRAMME	INCLUDED WITHIN MTEF?*	DONOR(S)	1998/99	1999/00	2000/01	2001/02	MTEF		
								2002/03	2003/04	2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
				R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total		-		-	-	-	-	-	-	-

B: PROJECT LOANS - UNDER CONSIDERATION

PROJECT	PROGRAMME / SUBPROGRAMME	TO BE INCLUDED WITHIN MTEF?**	DONOR(S)	DISCUSSED YET WITH TREASURY	STATUS OF PROPOSED PROJECT LOAN ***	2001/02	MTEF		
							2002/03	2003/04	2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
						R'000	R'000	R'000	R'000
Total		-				-	-	-	-

* If not, this will need to be discussed with Treasury.

**All proposed project loans must be to be included within MTEF.

*** This column should include for each proposal a paragraph explaining the state of play on development of the loan proposed and discussion with donor institutions.

VOTE:

SCHEDULE 12

DONOR GRANT FUNDING

A: DONOR GRANT FUNDING - RECENT AND AGREED FOR MTEF YEARS

PROGRAMME / SUBPROGRAMME	IN CASH OR IN KIND?*	DONOR(S)	1998/99	1999/00	2000/01	2001/02	MTEF		
							2002/03	2003/04	2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
			R'000	R'000	R'000	R'000	R'000	R'000	R'000
In-cash sub-total	C								
In-kind sub-total	K								
Total			-	-	-	-	-	-	-

B: DONOR GRANT FUNDING – UNDER CONSIDERATION

PROGRAMME / SUBPROGRAMME	IN CASH OR IN KIND?*	DONOR(S)	STATUS OF PROPOSED DONOR FUNDING?**	2001/02	MTEF		
					2002/03	2003/04	2004/05
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				R'000	R'000	R'000	R'000
In-cash sub-total	C						
In-kind sub-total	K						
Total				-	-	-	-

* Indicate with a C or a K.

** This column should include for each line a paragraph explaining the state of play on development of the donor grant under consideration with donor institutions.

VOTE:

SCHEDULE 13

PUBLIC-PRIVATE PARTNERSHIPS

PROJECT DESCRIPTION	TOTAL COST OF PROJECT	2001/02 MTEF BASELINE (Estimates of National Expenditure (ENE))	MTEF								
			2002/03			2003/04			2004/05		
			MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	MTEF BASELINE (ENE)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
A UNDER IMPLEMENTATION											
1 (Specify per project)	-	-	-	-	-	-	-	-	-	-	-
PPP Unitary Charge											
Advisory Fees											
Revenue Generated (if applicable)											
Project Monitoring Cost											
2 (Specify per project)	-	-	-	-	-	-	-	-	-	-	-
PPP Unitary Charge											
Advisory Fees											
Revenue Generated (if applicable)											
Project Monitoring Cost											
SUBTOTAL (A)	-	-	-	-	-	-	-	-	-	-	-
B NEW PROJECTS											
1 (Specify per project)	-	-	-	-	-	-	-	-	-	-	-
PPP Unitary Charge											
Advisory Fees											
Revenue Generated (if applicable)											
Project Monitoring Cost											
2 (Specify per project)	-	-	-	-	-	-	-	-	-	-	-
PPP Unitary Charge											
Advisory Fees											
Revenue Generated (if applicable)											
Project Monitoring Cost											
SUBTOTAL (B)	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A + B)	-	-	-	-	-	-	-	-	-	-	-

Annexure B

Suggested format for options

Option number and name

Summary of option

R'000s	2002/03	2003/04	2004/05
Total			
of which Programme [number, name] Programme [number, name] New programme [number, name]			

Description of the option and link to strategic objectives

Insert detail of option description here and its link to departmental strategic priorities and objectives.

Option output and service delivery specification

Insert information here in table format, analogous to the key output and indicator table in the *2001 Estimates of National Expenditure*.

Option	Outputs	Service delivery indicators	Service delivery targets

Costing of the option

The summary of the option table should be expanded in this section to cover the all elements pertaining to the full costing of the option, including any costs beyond the medium-term period.

R'000s	2002/03	2003/04	2004/05	2005/06	2006/07 etc.
Total	**-50 000**	**100 000**	**30 000**		
of which					

Interdepartmental (or other body) linkages

Any interdepartmental linkages that implementation of the option would require should be set out here

Suggested format for comments on options

Number and name of option being commented on

Summary of option

R'000s	2002/03	2003/04	2004/05
Total			
of which Programme [number, name] Programme [number, name] New programme [number, name]			

Comment on option

Comments on the option should refer to:

- Link to departmental and Government's strategic priorities
- Service delivery indicators and targets
- Costing of the option
- Interdepartmental (or other body)linkages

Annexure C

Integrating strategic planning into the budget process

Introduction

Reforms to public sector financial management and budgeting practices have become a reality with the introduction of the Public Finance Management Act (PFMA) of 1999, and the subsequent *Treasury Regulations, 2001*. During the next few years, as Government changes the way it manages its finances, all citizens will share the benefits of enhanced accountability, greater transparency and better value for money. The magnitude of the task should not be underestimated. While the goal may be clear, the implementation will require significant commitment and effort across government.

In terms of the *Treasury Regulations, 2001* and the *Public Service Regulations, 2001* departments are requested to prepare and table strategic plans before Parliament or the relevant provincial legislature within 15 working days after the Minister of relevant MEC for Finance has tabled the annual budget.

Development of strategic plans and their integration into the budget process is an iterative exercise. Strategic planning and prioritisation is the starting point for preparation of the departmental budget submission as it guides departmental reprioritisation within the medium-term baseline allocations and provides the rationale for policy options regarding changes to baseline allocations over the next 3-year period.

Integrating strategic planning, budgeting and monitoring of service delivery performance, coupled with effective financial information and advice, will enhance the link between the services that departments provide and the benefits and costs of such services.

Treasury and Public Service Regulations

Treasury Regulations

The following is an extract from Part 3, Chapter 5 in the *Regulations*, as it relates to strategic plans.

5.1 Date of implementation

5.1.1 The accounting officer of an institution must prepare a strategic plan for the MTEF period commencing 1 April 2002 for approval by the relevant executive authority.

5.2 Strategic plans

5.2.1 The approved strategic plan must be tabled in Parliament or the relevant provincial legislature within 15 working days after the Minister or relevant MEC for finance has tabled the annual budget.

5.2.2 The strategic plan must –

– (a) cover a period of three years and be consistent with the institution's published medium term expenditure estimates;

– (b) include the measurable objectives and outcomes for the institution's programmes ;

- (c) include details of proposed acquisitions of fixed or movable capital assets, planned capital investments and rehabilitation and maintenance of physical assets;
- (d) include details of proposed acquisitions of financial assets or capital transfers and plans for the management of financial assets and liabilities;
- (e) include multi-year projections of income and projected receipts from the sale of assets;
- (f) include details of the Service Delivery Improvement Programme;
- (g) include details of proposed information technology acquisition or expansion in reference to an information technology plan that supports the information plan; and
- (h) for departments, include the requirements of Chapter 1, Part III B of the *Public Service Regulations*, 2001.
-

- 5.2.3 The strategic plan must form the basis for the annual reports of accounting officers as required by sections 40(1)(d) and (e) of the Act.

5.3 Evaluation of performance [Section 27(4) read with 36(5) of the PFMA]

5.3.1 The accounting officer of an institution must establish procedures for quarterly reporting to the executive authority to facilitate effective performance monitoring, evaluation and corrective action.

Public Service Regulations

The following is an extract from Part III: Planning, Work Organisation and Reporting of the above document, as it relates to strategic plans.

B. STRATEGIC PLANNING

B.1 An executing authority shall prepare a strategic plan for her or his department -

(a) stating the department's core objectives, based on Constitutional and other legislative mandates, functional mandates and the service delivery improvement programme mentioned in regulation III C;

(b) describing the core and support activities necessary to achieve the core objectives, avoiding duplication of functions;

(c) specifying the functions the department will perform internally and those it will contract out;

(d) describing the goals or targets to be attained on the medium term;

(e) setting out a programme for attaining those goals and targets;

(f) specifying information systems that-

(i) enable the executing authority to monitor the progress made towards achieving those goals, targets and core objectives;

(ii) support compliance with the reporting requirements in regulation III J and the National Minimum Information Requirements, referred to in regulation VII H; and

(g) complying with the requirements in paragraphs 5.1 and 5.2 of the Treasury Regulations.

B.2 Based on the strategic plan of the department, an executing authority shall-

(a) determine the department's organisational structure in terms of its core and support functions;

(b) grade proposed new jobs according to the job evaluation system referred to in Part IV;

(c) define the posts necessary to perform the relevant functions while remaining within the current budget and medium-term expenditure framework of her or his department, and the posts so defined shall constitute the department's approved establishment; and

(d) engage in the human resource planning in accordance with regulation III D with a view to meeting the resulting human resource needs.

B.3 In implementing the strategic plan, a head of department shall-

(a) promote the efficient, economic and effective use of resources as to improve the functioning of the department; and

(b) to that end, apply working methods such as the re-allocation, simplification and co-ordination of work, and eliminate unnecessary functions.

Integrated strategic plans

Departmental strategic plans

The strategic planning process is one of the key responsibilities of accounting officers. It is central to their responsibility in terms of section 38 of the PFMA, relating to the effective, efficient, economical and transparent use of the resources of their departments. As such, the strategic planning process should be driven by the accounting officers, with full participation by other senior managers.

Active and visible support from top management

Plans alone will not guarantee results. Top management should openly drive and actively lead the department's strategic planning process. The strategic planning philosophy should also be communicated to officials at all levels, while senior managers should assist other managers in developing lower-level plans. Managers' performance in attaining the stated objectives of the department also be evaluated.

Benefits of strategic plans

The strategic plan addresses the key areas on which the organisation should focus in support of Government's policy priorities, as well as the strategies to achieve them. It is an essential tool, enabling accounting officers and managers better to achieve Government's objectives, to address financial management and service delivery problems, and to ensure that services are delivered in the most economical, effective and efficient manner. It provides a sound framework for future improvements in the strategic management of a department. The strategic planning process further promotes communication between the accounting officer and the relevant Minister or Member of the Executive Council (MEC) of a province, ensuring commonality of understanding and purpose in the department's pursuit of government objectives and outcomes.

The strategic planning process will assist departments in:

- Formally communicating their aim and mission statements
- Focusing management and staff on achieving their department's objectives through various programmes and outputs
- Indicating how their departments will utilise their medium-term budget allocations to achieve their objectives over the relevant three financial years, by revealing the strategies to link financial and programme objectives in a medium-term plan

- Developing service delivery indicators and targets for each strategy and programme to measure the achievement of departmental objectives, thereby establishing a basis for continuous improvement to meet clients' evolving needs
- Facilitating and reflecting specific planning arrangements between departments where more than one department is responsible for completing a project (cross-cutting functions), by creating a unified approach to service delivery
- Demonstrating externally that the needs of the department's clients are being addressed
- Generating information that will meet reporting requirements

Strategic planning and budgeting for service delivery

Published strategic plans make government operations transparent to the legislatures and are key instruments in the accountability and budgeting process. In future, they will provide essential information for the legislatures to assess proposed programmes and funding. They will also, through providing service delivery or performance measures and indicators, enable them to evaluate service delivery when these measures and indicators are published in annual reports. Strategic plans therefore lay the foundation for the implementation of budgeting for service delivery.

Linking a strategic plan with other documents

A strategic plan cannot be developed in isolation. It should be the result of thorough consultation with all relevant stakeholders. The strategic plan must therefore link to and be consistent with:

- *Estimates of National Expenditure*: The departmental budget process should flow from the strategic planning process, and the strategic plan's details on departmental programmes and costs must be consistent with the information provided in the *Estimates of National Expenditure*.

