Vote 8

National Treasury

	2005/06 To be appropriated			2006/07	2007/08
MTEF allocations		**R13 990 708 000**		**R15 069 011 000**	**R16 812 876 000**
of which:	***Current payments***	***Transfers***	***Capital***		
	R2 074 879 000	**R11 903 138 000**	**R12 691 000**		
Statutory amounts		**R187 831 191 000**		**R203 360 275 000**	**R217 058 779 000**
Responsible minister	Minister of Finance				
Administering department	National Treasury				
Accounting officer	Director-General of the National Treasury				

Aim

The aim of National Treasury is to promote economic development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances.

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Provide strategic leadership, management and administrative services to the management and staff of National Treasury.

Programme 2: Economic Planning and Budget Management

Purpose: Provide professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations and public finance development. Manage the annual budget process.

Measurable objective: Facilitate growth, social development and poverty reduction through sound economic, fiscal and financial policies, efficient revenue measures, and the efficient and appropriate allocation of public funds.

Programme 3: Assets and Liability Management

Purpose: Manage government's financial assets and liabilities.

Measurable objective: Manage government's asset and liability portfolio through cash management, asset restructuring, financial management, and management of government's debt portfolio.

Programme 4: Financial Management and Systems

Purpose: Manage and regulate government's supply chain processes, implement and maintain standardised financial systems, and co-ordinate the implementation of the PFMA and related capacity-building initiatives.

Measurable objective: Regulate and oversee public sector supply chain management and standardise the financial systems of national and provincial government, while co-ordinating the implementation of the PFMA.

Programme 5: Financial Accounting and Reporting

Purpose: Set new, and improve existing, accounting policies and practices