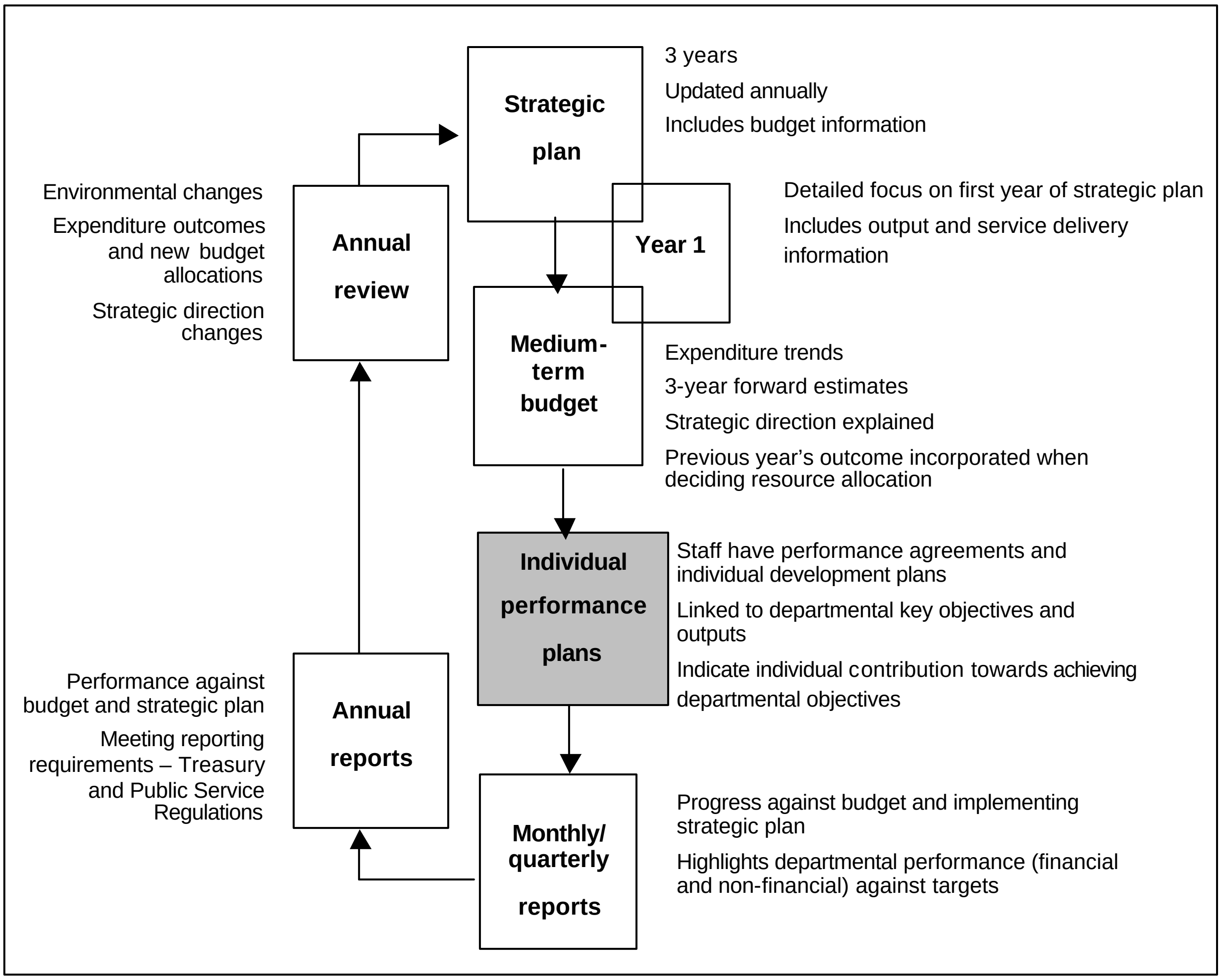
- *Performance agreements between a Minister and the head of a department:* Departmental objectives specified in this agreement must relate to the departmental objectives specified in the strategic plan.

- *Performance agreements between the head of a department and senior managers:* Strategic planning forms the basis for allocating responsibility within a department through operational plans for the branches or directorates responsible for the delivery of specific programmes. Individual managers are made accountable for these services and outputs through their performance agreements. Departmental objectives specified in the strategic plan must therefore be incorporated in these agreements.

- *Service Delivery Improvement Programme:* Services specified in these programmes must form part of departmental programmes and activities set out in budget submissions and must be reflected in the Budget tabled in Parliament.

- *Departmental annual reports*: Information contained in departmental annual reports should reflect achievements in relation to the objectives set out in the department's strategic plan for the previous year.

Planning and budget cycle



Minimum content requirements for a strategic plan

Contents of strategic plans

Each department may determine the format, presentation and contents of its strategic plan. However, departments should adhere to the requirements of the *Treasury Regulations*, 2001 and the *Public Service Regulations, 2001*. National Treasury considers the following information to be important for scrutinising draft departmental strategic plans alongside budget submissions and departmental reports:

- Concise departmental aims, analogous to a mission statements
- An indication of the key departmental objectives, based on constitutional and legislative mandates, as determined by the responsible Minister or MEC, which are outcome related and support Government's priorities
- The core and support activities (strategies and outputs) necessary to achieve each of these objectives
- Service delivery indicators and milestones or 'targets' to measure the achievement of departmental key objectives

- The resources needed for each departmental objective over a 3-year period, including investment capital and information technology expertise, special systems and skills development
- Information on interdepartmental linkages, where two or more departments contribute towards the delivery of the same objective or project
- Functions the department will perform internally and those it may contract out
- Any other factors relevant to the achievement of the objectives approved by the executive authority

Expenses, if any, which are not directly related to the achievement of a specific objective must be specified separately in the strategic plan.

Public Service Regulations

To meet the requirements of the Public Service Regulations, a thorough assessment of the following important internal issues must form part of the department's strategic plan:

- Human resource strategies (e.g. training, affirmative action and redundancy management)
- Job creation with the implementation of certain projects
- Information technology (e.g. upgrading of computer systems and management information systems) to enable the department to monitor and fulfil its core objectives

Physical assets

Expenditure relating to the acquisition and maintenance of departmental assets may, under traditional cash accounting arrangements, significantly affect a department's contribution to the overall budget balance (surplus or deficit) for the year. Proper planning, especially multi-year planning, can mitigate of these budgetary effects while accommodating the acquisition of important assets.

Due consideration and proper planning regarding the procurement, operation and maintenance, replacement and disposal of new and existing assets are required to ensure effective utilisation and accountability within the department. Issues to consider include:

- Analysing the key issues that may influence the department's requirements for physical assets in the medium to long term
- Analysing the appropriateness of existing physical assets in relation to the department's strategic plan and the needs of its clients
- Identifying the need for new physical assets and developing strategies to meet this need
- Developing strategies for maintaining the appropriate level of service potential of existing physical assets
- Developing strategies for disposing of redundant, obsolete and unserviceable assets

Additional information requested by Parliament

From time to time, Parliament or provincial legislatures might request departments to provide information on specific issues. Such information should be included in departmental strategic plans and reported in the annual reports.

Detailed specifications for the first year of a strategic plan (operational plan)

The strategic direction set out in the strategic plan should be translated into detailed outputs for the first year of the plan. This ensures a direct link between key departmental objectives and what managers and staff are expected to do to meet these objectives in Year 1. Specific information on how the department will achieve its objectives during the first financial year should be included here, complete with service delivery indicators. This information should reflect the integrated planning at all levels (e.g. branch, chief directorate, directorate), and be consistent with the resource requirements outlined in the *Estimates of National Expenditure*. The minimum requirements for information to be included for Year 1 of a strategic plan are outlined below.

Programme information

- The various programmes that will be pursued by the department to achieve its key objectives, including programme descriptions, measurable objectives for each programme, the total cost per programme and the intended lifespan of programmes. This information should correspond with that provided in the *Estimates of National Expenditure*.
- Information on new programmes and outputs planned for a financial year, including:
  - Justification for the new programmes and outputs
  - Specific outputs, expected costs, staffing and new capital on any new programmes to be commenced in the financial year, including their forward year implications
  - Information on any programmes and outputs to be scaled down or discontinued during the financial year in order to manage spending within the budgetary allocation, including the relevant amounts and strategies, with target dates, to scale down or abolish the programme or output

Interdepartmental planning arrangements

Where two or more departments contribute to the delivery of the same project or service, a concise summary of the contributions of each department must be included. Each responsible accounting officer must ensure that the summaries included in their respective plans are consistent. The relevant programme and output should be indicated, along with information on operating or capital expenditure.

Information on capital

Detailed information is required on any capital investment planned for the financial year.

Key internal issues

A brief summary of those key internal issues that will affect the delivery of outputs and programmes in the financial year, such as human resource strategies and the utilisation of information technology, are included in this section of the strategic plan.

Developing lower-level plans

To facilitate the proper implementation of the strategic plan, accounting officers should ensure that operational plans are developed for the units in their departments. These plans should be consistent with the strategic plan and budget of the department. They are extensions of the department's strategic plan but are narrower in scope as they apply only to a specific part of the department's operations. These plans ensure that programme and output details stated in the Year 1 information of the strategic plan are linked to the relevant chief directorate or directorate for which the operational plan is compiled.

Operational planning also ensures that managers take a systematic approach to managing individual performance, by linking programmes and outputs to the development of individual work plans at each level.

Pro forma of a departmental strategic plan

This pro forma does *not* replace the requirements of the *Treasury Regulations, 2001* or the *Public Service Regulations, 2001* on strategic planning, which must be adhered to at all times. The intention is merely to assist departments in compiling a strategic plan and to enhance the strategic planning process. As mentioned before, departments may determine their own formats according to their needs.

Introductory information

- *Foreword by the Minister* (Statement by the responsible Minister)
- *Foreword by the Director-General* (Statement by the head of the department)
- *Departmental aim or mission statement* (A departmental aim or mission statement defines what the department does, whom it serves and how this will be done, indicating its contribution towards Government's priorities)
- *Historical information* (Information on past performance, spending trends and results achieved with available funds)
- *Departmental values* (Symbols, behaviour and practices that bind the mission and departmental objectives)

Strategic direction

- *Key departmental objectives* (Information on the key departmental objectives (narrowly defined area of achievement over the shorter term), based on constitutional, legislative and functional mandates; core and support activities (strategies) to achieve departmental objectives, with milestones)

  The Department of ………….. will pursue the achievement of the following objectives:

Key departmental objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones
Programme 2 Promote healthy lifestyles	Increased emphasis on health promotion and prevention programmes aimed at promoting healthy lifestyles and reducing individual, organisational and environmental risk factors Continue to implement and extend programmes and provide services aimed at enhancing the health of particular community groups	Immunisations for those diseases that are preventable through immunisation and included in the South African Immunisation Schedule	% of at risk population immunised for those diseases that are preventable through immunisation and included in the South African Immunisation Schedule	95% of at-risk population immunised for those diseases that are preventable through immunisation and included in the South African Immunisation Schedule Implementation of plans for specific services, including ambulance, medicine, mental health, dental health and the aged
Programme 3.				
Programme 4				
Programme 5				

- *Resource requirements:* (Resource requirements for the medium term, in accordance with the medium-term expenditure allocations)

Key departmental objective	**2002/03 R 000**	**2003/04 R 000**	**2004/05 R 000**
Programme 1	000	000	000
Programme 2	000	000	000
Programme 3	000	000	000
Programme 4	000	000	000
Subtotal	000	000	000
Plus: – Expenses not relating to a specific objective	000	000	000
– Restructuring costs	000	000	000
Total	**000**	**000**	**000**

- *Interdepartmental linkages* (Include information on interdepartmental linkages where more than one department is responsible for the delivery of a service)

  The following projects are jointly administered and executed by the Departments of ………….

  –………………
  –………………

  Funding for the operational costs amounts to R…… and is provided on the various votes, as follows:

  –……………..
  –……………..

Capital investment strategy

(Include information on procurement, operation and maintenance, replacement and disposal of new and existing assets; costs should be accommodated within MTEF allocations)

Service Delivery Improvement Programme

(Include a summary of information from the departmental Service Delivery Improvement Programme to indicate how improved service delivery will affect on the achievement of the key departmental objectives)

Organisational management

- *Human resource strategy*
- *Affirmative action programme*
- *Information technology resource strategy*
- *Organisational structure*
- *Information on consultants (including services or functions that have been contracted out)*

Planning information for 2002/03

(Information on Year 1 of the strategic plan)

As we progress further with developing and tracking service delivery indicators, departments will be requested to incorporate indicators that pertain to effectiveness – quality, quantity and timeliness – efficiency, access and sustainability.

- *Programme and output details for the year ending 31 March 2003*

  The Department of ………….. will pursue the following objectives:

Programme 1: Health promotion and prevention

Subprogramme: ………………………..

Outputs	Service delivery indicator and target	Estimated cost *(as reflected in the Estimates of National Expenditure)* R 000
…………………	**Effectiveness** **Quality, quantity and timeliness:** An estimated 800 000 new-borns and children will be immunised for diseases that are preventable through immunisation. Services will be available at all-day clinics and hospitals for a minimum of seven hours on each departmental working day. Services will be free of charge to disadvantaged communities. **Efficiency:** The immunisation programme will be provided within the appropriated sum of R…..million. The average cost per application will be R……. **Access:** All clinics will be rendering immunisation services seven days a week for the next year. Special clinic visits to schools in rural areas will be made. **Sustainability:** The immunisation programme ……………	000
……………………	**Effectiveness** **Quality, quantity and timeliness…………………………………** **Efficiency…………………………………** **Access…………………………………** **Sustainability…………………………………**	000
Total: Programme 1		000

Programme 2: Achieve best possible health results with available resources

Subprogramme: ………………….

Outputs	Service delivery indicators	Estimated cost *(as reflected in the Estimates of National Expenditure)* R 000
……………………	**Effectiveness** **Quality, quantity and timeliness…………………………** **Efficiency…………………………………** **Access…………………………………** **Sustainability…………………………………**	000
Total: Programme 2		000

- *Services to be scaled down or abolished during 2002/03* (Information regarding the termination or scaling down of activities in order to manage spending within the budgetary allocation must include the following:
  - Relevant programmes and outputs
  - Amounts per programme and output
  - Strategies to phase out or scale down programmes or activities
  - Target dates for strategies)
- *Interdepartmental projects and contributions during 2002/03* (A concise summary of the tasks for which each department is responsible, reflecting planning arrangements where two or more departments contribute towards the delivery of the same project. The relevant programmes and activities involved should be indicated. Information regarding operating and/or capital expenditure must also be provided.)

The Department of Public Works is responsible for the erection of seven family clinics during 2002/03. Funding for operational costs are provided on vote: ………………….

Related programmes and activities:

Department of ………………
Programme 4: Service and facility planning
Subprogramme and activity: ………………………
Department of Public Works
Programme 5: Erection of buildings
Subprogramme and activity: ………………………

Appendix A: The Strategic planning process

Appendix A on the strategic planning process is included for departmental managers who are not experienced strategic planners and may not be directly responsible for strategic planning itself, but are interested in gaining further understanding of the concepts and processes involved in strategic planning.

Planning, according to Alan Lakein, is taking the past and "bringing the future into the present so that you can do something about it now". Many managers are good at managing day-to-day activities, but few manage the future direction of their organisations – most leave it to manage itself. Strategic planning is not a technique, but a way of running a department. The system should be developed, implemented, maintained and continuously improved.

A strategic plan should reflect a department's assessment of its current situation and future operating environment, its key departmental objectives (published as programmes in the *Estimates of National Expenditure*) in support of Government policy, and its strategies for achieving them with the available money. The plan is generally produced during a strategic planning session involving senior managers and other role players in the department.

There is no "right" way of strategic planning in the public sector, and each department should develop its own process. However, the approach outlined below has been adapted for the public sector and can be used as a guide. It remains important to ensure that systematic planning takes place, that there is a strong focus on results, and that managers are engaged in the planning and performance management processes to enhance accountability.

The following steps can be taken when coordinating the departmental planning effort:

- Identify the management team
- Decide on the planning process
- Develop a planning timetable
- Appoint a planning manager (coordinator)
- Start with a top-down approach
- Involve as many staff as possible
- Define and agree on the planning terminology

Strategic planning requires time, effort and a committed accounting officer and senior management. Where a department already has a management committee and its programmes clearly embody government policy, it simply needs to refine existing practices and utilise a more systematic approach. Managers should be trained, if necessary, in strategic planning techniques before embarking on the strategic planning process.

> Look at the department's history to identify trends and determine what lessons, if any, can be learned from past performance. Take into consideration spending trends, budget allocations and results achieved with available funds (refer to the *Estimates of National Expenditure* and financial statements). Also refer to departmental annual reports for strategic directions and programmes already communicated to the relevant legislature and the public.

The different steps of strategic planning are set out below:

Commitment analysis

The department cannot survive unless it satisfies different needs in different areas, meeting the requirements of its clients. During the strategic planning workshop, the mandate, functions and primary duties of the department should be set out clearly. The mandate encompasses all rules and regulations to which department should adhere. It determines the basic character of the department, directs its activities, and forces it to plan its actions and employ its resources in a manner that will satisfy any legal requirements and ensure its future existence.

> Managers participating in the strategic planning process should reflect thoroughly on the environmental needs their department has to satisfy, i.e. what exactly is required from the department. The primary functions should then be formulated. This step requires creative thinking – list any duty allowed within the mandates (in terms of services or products, client categories, or social or functional responsibilities), even though these may not have been pursued in the past. Review any relevant legislation under which the department operates – what are the legal obligations and are these still appropriate in the current climate? Ask whether the strategic direction of the department is aligned with the relevant government policy. Departmental mandates and clients' needs must be determined when compiling a strategic plan to ensure that outputs sufficiently address customers' needs.

Stakeholders analysis

Stakeholders are individuals, groups or organisations that are influenced by or affect the functioning of the department. They may have political influence or even direct power over resources, production levels, the work environment or service delivery.

> List all stakeholders and determine their relative importance – according to set criteria – noting their expectations of the department. Analyse client needs and service and programme delivery levels. If necessary, market research or a customer survey can be conducted to ensure a match between departmental and client perceptions.

Formulation of an aim or mission

The aim or mission of a department is the fundamental, unique purpose that distinguishes it from any other organisation of its type and identifies the scope of its operations in terms of its products, services and market.

The aim or mission is a general statement that defines what the department does, whom it serves and how this should be done. It should incorporate the department's range of products or services, its technology, image and primary market segment or clients. The aim or mission statement serves as a guide for departmental actions, ensuring that all activities and application of resources are aimed at the same end result.

An aim or mission may be narrow or broad in scope. Too narrow an aim or mission statement may restrict future opportunities for growth. A broad aim or mission statement, on the other hand, widens the scope of the organisation's activities to include a variety of services, markets and technologies. Too broad an aim or mission statement, however, does not clearly identify the areas the organisation wishes to emphasise, and may confuse employees, members and clients.

Each organisation has its own culture – a set of shared beliefs and values that guide employee behaviour. It is the accepted and acceptable way of doing things that, over time, has become the department's personality, visible in respect of:

- Symbols
- Behaviours
- Practices

In fact, values are the glue that binds mission, goals and objectives together.

> Study the department's obligations and stakeholder analyses and review the current mission statement (if any). If necessary, formulate a mission for the department that focuses on what is essential for achieving success. Answer the following questions: Why does the department exist? What is the department's business? What should the department be doing over the next three years?

Functional analysis

The functional analysis addresses the mandates, the functions and the routine activities of the department. It assists in determining the department's goals and key service deliverables. During this analysis, activities that fall outside a department's mandate or that do not add value to government objectives should be identified and terminated. Interdepartmental linkages, where two or more departments contribute towards the delivery of the same or related objective, outcome or project, must be identified.

Goals are vital to the successful functioning of the department and the realisation of its mission under reasonably stable and low-risk circumstances. A goal is an open-ended statement of what the department wishes to accomplish, with no quantification of what is to be achieved and no time criteria – a long-range statement of intent. Goals provide unifying direction to the department and all its units and can, where necessary, be supported by subgoals. They reflect the underlying purpose of a department and are likely to remain stable for a number of years.

In contrast, an objective is a narrowly defined area of achievement over the shorter term. It states what is to be accomplished, by when, by whom and should be quantified (that is, it includes performance information). Objectives should be concise, relevant, attainable, specific, and not just broad statements.

> Study available information and review the current objectives and programme information published in the *Estimates of National Expenditure*. Determine the key departmental objectives (future departmental programmes to be published in the *Estimates of National Expenditure* and against which funds will be appropriated by the legislature). Focus on the future; agree on the outcomes to ensure the success of the department; prioritise and consider alternatives.

Environmental/situational analysis

The external and internal environments affect the functioning of a department and influence the success of its service provision, whether positively or negatively. The department must produce a strategy that will balance its internal capabilities with its external environment.

The popular SWOT analysis technique may be applied to this end. One of the principles of the technique is that the factors influencing the performance of a department are grouped as either external (opportunities and threats) or internal (strengths and weaknesses). Every effort should be made to eliminate weaknesses and threats or at least to minimise their effects.

The SWOT analysis is based on the premise that the strategy must produce a strong fit between a department's internal capability and its external environment. The external environment of the department should be analysed in terms of anticipated opportunities and threats. The department itself should also be described in terms of its internal strengths and weaknesses. These four sets of factors form the database for further analysis and for the eventual strategy.

External factors (Opportunities and threats)

Since no department functions in isolation, it is continuously influenced by the rapidly changing external environment, i.e. factors that fall outside its sphere of influence and over which it has relatively little control. These factors may have a direct positive or negative influence on its functioning.

The department should therefore conduct a thorough analysis of its external environment: What changes have taken place, are taking place or are expected to take place? In what way will these environmental factors influence its future achievements? These factors normally fall within the political, economic, social and technological arenas, and the PEST analysis technique can be used to determine the opportunities and threats posed by the environment:

- An opportunity is a major favourable situation in the managerial environment, which may proactively be exploited to the benefit of the department, e.g. to provide a specific service for which there is a need.
- A threat is a major unfavourable situation in one or more of the managerial environments, which may, in the absence of proactive action, negatively affect the department e.g. restrictive legislation.

Apply the PEST analysis, and use the identified mission and function of the department to:

- Identify opportunities in the external environment of the department, which may be exploited towards the pursuit of its mission
- Indicate which threats are likely to have a negative influence on its future functioning

Internal factors (Strengths and weaknesses)

After having identified the external factors that may influence the functioning of the department, the internal environment must be addressed. No organisation can ever afford to stagnate, and should therefore continually examine itself and develop to meet the requirements of the external environment. It must examine all factors that are subject to its control and that may positively or negatively influence its performance. The department should make use of past experience in evaluating internal factors.

The 7-S framework can be used as an aid to a systematic analysis of the internal environment. This framework addresses areas that are inherent to the department and that are strongly linked to its success in reaching its objectives. These areas include:

Skills and resources	Capabilities, equipment, facilities, technology, funds, productivity
Structures	Organisational, job description, task division, delegations
Systems and processes	Financial, personnel, work flows, responsibilities, teamwork
Shared values	What drives organisation, stated, implied, good, bad
Staff	Demography, experience, training, education, knowledge, image
Strategy	Plan for allocating resources and achieving competitive edge
Style or symbolic behaviour	What management considers important, as shown by their actions and reward systems

With the aid of the 7-S framework, identify all factors within the department that may influence the performance of the team. Decide whether each factor is a limiting factor or an asset. List all strengths and weaknesses that affect the functioning of the department.

Strategic issues (Problem areas)

The previous step in the strategic planning process obviously leads to the identification of strategic issues or problem areas. These must be attended to immediately and effectively to prevent negative consequences or lost opportunities. Issues must be prioritised in terms of their importance, urgency, scope and contribution towards the success of the department. This will separate matters that require immediate attention from those that can be handled as part of routine planning activities.

The identification of strategic issues creates the necessary climate for changes, and the emphasis at this stage is on problem areas and not on solutions.

Revisit the SWOT analysis and identify strategic issues from the weaknesses, threats and opportunities. Prioritise about five issues from each of these areas. Draw up a concise description of each issue, as well as a proposed strategy for addressing it.

Formulating strategies/action plans

At this stage, strategies should be developed to address these strategic issues. All possible strategies and alternatives that may contribute to the success of the department should be identified. The SWOT technique can provide valuable insights into the efficiency of existing strategies and the strategies issues facing the department. The strengths must serve as the basis of the strategy. The strategy should indicate how the department's weaknesses are to be converted into strengths, how opportunities will be pursued and threats converted into challenges. (Note that weaknesses may be neglected strong points.)

Four different types of plans strategies should be developed:

- *Offensive strategy:* Should the analysis show more opportunities and strengths, the department is in an enviable position to exploit the opportunities from a premise of strength.
- *Development plan:* Where there are more opportunities and weaknesses, the department should implement an aggressive development plan to convert its weaknesses into strengths.
- *Diversification plan:* When threats and strengths dominate, the strengths should be harnessed to minimise the impact of the threats by pursuing all possible opportunities.
- *Defensive plan:* Where threats and weaknesses are evident, the department is vulnerable, and may require professional help with business process re-engineering.

The strategic plan should include a combined strategy, involving several or all of the above-mentioned strategies. Any functions to be contracted out for delivery by other institutions or businesses must be identified and the required strategies developed.

Formulating strategic objectives

The above strategies are now broken down into strategic objectives. As noted, an objective is a narrowly defined area of achievement over the shorter term. Objectives are listed as the end result of planned activities and include service delivery indicators. They state what is to be accomplished, by whom and by when, and should be quantified where possible.

> Identify strategic objectives for each strategy (normally between five and ten objectives for each strategy). Determine which action (with accompanying responsibility and time-scale) will be required to achieve each objective.

Financial planning

The strategic plan should be translated into rands and cents. Financial plans ensure that departments consider the affordability of programmes and strategies. All resource requirements for each key departmental objective should be determined within the medium-term baseline allocation of the department. Information on capital requirements should also be set out.

> Ensure that all key departmental objectives (programmes), strategies and planned activities have been costed and can be accommodated within the department's MTEF allocation. Amend strategies where necessary. Undertake a financial analysis identifying the sources of funding, income generated from departmental activities, current and past spending trends and financial performance. The attitude at this stage should not be that of discarding important services, but to plan to achieve more and better value for money with available funds.

Constructing the strategic plan

Strategic plans should be well constructed, with a logical flow and sound arguments. Strategies to achieve the objectives of the department must be clear, achievable and logically grouped together.

The strategic planning process must be institutionalised through the development of supportive policies and procedures, reporting systems, reward programmes, training programmes and technology within the department. Implementation of a strategic plan requires an "action agenda" that involves listing all the relevant steps, stating who is responsible, due dates and the regular monitoring of progress.

Consultation and agreement

In terms of the *Public Service Regulations, 2001*, the executive authority of a department is responsible for compiling a departmental strategic plan. As agreed by Cabinet, the *Treasury Regulations, 2001* allocate this responsibility to accounting officers, in consultation with the relevant executive authority.

> Submit to and agree on the departmental key objectives and strategic issues with the relevant minister or MEC. Amend plan according to final MTEF allocations as published in the *Estimates of National Expenditure*. Publish strategic plan on dates determined by the *Treasury Regulations, 2001*.

Implementation

Strategic plans require staff at all levels of the department to contribute to the overall plan. To implement the chosen strategic plan, the following important elements should be present:

- *Structure:* The choice of organisational structure is normally determined by the strategy of the department. To ensure the best results, structure should always follow strategy. When duties and responsibilities are not organised according to the chosen strategy, the structure will develop on its own, leading to inefficiency, ineffectiveness, lack of direction and fragmented action.
- *Leadership:* Appropriate leadership is of critical importance for the effective implementation of strategy. This requires senior management not only to identify with the new strategy, but also to influence the strategy through their personal objectives and values. In addition, strategic managers or leaders with the required ability, experience and personality are vital.
- *Compatible culture:* Organisational culture consists of the shared values, norms and expectations that determine how things are done in the department – how problems are approached and where priorities lie. Organisation culture revolves around the value system of the department.
- *Team effort:* Probably the most critical effort in the implementation phase is the quality of teamwork. Threats cannot be avoided, nor can opportunities be pursued, problems handled or plans followed through without the initiative and commitment of a team. This team will determine the environmental strategy and ensure that the identified actions are carried out as envisaged. The success of the plan therefore lies in the commitment of all team members, the quality of problem solving, the quality of communication and in mutual trust and cooperation.
- *Accountability for implementation:* The lowest appropriate level of employee must be empowered to implement the strategic plan. Relevant delegations and authorisations of power by the accounting officer will ensure that everyone assumes responsibility for achieving departmental objectives. Similarly, reporting and other arrangements must be in place to ensure proper accountability for the exercising of delegations and authorisations by these employees.
- *Access*: The plan must be accessible to those responsible for its execution and to those whom the department is accountable, e.g. all managers, the executive authority, the relevant treasury and the legislature.

> Ask the following questions: What now? What will we do with this plan? How will we implement it? Who will do it? Who will be held accountable for doing it? What resources do we have to do it with? (Refer to the *Estimates of National Expenditure*) What do we want the results to be?
>
> Consider whether the current departmental structure will support the future strategic direction. Ensure that performance agreements within the department reflect the personal contribution of individuals towards achievement of the departmental key objectives. Align individual performance criteria with the strategic plan. Ensure that future strategies can be accommodated within available funds.

Revision

Strategic planning is an interactive process and the plan should be a “living” document. It can only be improved through trial, evaluation and feedback. Evaluating the strategic plan can assist managers in determining whether actions are executed according to plan and in adjusting to changed circumstances.

Evaluation is also needed to assess performance. If outputs are not delivered according to plan, the relevant mechanisms and infrastructure must be reviewed.

As the environment in which the department operates changes constantly, the plan must remain dynamic. It should be revisited at least annually to determine what progress has been made with implementation, to adapt to new circumstances, and to refocus the department, if necessary. Where significant changes have occurred, it may be necessary to review the plan completely, with due regard for the department's MTEF requirements. Management committee meetings can also be used to review strategic direction on a regular basis. Maintain a comprehensive annual management plan review process.

Annexure D

Strategic planning for Schedule 3A and 3C public entities

The following is an extract from the Treasury Regulations, 2001 that refer to the strategic plan requirements for schedule 3 A and 3C public entities.

30.1 Strategic plan

30.1.1 The accounting authority for a public entity listed in Schedule 3A or 3C must submit a proposed strategic plan starting with the 2002/2003 financial year for approval by the relevant executive authority. Such a plan must be submitted at least six months before the start of the financial year of the designated department or another time period as agreed to between the executive authority and the public entity.

30.1.2 The strategic plan must be finalised and submitted to the relevant executive authority no later than 1 April 2002.

30.1.3 The strategic plan must –

- (a) cover a period of three years;
- (b) include objectives and outcomes as identified by the executive authority;
- (c) include multi-year projections of revenue and expenditure;
- (d) include key performance measures and indicators for assessing the public entity's performance in delivering the desired outcomes and objectives;
- (e) be updated annually on a rolling basis; and
- (f) form the basis for the annual reports of accounting authorities in terms of section 55 of the Act.

30.1.4 The executive authority may request additional information to be included in the strategic plan.

30.2 Evaluation of performance

30.2.1 The accounting authority of a public entity must establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action.

Annexure E

Personnel budgeting model guidelines

Introduction

The National Treasury personnel budgeting model is a guide to assist departments in budgeting for personnel costs. The final accountability for personnel budgeting and expenditure rests with departmental accounting officers. Departmental use of the model in preparing their 2002 budget submission is optional.

The guidelines include the electronic personnel model on computer disk. The model comprises of two separate spreadsheets:

- The “update for model” spreadsheet
- The “Personnel Budget” spreadsheet

Users of the model are requested to save the two spreadsheets in the same electronic folder.

The “update for model” spreadsheet consist all the variables that can be affected by policy changes as well as economic variables that is used within the model (spreadsheet “Personnel Budget”).

The “update for model” will be managed by National Treasury, and will be e-mailed to all users whenever something in the variables changes. This spreadsheet also contains all the assumptions that are used within the model.

The advantage of this is that all the departments will use the same assumptions and variables when doing their personnel budgeting.

Using the model for the first time

When opening the “Personnel Budget” spreadsheet a dialogue box will appear with various options on macros. Select the option “enable macros”. This will “open” the model.

Select the button “View assumptions of the model” on the “Selection Page” – “Other Selections”.

From any cell on the sheet, select “edit”” from the excel toolbar and then “links”.

In the dialogue box select “Change source”. This will allow you to select the “Update for model” file where you have saved it.

Close the model, and save changes, then reopen it this time a second dialogue box will appear that will ask you whether you what to update the model. Choose “yes”. This will link the two separate spreadsheets. You will only need to do this step the first time you open the model.

Please email, Johan Schoeman, Deputy Director, Personnel Policy, National Treasury, Budget Office (johan.schoeman@treasury.gov.za) to enable National Treasury to build a contact database of persons to whom the “update to model” sheet may be emailed if there are any changes in the model assumptions. This will facilitate automatic update of your model.

Model assumptions

The “update for model” spreadsheet as well as the “variables” sheet in the model are linked, as explained above. These sheets contain all the variables in the model as well as the assumptions used in the model.

The assumptions are drawn from the National Treasury guidelines for budgeting for personnel, namely:

- National Treasury intends working with departments to strengthen the link between departmental policy priorities, budget and personnel management decisions. Departments are required to budget for the cost of salary increases that come into effect on 1 July 2001, the carry though costs of the 2000 salary agreement and changes in benefits, personnel numbers or grades. Departments should note that 2002 Budget will not provide additional allocations to cover the cost of salary increases as in previous years.
- In determining personnel budgets for the new medium-term period, departments should take the following elements into account:
  - Numbers of staff and possible changes over the medium-term period. Departments should use actual numbers of personnel employed, rather than 'funded posts', for budgeting purposes. This means that departments should only budget for vacant posts that it plans to fill in the current financial year and over the medium-term period.
  - Grades and level of each person employed or to be employed
  - Rank and leg promotions and possible backlog payment required in this regard
  - Increased take-up of benefits such as medical aid and the homeowners allowance
  - Contract employees
  - Payment for overtime
  - Merit bonuses
  - Basic salary costs, which should accommodate an annual increase equivalent to inflation from 1 July each year
  - Pension fund contributions, thirteenth cheque and overtime linked to the basic salary cost and annual increases.
  - Medical aid contributions and their annual increase, linked to the medical inflation index (MPI)
  - Increased take up of the homeowners allowance
  - Other allowances such as entertainment allowances, camping allowances, computer allowances, newspaper and journal allowances and clothing allowances.
- In preparing their 2002 budget submissions departments should utilise National Treasury inflation forecasts, set out in table 1 to budget for salary increases that come into effect on 1 July each year.
- Departments are requested to utilise realistic assumptions concerning the effects of rank and leg promotions, the payment of outstanding promotions (backlogs) as well as other promotions or changes in staff numbers. Excluding rank and leg promotions and backlogs, the department may choose the appropriate level of wage drift accommodated in its reprioritised medium-term baseline allocations.

National Treasury intends working with departments in manner which guides rather than prescribes to departments the process for budgeting for personnel costs. Departments are themselves responsible for managing the process, aided by accurate data and advice provided by the National Treasury and the Department of Public Service and Administration.

Using the model

The model is divided into 3 different sections, these are:

- Promotions
- Base year calculations
- Future projections

When opening the model, a selection page will appear, if not, choose the sheet named “selections”. (See figure 1). From figure 1 the following steps apply:

Step 1: Promotions

Step 1 applies to budgeting for promotions. This part is not directly used within the model, but purely to provide an indication to what it cost to employ a person on a specific level. For this reason this part can be skipped and you can start at step 2. Should you choose to use this information, there are two ways in which you can approach this, namely: (The main difference between the two options is that Option 1 only include medical and housing benefits, whereas in Option 2, you can budget for all other benefits as well)

- Option 1: Go to step 6 and select the nature of appointment of senior managers. Return to selections and select the button "Promotions, grades etc. Then select button " Store information as values". (See figure 2) Return to selections and select button " RESET PERSONNEL NUMBERS".
- Option 2: Go to step 6 and select the nature of appointment of Senior Managers. Complete steps 4,5 and 7. Return to selections and select the button "Promotions, grades etc. Then select button " Store information as values". Return to selections and select button " RESET PERSONNEL NUMBERS".

Figure 1: Selection page of a model

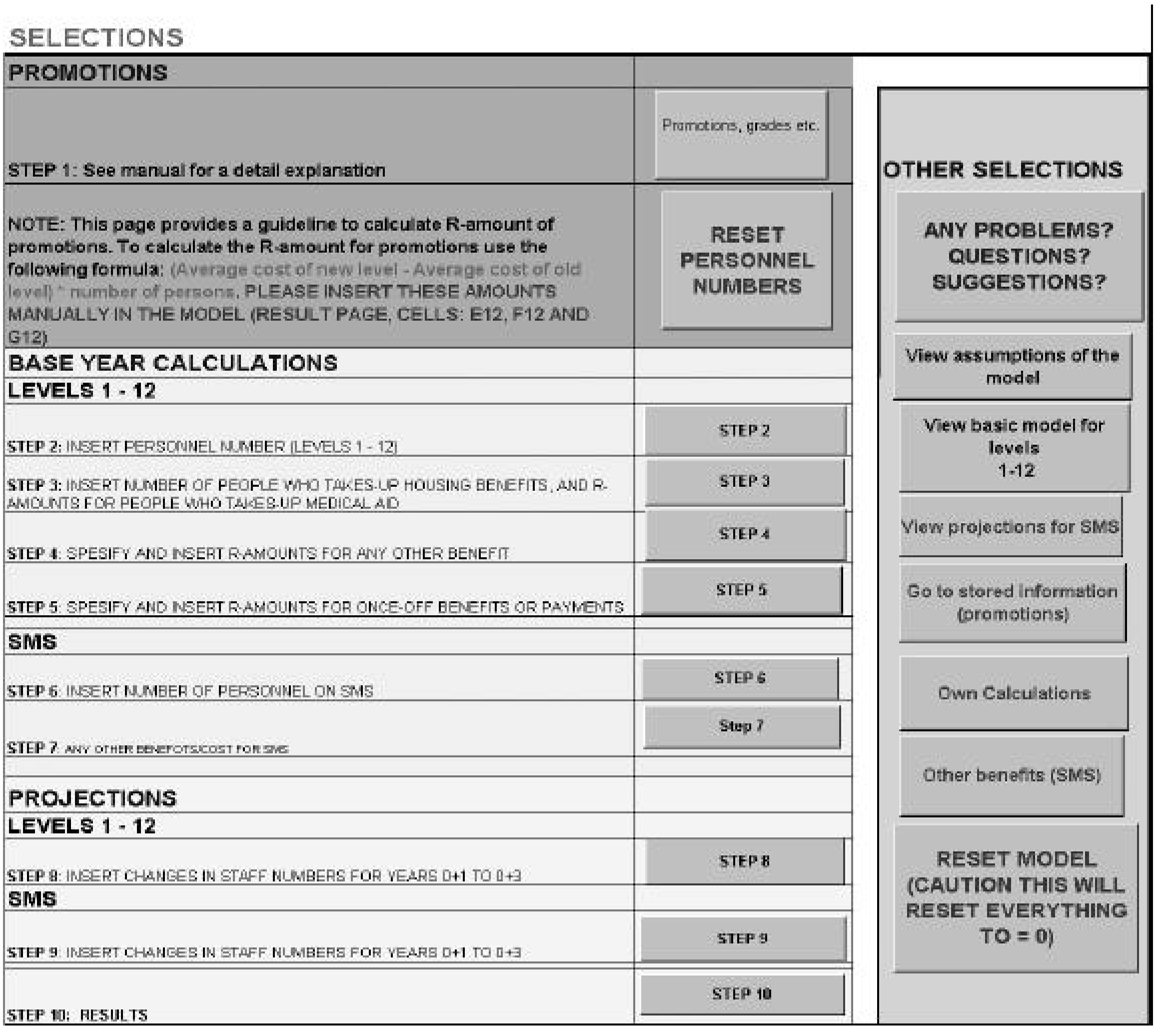


Figure 2: Output sheet for promotions

Formula: (Average cost of new level - Averagel cost of old level) * number of persons

Rank	Notch	YEAR 0	0+1	0+2	0+3
1	1	R 31	R 77	R 78	R 80
	2	R 32	R 77	R 79	R 80
	3	R 32	R 78	R 79	R 81
	4	R 33	R 79	R 80	R 82
2	1	R 35	R 154	R 156	R 158
	2	R 36	R 155	R 157	R 159
	3	R 37	R 157	R 159	R 161
	4	R 38	R 158	R 160	R 162
3	1	R 40	R 103	R 105	R 107
	2	R 42	R 105	R 107	R 109
	3	R 43	R 107	R 109	R 111
	4	R 45	R 108	R 110	R 113
4	1	R 47	R 195	R 198	R 200
	2	R 48	R 197	R 200	R 202

Back to selections

Store information as values

LEVEl	Nature of appointent	0	0+1	0+2	0+3
13	Professionals	R 336	R 356	R 373	R 390
	Professionals	R 346	R 367	R 384	R 402
	Professionals	R 358	R 378	R 396	R 414
	No performance agreements	R 299	R 316	R 331	R 346
	No performance agreements	R 313	R 331	R 346	R 362
	No performance agreements	R 322	R 341	R 357	R 373
Perfor	Unsatisfactory performance(1999)	R 313	R 331	R 346	R 362
	Unsatisfactory performance(1999)	R 322	R 341	R 357	R 373
	Unsatisfactory performance(1999)	R 332	R 351	R 367	R 384
	Unsatisfactory performance(2000)	R 322	R 341	R 357	R 373
	Unsatisfactory performance(2000)	R 332	R 351	R 367	R 384
	Unsatisfactory performance(2000)	R 347	R 367	R 384	R 402
	Satisfactory Performance(2000)	R 337	R 356	R 373	R 390
	Satisfactory Performance(2000)	R 347	R 367	R 384	R 402
	Satisfactory Performance(2000)	R 358	R 378	R 398	R 414
	Personal Notch	R 363	R 384	R 402	R 420

The button "own calculations" on the selection area "Other selections" allows you to do any other calculations you see fit. Already on this page is a calculation for the additional cost for a person to move from one level to another. To calculate the cost of promotions you need to use the following formula: Average cost (New level) – Average cost (Previous level) * Number of people. The table provided in "Own calculations" will assist you with this calculation.

The calculation for promotions etc has to be done manually and inserted in the result page, as in Figure 3.

Figure 3: Result page (Promotions, grades etc.)

Financial Year	0	0+1	0+2	0+3
Salary increases 1 July	6.50%	5.65%	5.30%	4.80%
Projected 99/00 total personnel expenditure excluding ICS	R -	R -	R -	R -
Change in staff numbers (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Change in grades, promotions (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Total Base	R -	R -	R -	R -
Salary component (approx 85% of personnel costs)	R -	R -	R -	R -
New Salary improvements	R	R -	R -	R -
Carry-through costs 1999		-	R -	R -
Carry-through costs 2000			R -	R -
Carry-through costs 2001				R -
Carry-through costs 2002				
Benefits not linked to salary (approx. 15%)	R	-	R -	R -
Growth in Medical aid, other benefits not related to salary	R	-	R -	R -
Carry-through costs 0		-	R -	R -
Carry-through costs 0+1			R -	R -
Carry-through costs 0+2				R -
Carry-through costs 0+3				
Total (excluding once off)	R -	R -	R -	R -
Once off items	R -	R -	R -	R -
TOTAL (ALL)	R -	R -	R -	R -
Year on year growth		#DIV/0!	#DIV/0!	#DIV/0!

Insert figures for promotions here

It is important to note that these amounts need to be inserted in terms of rand thousands (R'000)

Steps 2 to 7: Base year calculation

The base year calculation covers steps 2 to 7 and is divided into two sections, that is the calculation for levels 1 to 12 and a separate calculation for the Senior Management System (SMS). This calculation will feed into the result page as in figure 4.

Figure 4: Result page (Base year)

Financial Year	0	0+1	0+2	0+3
Salary increases 1 July	6.50%	5.65%	5.30%	4.80%
Projected 99/00 total personnel expenditure excluding ICS	R -	R -	R -	R -
Change in staff numbers (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Change in grades, promotions (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Total Base	R -	R -	R -	R -
Salary component (approx 85% of personnel costs)	R -	R -	R -	R -
New Salary improvements	R -	R -	R -	R -
Carry-through costs 1999		R -	R -	R -
Carry-through costs 2000			-	R -
Carry-through costs 2001				R -
Carry-through costs 2002				
Benefits not linked to salary (approx. 15%)	R -	R	-	R -
Growth in Medical aid, other benefits not related to salary	R -	R	-	R -
Carry-through costs 0		R -	R -	R -
Carry-through costs 0+1			R -	R -
Carry-through costs 0+2				R -
Carry-through costs 0+3				
Total (excluding once off)	R -	R -	R -	R -
Once off items	R -	R -	R -	R -
TOTAL (ALL)	R -	R -	R -	R -
Year on year growth		#DIV/0!	#DIV/0!	#DIV/0!

Base year amount

When selecting the button step 2, the following page will appear see figure 5.

Figure 5: Steps 2 and 3

BASE YEAR CALCULATION
Insert Number of personnel
YEAR 0

Back to selections

Rank	Notch		Number of personnel taking up housing subsidy	Amount paid for medical aid (for Year 0)
1	1	0	0	0
	2	0	0	0
	3	0	0	0
	4	0	0	0
2	1	0	0	0
	2	0	0	0

Step 3

Step 2

When selecting Step 6 the following sheet will appear. The numbers to be inserted are actual personnel numbers and not that of an establishment.

Salary Range	Nature of notch	Back to selections			
Remuneration scale for the senior management service. Personnel employed in terms of the Public Service Act, 1994	Personnel employed under the Defence Act, 1957 and the correctional service act,1998 as well as those managers and senior professionals who where demilitarised in the SANDF, and who are now employed in terms of the Public Service Act, 1994 in the SANDF and other depa… …enefit that were… …l in tem…	Personnel employment in terms of the public service act, 1994 but who are excluded from participation in the motor finance scheme on 31 December 2000	**Insert Number of personnel on relevant level**	**Other Benefits?**	**Total Cost**
13	Professional…	348,987	0	R -	R -
	Professionals	359,532	0	R -	R -
	Professionals	370,395	0	R -	R -
	No performance agreements	309,811	0	R -	R -
	No performance agreements	323,958	0	R -	R -
	No performance agreements	333,747	0	R -	R -
Performance agreements	Unsatisfactory performance(1999)	323,958	0	R -	R -
	Unsatisfactory performance(1999)	333,747	0	R -	R -

Step 6

Step 3: Insert number of people who take-up housing benefits and rand amounts to reflect the take-up of medical aid

When selecting this button, the same page will appear as in figure 5. It is important that the user note that as the housing subsidy is specified, the *actual number* of people who take-up the housing subsidy should be insert into the model. It is possible to work with the number of persons. Because the housing subsidy is fixed, it is possible to insert just a number, e.g. 20 people.

The medical contribution can vary. It is therefore important that the user inserts a <u>rand amount</u> for a specific level of medical contribution. This amount will be the total spent on medical contributions for a specific level in the specific year.

It is important to note that as the basic model is customised to insert the number in the format R'000, you do not have to divide the contribution by a factor of 1000. This is applicable for steps 4,5 and 7.

Step 4: Specify and insert Rand amounts for any other benefit, Step 7: Any other benefits/ costs for SMS

Figure 6a: Other cost items, benefits, etc.

Back to selections

OTHER COST ITEMS, BENEFITS ETC.

Rank	Notch											
	Specify	Overtime										
1	1	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
	2	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
	3	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
	4	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
2	1	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
	2	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -

Figure 6b Other benefits for the Senior Management Service (SMS)

		Other Benefits?					
Salary Range	**Nature of notch**						
13	Professionals	R -	R -	R -	R -	R -	R -
	Professionals	R -	R -	R -	R -	R -	R -
	Professionals	R -	R -	R -	R -	R -	R -
	No performance agreements	R -	R -	R -	R -	R -	R -
	No performance agreements	R -	R -	R -	R -	R -	R -
	No performance agreements	R -	R -	R -	R -	R -	R -
Performance agreements	Unsatisfactory performance(1999)	R -	R -	R -	R -	R -	R -
	Unsatisfactory performance(1999)	R -	R -	R -	R -	R -	R -
	Unsatisfactory performance(1999)	R -	R -	R -	R -	R -	R -
	Unsatisfactory performance(2000)	R -	R -	R -	R -	R -	R -

By selecting step 4 and step 7 the user will view pages as in figure 6a and 6b. The user should specify the different benefits that are applicable in the specific department. The amounts inserted are total amounts for the different levels. Although the SMS is a all inclusive package it is possible that other cost can arise for example a merit bonus for SMS, these costs/benefits needs to be inserted in here.

Step 5: Specify and insert Rand amounts for once-off benefits or payments

	ONCE OFF ITEMS										Back to selections
Notch											
Specify											
1	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
2	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
3	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
4	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
1	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
2	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -
3	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -

Once-off items needs to specified separately, because it is not be taken into consideration when personnel budgets are projected. In the result page these are shown separate from the normal projections as in figure 7 below.

Figure 7: Result page: Once-off items

Financial Year	0	0+1	0+2	0+3
Salary increases 1 July	6.50%	5.65%	5.30%	4.80%
Projected 99/00 total personnel expenditure excluding ICS	R -	R -	R -	R -
Change in staff numbers (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Change in grades, promotions (in rand terms)		R -	R -	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R -
Total Base	R -	R -	R -	R -
Salary component (approx 85% of personnel costs)	R -	R -	R -	R -
New Salary improvements	R -	R -	R -	R -
Carry-through costs 1999		R -	R -	R -
Carry-through costs 2000			R -	R -
Carry-through costs 2001				R -
Carry-through costs 2002				
Benefits not linked to salary (approx. 15%)	R	-	R -	R -
Growth in Medical aid, other benefits not related to salary	R	-	R -	R -
Carry-through costs 0		R -	R -	R -
Carry-through costs 0+1			R -	R -
Carry-through costs 0+2				R -
Carry-through costs 0+3				
Total (excluding once off)	R -	**R** -	**R** -	**R** -
Once off items	R -	R -	R -	R -
TOTAL (ALL)	R -	R -	R -	R -
Year on year growth		#DIV/0!	#DIV/0!	#DIV/0!

Once off items

Steps 8 and 9: Projections

Projected personnel cost are based on the change in personnel numbers. These can be accessed by selection step 8 and step 9. This allows you to determine how many additional personnel to plan for. *The user should only insert the change in staff numbers and not the whole staff establishment again.* For example if you plan to employ five people on level 10, you only need to insert the number 10 in the area that corresponds to level 10.

This number would be positive if a department plans to add staff and negative if the department plans to reduce the number of staff. The spreadsheet includes the simplifying assumption that all changes in employment take place on 1 April of each year.

Step 10: Results

Figure 8: Results

Financial Year	**0**	**0+1**	**0+2**	**0+3**
Salary increases 1 July	6.50%	5.65%	5.30%	4.80%
Projected 99/00 total personnel expenditure excluding ICS	R 49,379.97	R 49,379.97	R 49,379.97	R 49,379.97
Change in staff numbers (in rand terms)		**R 4,872**	R 9,418.69	R 15,219.77
Carry-through costs 0+2			R 4,871.64	R 4,871.64
Carry-through costs 0+3				R 9,418.69
Change in grades, promotions (in rand terms)		R -	R 5,000.00	R -
Carry-through costs 0+2			R -	R -
Carry-through costs 0+3				R 5,000.00
Total Base	R 49,379.97	R 54,251.61	R 68,670.30	R 83,890.07
Salary component (approx 85% of personnel costs)	R 41,972.98	R 46,113.87	R 58,369.75	R 71,306.56
New Salary improvements	R 2,046.18	R 2,069.68	R 2,538.34	R 2,886.44
Carry-through costs 1999		R 2,728.24	R 2,728.24	R 2,728.24
Carry-through costs 2000			R 2,759.58	R 2,759.58
Carry-through costs 2001				R 3,384.45
Carry-through costs 2002				
Benefits not linked to salary (approx. 15%)	R 7,407.00	R 8,137.74	R 10,300.54	R 12,583.51
Growth in Medical aid, other benefits not related to salary	R 416.64	R 429.66	R 512.59	R 570.06
Carry-through costs 0		R 555.52	R 555.52	R 555.52
Carry-through costs 0+1			R 572.89	R 572.89
Carry-through costs 0+2				R 683.45
Carry-through costs 0+3				
Total (excluding once off)	R 51,842.80	**R 60,034.73**	**R 78,337.46**	**R 98,030.70**
Once off items	R 7.20	R 9.54	R 49.94	R 232.17
TOTAL (ALL)	R 51,850.00	R 60,044.27	R 78,387.40	R 98,262.88
Year on year growth		15.80%	30.49%	25.14%
Variance from targeted growth		**9.80%**	**24.99%**	**20.14%**
Targeted growth		**6.00%**	**5.50%**	**5.00%**

In figure 8 random numbers were inserted to illustrate the working of this page. The most important aspect here is the targeted growth versus the actual year on year growth. In this example the year on year growth is 15,8 per cent for year 0+1, 30,49 per cent for year 0+2 and 25,14 per cent for year 0+3. This exceeds the allowed growth rates by 9,8 per cent in year 0+1, 24,99 per cent in year 0+2 and 20,14 per cent in year 0+3.

These growth rates need to be consistent with targeted growth in personnel expenditure. In order to achieve this, departments should consider the main cost drivers in personnel, in particular staff numbers, level of staff and promotions. These cost drivers should be iterated throughout the model until targets are met. For example, the department may choose to reduce planned new appointments or promotions to reach their targets.

Enquiries

Any enquiries on the model should be directed to Johan Schoeman, Deputy Director, Personnel Policy, National Treasury, Budget Office, telephone: (012) 315 5119, email: johan.schoeman@treasury.gov.za

Annexure F

National Treasury spending teams and budget analysts

Vote	Treasury spending team/ Budget analyst	Contact details	
		Telephone	**E-mail**
Central Government Administration	:		
Vote 1: Presidency	Drienie Le Roux Nicholas Vilakazi	315 5195 315 5590	drienie.leroux@treasury.gov.za nicholas.vilakazi@treasury.gov.za
Vote 2 Parliament	Drienie Le Roux	315 5195	drienie.leroux@treasury.gov.za
Vote 3: Foreign Affairs	Drienie Le Roux Phillip Riet	315 5195 315 5193	drienie.leroux@treasury.gov.za phillip.riet@treasury.gov.za
Vote 4: Home Affairs	Drienie Le Roux Liesel Smith	315 5195 315 5616	drienie.leroux@treasury.gov.za liesel.smith@treasury.gov.za
Vote 5: Provincial and Local Government	Bahumi Mathebesi	315 5117	bahumi.mathebesi@treasury.gov.za
Financial and Administrative Services			
Vote 6: Government Communication and Information System	Drienie Le Roux Nicholas Vilakazi	315 5195 315 5590	drienie.leroux@treasury.gov.za nicholas.vilakazi@treasury.gov.za
Vote 7: National Treasury	Japie Jacobs Brenda Swart	315 5546 3155774	japie.jacobs@treasury.gov.za brenda.swart@treasury.gov.za
Vote 8: Public Enterprises	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 9: Public Service and Administration	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 10: Public Service Commission	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 11: South African Management Development Institute	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 12: Statistics SA	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za

Social Services	**Chief Director:** **John Kruger**	315 5986	john.kruger@treasury.gov.za
Vote 13: Arts, Culture, Science and Technology	Hein Beneke	315 5191	hein.beneke@treasury.gov.za
Vote 14: Education	Theuns Tredoux	315 5722	theuns.tredoux@treasury.gov.za
Vote 15: Health	Pamela Khumalo	315 5207	pamela.khumalo@treasury.gov.za
Vote 16: Housing	Malcolm Booysen	315 5352	malcolm.booysen@treasury.gov.za
Vote 17: Social Development	Paul Nel	315 5184	paul.nel@treasury.gov.za
Vote 18: Sport and Recreation SA	Hein Beneke	315 5191	hein.beneke@treasury.gov.za
Justice and Protection Services	**Chief Director:** **Velile Mbethe**	**315 5204**	velile.mbethe@treasury.gov.za
Vote 19: Correctional Services	Elias Leshabane Werner Krause	315 5467 315 5211	elias.leshabane@treasury.gov.za werner.krause@treasury.gov.za
Vote 20: Defence	Cor Haak Joyce Sekhu	315 5405 315 5771	cor.haak@treasury.gov.za joyce.sekhu@treasury.gov.za
Vote 21: Independent Complaints Directorate	Cor Haak Joyce Sekhu	315 5405 315 5771	cor.haak@treasury.gov.za joyce.sekhu@treasury.gov.za
Vote 22: Justice and Constitutional Development	Philip van Schalkwyk Pieter Erasmus	315 5200 315 5414	philip.vanschalkwyk@treasury.gov.za pieter.erasmus@treasury.gov.za
Vote 23: Safety and Security	William Mothibedi Glenn Nagan	315 5398 315 5120	william.mothibedi@treasury.gov.za glenn.nagan@treasury.gov.za
Economic services and Infrastructure	**Chief Director:** **Leslie Magagula**	**315 5903**	leslie.magagula@teasury.gov.za
Vote 24: Agriculture	Simon Maphaha	315 5203	simon.maphaha@treasury.gov.za
Vote 25: Communications	Omega Shelembe Zolile Njovane	315 5795 315 5809	omega.shelembe@treasury.gov.za zolile.njovane@treasury.gov.za
Vote 26: Environmental Affairs and Tourism	Rejoice Simelane Hanlie Kasselman	315 5789 315 5766	rejoice.simelane@treasury.gov.za hanlie.kasselman@treasury.gov.za
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Vote 31: Trade and Industry	Ilse Karg	315 5642	ilse.karg@treasury.gov.za
Vote 32: Transport	Omega Shelembe Zolile Njovane	315 5795 315 5809	omega.shelembe@treasury.gov.za zolile.njovane@treasury.gov.za
Vote 33: Water Affairs and Forestry	Simon Maphaha Nadrajh (Thega) Govender	315 5203 315 5479	simon.maphaha@treasury.gov.za nadrajh.govender@treasury.gov.za

Amendments to Treasury Guidelines: Preparing Budget Submissions

May 2001

National Treasury issues the following amendments to the April 2001 Treasury Guidelines: Preparing Budget Submissions:

- Process for change to Vote programme structure, programme names and/or descriptions
- Budgeting for capital works
- Conditional grants to provinces and local government
- Process following the budget submission
- 2002 Budget process schedule
- 2001 Budget submission schedules
- National Treasury spending teams and budget analysts

Process for change to Vote programme structure, programme names and/or descriptions (Page 20)

Key objectives and programmes

The identification of key departmental strategic medium-term objectives and their association to spending programmes strengthens the link between strategic planning and budgeting.

The Public Finance Management Act raises the importance of programme objectives and descriptions that are clearly linked to departmental medium-term priorities and objectives.

The PFMA stipulates that expenditure may be considered to be unauthorised if it comprises:

- Overspending of a vote or main division (programme) of a vote
- Expenditure that is not in accordance with the main purpose of a vote, or in the case of a main division (programme), not in accordance with the main division (programme)

Changes to programme structure, programme names and/or descriptions will be considered in a separate process following the MTEC hearings and discussions. However, departments wishing to change their programme structure, programme names and/or descriptions should include an explanatory note of half a page in length in their budget submission, outlining the possible changes and reasons for those changes.

A department wishing to change its programme structure, programme names and/or descriptions should then submit a formal request for such to National Treasury by **Monday 3 September 2001**.

National Treasury will evaluate and finalise the request before **Friday 28 September 2001** *(not as previously indicated: Friday 31 September 2001)*.

Departments wishing to modify the programme structure in their June budget submissions need to obtain Treasury agreement in advance.

If the request for a change in programme structure is approved, it will be granted to the department on the undertaking that the department:

- Indicates the capacity and commitment to updating the relevant information in the departmental database and chapter in the *Estimates of National Expenditure*
- Provides comparative figures for all applicable years according to the new programme structure

Budgeting for capital works (page 28)

Schedule 7 Capital works expenditure

As part of the budget reform programme, the 2001 Budget took a further step towards devolving accountability for capital and maintenance to accounting officers. The reforms intended to advance the devolution of asset management responsibilities to accounting officers. As in previous budget rounds, capital works and land provided by the Department of Public Works were included in the user department's medium-term baseline allocations rather than that of the Department of Public Works. The intention was to move towards maintenance provided by the Department of Public Works also being budgeted for in a similar manner.

Over the past year the Department of Public Works has engaged in extensive strategic planning regarding the impact of budget reform principles on the future role of the department. In a recent memorandum to Cabinet, the proposed business model foresees that the Department of Public Works should remain the 'owner' and custodian of government buildings and estates. That is, the Department of Public Works, responsible for acquisition, maintenance and disposal of government buildings and estates, has indicated that this will be placed on a business-like footing through a trading entity or property agency. Accordingly, the Department of Public Works, through the trading entity or property agency, will remain responsible for projects involving the acquisition, rehabilitation and maintenance of government-owned property on behalf of client departments. Such projects will be undertaken in terms of formal service agreements between the Department of Public Works and its client departments.

These significant policy reforms require concomitant change in budgetary arrangements for capital works and accommodation. Implementation, therefore, will be phased in gradually to ensure streamlined budgeting arrangements that contribute towards improved service delivery over the medium term.

The following key steps are foreseen in the phased implementation of budgeting for capital works and accommodation:

Step 1: Transitional arrangements

The first step includes arrangements for budgeting for capital and accommodation in the transitional period during which the trading entity or property agency is established.

Allocations for capital works and land provided by the Department of Public Works to departments remain part of departmental medium-term baseline allocations. Departments are requested to reach agreement with the Department of Public Works at the earliest opportunity on project commitments for the 2001/02 financial year and the new medium-term period. This agreement should include arrangements for the transfer of funds on a cost recovery basis to Public Works in terms of an appropriate progress schedule for implementation. Departments should note that once appropriate progress documentation has been approved, the transfer of funds should be timeous to minimise cash flow problems for the Department of Public. Works. Service level agreements should therefore clearly specify the projects to be undertaken, envisaged completion dates and arrangements for transfer of funds between client departments and the Department of Public Works.

Step 2: Establishment of a trading entity/property agency

The Department of Public Works, assisted by management consultants, is finalising the business model for the proposed trading entity/ property agency. The intention is to establish the agency during the 2002/03 financial year. Appropriate valuation of government-owned property, including maintenance requirements will take place prior to and during the setting up of the property agency, Once the agency is established, there will be a structured process over the next few years to:

- Ensure that formal service level agreements specify appropriate contractual relationships between the Department of Public Works as the lessor and its client departments, the lessees
- Transfer those properties that have been valued to the property agency in a phased manner, once formal service agreements are in place, enabling the agency to develop appropriate property management capacity over the medium-term

The trading entity or property agency will therefore be responsible for implementing multi-year projects, eliminating the regular requests for roll-over funds at the end of the financial year. In future, if there are requirements for additional funding for new capital works (government-owned properties), the Department of Public Works will motivate for additional resources in the annual budget process.

These arrangements foresee departments becoming responsible for negotiating and managing accommodation leases over the medium term. In future, departments will be entitled to lease government-owned accommodation from the Department of Public Works or privately owned accommodation, placing relationships with the Department of Public Works on a sound commercial footing. Departments will also be responsible for paying for municipal services from within their baseline allocations.

Lease arrangements for both government-owned properties and privately owned properties should therefore specify:

- Rental transfers that reflect the total costs of 'leasing' accommodation – that is, rental flows that include a component based on return on capital and a maintenance component
- Service delivery specifications

These arrangements confer a greater level of responsibility on the part of departments to budget appropriately for a specified level of accommodation requirements. Present allocations for capital works provided by the Department of Public Works for client departments therefore will translate into rental flows that include provision for maintenance. Appropriate provision for future maintenance within lease agreements (that specify a certain standard of accommodation requirement) may require that departments budget for increased rental flows over the medium term.

Provision for lease arrangements of privately-owned property presently on the Public Works Vote will be transferred to the relevant Votes in a phased-in manner as specified in service level agreements. This will enable departments to build appropriate lease management capabilities over the medium term.

The Department of Public Works will retain responsibility for accommodation advisory services and regulation of norms and standards. That is, client departments should liaise with the Department of Public Works before concluding lease arrangements, whether for government-owned or privately-owned property. This facilitates a government-wide approach to managing the state property portfolio and establishing norms and standards for accommodation requirements.

Schedule 7 shows expenditure on capital works.

Column 1 shows information on capital works projects and is disaggregated into works completed (2001/02), works-in-progress and new works. The first three subcategories are broken down further into capital expenditure; professional fees; planned maintenance; and municipal services, rates and taxes.

Column 2 shows the budgeted expenditure for the project in 2001/02.

Column 3 shows the medium-term baseline allocation for the project in 2002/03.

Column 4 shows the change to the medium-term baseline allocation for the project in 2002/03 reflected by reprioritisation shown in column 5.

Columns 6 to 8 show the same information for 2003/04.

Column 9 shows the same information for the third year of the medium-term period, 2004/05.

Columns 10 to 15 show the same information for projects that extend beyond the 2002 medium-term period.

Conditional grants to provinces and local government (page 29)

Schedule 8: Conditional grants to provinces and local government

Conditional grants to provinces and local government constitute part of the broader provincial/ local share. They are of critical concern to all three spheres of government. National departments use the conditional grant mechanism to influence the implementation of national policy and priorities at the provincial and local level. Provinces and local government have the responsibility to implement the programmes funded through conditional grants.

In the 2001 Budget process, certain implementation difficulties arose due to the approval of conditional grant requests on national votes without clarity on the concomitant policy structure and framework underlying the grant, including clear specification of outputs, mechanisms for disbursing and monitoring, capacity at national and receiving spheres to administer and monitor the grants.

Clarity on the underlying conditional grant policy framework is essential to ensure that proper planning and design of grants occurs to enable effective spending by the receiving spheres. This information requirement is consistent with the PFMA with regard to planning, introduction of measurable objectives for programmes and monitoring.

Departments are therefore requested to provide expenditure and policy framework information on existing conditional grants, indirect transfers, and proposals for new grants, as part of their 2002 budget submissions.

Specifically, schedule 8 on conditional grants to provinces and local government requests:

- Historical audited expenditure for 1998/99 and 1999/2000
- The preliminary outcome for 2000/01
- Projected expenditure for 2001/02
- Medium-term baseline allocations, disaggregated by province or municipality
- Requested changes to the baseline allocation, including proposals for any new grants

It is important to note that information changes to baseline allocations or proposals for new grants that are funded from reprioritisation within the medium-term baseline allocation of the Vote should be detailed in schedule 8. However, the department should propose an option for existing or new conditional grants if it requires additional funding over and above the medium-term baseline allocation for the grant.

Departments are also requested to provide, and improve on, the information submitted and published in Appendix E1 of the *2001 Budget Review*. This should also reflect any changes in the underlying policy of the grant. Departments should therefore provide descriptions of the grant in terms of:

- Purpose of the grant
- Conditions of the grant
- Measurable outputs
- Allocation criteria – formula and underlying data sources.
- Reasons why the programme cannot be funded from an increase in the provincial or local government equitable share
- Monitoring mechanism to monitor performance and service delivery

- Assessment of past performance with respect to implementation of the grant, this should include:
  - Spending by province relative to allocations and transfers
  - The extent to which the objective of the grant were achieved
  - Identification and explanation of implementation problems
  - Steps taken to improve performance in future
- Projected life of the grant – should also indicate whether when the grant phases out there will be future obligations which will require continued funding.
- Capacity and preparedness of the national department and the receiving sphere to implement the grant
- Proposed payment schedule

This information should be attached as an additional schedule to the 2002 budget submission. Departments should submit the requested information in the same format as Appendix E1 of the *2001 Budget Review*.

Where there is an 'option' proposed for additional funding over and above the conditional grant baseline allocation, departments should indicate how the additional funding, if approved, would change the grant framework. It is also important to note that any change in policy or increase or decrease in grants should take into account the planning programme of provinces and performance with implementation.

Following receipt of departmental budget submissions, National Treasury would engage in bilateral consultations with respective departments to ensure that all relevant information and motivations for conditional grants are provided in the submission.

The evaluation process would work towards ensuring a policy framework for each grant, consolidation of certain grants, refined requests for additional funding and grants, and the reflection of policy priorities in grant frameworks and motivations.

Conditional grants will be considered by the Division of Revenue workshop scheduled for **Thursday 2 and Friday 3 August 2001** where departments will be expected to present their proposals.

In completing schedule 8, departments should note that the first table shows expenditure information for conditional grants to provincial and local government.

Column 1 shows the name of the conditional grant.

Column 2 lists the nine provinces, a category for local government and an unallocated category for each grant

Columns 3 and 4 show audited expenditure on the conditional grant (broken down by province, in the case of provincial grants and by municipality for local government grants) for 1998/99 and 1999/00, respectively.

Column 5 shows the preliminary outcome for expenditure on the conditional grant (broken down by province, in the case of provincial grants and by municipality for local government grants) for 2000/01.

Column 6 shows the budgeted expenditure on the conditional grant (broken down by province, in the case of provincial grants and by municipality for local government grants) for 2001/02.

Column 7 shows the medium-term baseline allocation for the conditional grant (broken down by province, in the case of provincial grants and by municipality for local government grants) for 2002/03.

Column 8 shows the change to the baseline allocation of the grant reflected by reprioritisation of the baseline allocation for 2002/03, shown in column 9.

Column 10 shows the year-on-year growth rate of the reprioritised baseline allocation compared to the previous year's budgeted expenditure for 2002/03.

Columns 11 to 14 and columns 15 to 18 show the same information for 2003/04 and 2004/05, respectively.

Process following the budget submission (page 38)

Following the budget submission

After National Treasury has received the departmental budget submissions, spending teams and budget analysts will compile and send two documents to departments **within four weeks after the departmental submissions have been received**. These include:

- Up to three pages in total of National Treasury spending teams and budget analysts' written comments or queries on the department's options
- Up to six further pages with National Treasury spending teams and budget analysts' views on other possible changes to the department's baseline allocation

These documents would reflect the views of National Treasury spending teams and budget analysts. It will, of course, be open to the Medium Term Expenditure Committee and the Ministers' Committee on the Budget to consider other views and possibilities too.

The department may then offer up to three pages in total of written comments on National Treasury spending teams and budget analysts' views. These should be sent to National Treasury by **Monday 13 August 2001**. An example of a comment may be seen in the proposed comment format in Annexure B.

Comments may offer different opinions and perspectives from the options to which they refer. But the description of options themselves should only be amended if material factual inaccuracies.

In order to ensure that accurate, quality summary documentation is presented to the Medium Term Expenditure Committee and the Ministers' Committee on the Budget, departments are requested to produce an executive summary of their budget submission by **Monday 13 August 2001**. This will ensure that departments have the opportunity to reflect any amendments to their submission that may have occurred during discussions with the Treasury spending teams and budget analysts during July and August. Submission of an executive summary (that is between five to 10 pages in length) will enable the department to present an accurate, concise input to the Medium Term Expenditure Committee and the Ministers' Committee on the Budget.

The Medium Term Expenditure Committee and Ministers' Committee on the Budget evaluation of departmental budget submissions will focus on how their reprioritisation within baseline allocations and their options related to department strategic policy priorities and to Government's broader medium-term policy and spending priorities.

2002 Budget process schedule (page 39 - 41)

The changes to the 2002 Budget process schedule, shown in chapter 5 of the Guidelines, are the change of the date from 31 September 2001 to 28 September 2001 when National Treasury evaluates and finalises departmental requests to change programme structure, programme aims and/or descriptions and the revision of the due date of the draft Division of Revenue Bill to Cabinet and the Financial and Fiscal Commission from 6 January 2002 to 6 February 2002.

This amendment is captured in the revised schedule.

5

2002 Budget process schedule

	2001
mid April	National Treasury guidelines issued to departments and provincial treasuries to guide the preparation of budget submissions
mid April – 29 June	Departments prepare 2002 budget submissions FFC submits its recommendations during April/ May
mid April – end August	Provincial treasuries prepare 2002 MTEF budgets
22 May	**Ministers' Committee on the Budget holds initial discussions on the 2002 medium-term policy priorities and other considerations**
June	Integrated justice sector cluster review team meets to develop a common approach to policy and budgetary priorities of the cluster
13 June	**Ministers' Committee on the Budget meets to discuss Poverty Relief Fund considerations: report on 2000/01**
27 June	**Cabinet review of consideration of poverty relief fund considerations: report on 2000/01**
29 June	Departments submit 2002 budget submissions to National Treasury
29 June – 10 August	National Treasury review of 2002 budget submissions National Treasury and departments produce supporting documentation wrt policy and budgetary options submitted to MTEC
July	Integrated justice sector cluster review team considers cluster-wide issues affecting departmental budget submissions and assists the national Treasury to compile a cluster-wide assessment of needs and priorities
July	National Treasury visits to provincial treasuries
4 – 7 July (provisional date)	**Budget Council Lekgotla**
2 – 3 August	**Division of Revenue workshop**

7 August	**Ministers' Committee on the Budget Preliminary consideration of spending pressures in relation to the 2002 Division of Revenue**
13 August	Departmental responses to National Treasury comments or queries on departmental budget submissions submitted to National Treasury in preparation for MTEC
28 August	Provincial treasuries to submit preliminary MTEF budgets to National Treasury (for MTBPS)
30 August	**Ministers' Committee on the Budget to consider the 2002 macroeconomic and fiscal framework and the Division of Revenue in relation to Government Priorities**
3 September	Department submit requests to change programme structure, programme names and/ or descriptions to National Treasury
3 – 20 September	Medium Term Expenditure Committee (MTEC) on allocations to national votes for 2002/03 – 2004/05
3 – 28 September	Provincial MTEC hearings: 2002/03 – 2004/05
5 September	**Extended Cabinet meeting to consider:** **Macroeconomic and fiscal framework and Division of Revenue in relation to Government Priorities**
28 September	National Treasury evaluates and finalises departmental requests to change programme structure, programme aims and/ or descriptions
9 October	Departments to submit 3-year corporate plans and budgets of public entities to National Treasury (s53 of PFMA)
10 October	**Cabinet to consider revised memorandum on Fiscal and Macroeconomic Framework and Division of Revenue (incl. Conditional Grants)**
18 October	**Ministers' Committee on the Budget to consider draft 2001 Medium Term Budget Policy Statement**
24 October	**Briefing of Cabinet on Adjustments Estimate: 2001/02 and draft 2001 MTBPS**
26-27 October	**Ministers' Committee on the Budget to consider 2002 MTEF allocations to national votes and ministerial peer review discussions**
29 October (assumed date)	**Adjustments Estimate: 2001/02 and the 2001 Medium Term Budget Policy Statement presented to Parliament**

7 November	**Cabinet to consider 2002 MTEF allocations to national votes**
mid November	Allocations for 2002/03 to National departments
mid-end November	National Treasury visits to provincial treasuries
5 December	Departments submit draft *2002 Estimates of National Expenditure* departmental chapter
19 December	Departments submit *2002 Estimates of National Expenditure* database inputs for 2002/03 – 2004/05
19 December	Provinces submit printer's proofs for the 2002/03 financial year
	2002
6 February	Draft 2002 Division of Revenue Bill submitted to the FFC and to Cabinet
20 February	**Budget Day : 2002 Budget tabled before Parliament**
21 Feburary - 6 March	**Provincial budgets tabled before provincial legislatures**

Annexure A (page 45)

Schedule 7: Capital works expenditure

Schedule 8: Conditional grants to provinces and local government

VOTE:

SCHEDULE 7

CAPITAL WORKS EXPENDITURE

PROJECT	2001/02 MTEF BASELINE	MTEF 2002/03 MTEF BASELINE (ENE)	2002/03 CHANGE TO BASELINE	2002/03 REPRIO-RITISED BASELINE	2003/04 MTEF BASELINE (ENE)	2003/04 CHANGE TO BASELINE	2003/04 REPRIO-RITISED BASELINE	2004/05	LONG-TERM PLANNING 2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
CAPITAL WORKS PROJECTS														
WORKS COMPLETED (2001/02)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
WORKS-IN-PROGRESS (per project)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
NEW WORKS (per project)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital expenditure														
- Professional fees														
- Planned maintenance														
- Municipal services, rates and taxes														
TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-

VOTE:

SCHEDULE 8

CONDITIONAL GRANTS TO PROVINCES AND TO LOCAL GOVERNMENT (as per Division of Revenue Act)

GRANT	PROVINCE	1998/99 AUDITED	1999/2000 AUDITED	2000/01 PRELIMI-NARY OUTCOME	2001/02 MTEF BASELINE (Estimates of National Expenditure)	MTEF											
						2002/03				2003/04				2004/05			
						MTEF BASELINE (Estimates of National Expenditure)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (Estimates of National Expenditure)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR	MTEF BASELINE (2003/04 +6%)	CHANGE TO BASELINE	REPRIO-RITISED BASELINE	% YEAR ON YEAR
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
		R'000	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000	R'000		R'000	R'000	R'000	
1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Eastern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Free State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Gauteng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KwaZulu-Natal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mpumalanga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Province	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	North-West	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Western Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Local Government (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Eastern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Free State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Gauteng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KwaZulu-Natal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mpumalanga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Northern Province	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	North-West	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Western Cape	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Local Government (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Annexure F (page 89 - 91)

National Treasury spending teams and budget analysts

Minor changes to Annexure F: National Treasury spending teams and budget analysts include:

- Vote 28: Land Affairs and Vote 33: Water Affairs and Forestry

  Simon Maphaha, 315 5203, email: simon.maphaha@treasury.gov.za is the Treasury budget analyst for Land Affairs and Water Affairs and Forestry, following Nadrajh Govender's departure from National Treasury

Annexure F

National Treasury spending teams and budget analysts

Vote	Treasury spending team/ Budget analyst	Contact details	
		Telephone	**E-mail**
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Vote 1: Presidency	Drienie Le Roux Nicholas Vilakazi	315 5195 315 5590	drienie.leroux@treasury.gov.za nicholas.vilakazi@treasury.gov.za
Vote 2 Parliament	Drienie Le Roux	315 5195	drienie.leroux@treasury.gov.za
Vote 3: Foreign Affairs	Drienie Le Roux Phillip Riet	315 5195 315 5193	drienie.leroux@treasury.gov.za phillip.riet@treasury.gov.za
Vote 4: Home Affairs	Drienie Le Roux Liesel Smith	315 5195 315 5616	drienie.leroux@treasury.gov.za liesel.smith@treasury.gov.za
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Financial and Administrative Services			
Vote 6: Government Communication and Information System	Drienie Le Roux Nicholas Vilakazi	315 5195 315 5590	drienie.leroux@treasury.gov.za nicholas.vilakazi@treasury.gov.za
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Vote 8: Public Enterprises	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 9: Public Service and Administration	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 10: Public Service Commission	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 11: South African Management Development Institute	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za
Vote 12: Statistics SA	Japie Jacobs	315 5546	japie.jacobs@treasury.gov.za

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Vote 14: Education	Theuns Tredoux	315 5722	theuns.tredoux@treasury.gov.za
Vote 15: Health	Pamela Khumalo	315 5207	pamela.khumalo@treasury.gov.za
Vote 16: Housing	Malcolm Booysen	315 5352	malcolm.booysen@treasury.gov.za
Vote 17: Social Development	Paul Nel	315 5184	paul.nel@treasury.gov.za
Vote 18: Sport and Recreation SA	Hein Beneke	315 5191	hein.beneke@treasury.gov.za
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Vote 21: Independent Complaints Directorate	Cor Haak Joyce Sekhu	315 5405 315 5771	cor.haak@treasury.gov.za joyce.sekhu@treasury.gov.za
Vote 22: Justice and Constitutional Development	Philip van Schalkwyk Pieter Erasmus	315 5200 315 5414	philip.vanschalkwyk@treasury.gov.za pieter.erasmus@treasury.gov.za
Vote 23: Safety and Security	William Mothibedi Glenn Nagan	315 5398 315 5120	william.mothibedi@treasury.gov.za glenn.nagan@treasury.gov.za
Economic services and Infrastructure	**Chief Director:** **Leslie Magagula**	**315 5903**	leslie.magagula@teasury.gov.za
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Vote 32: Transport	Omega Shelembe Zolile Njovane	315 5795 315 5809	omega.shelembe@treasury.gov.za zolile.njovane@treasury.gov.za
Vote 33: Water Affairs and Forestry	Simon Maphaha	315 5203	simon.maphaha@treasury.gov.za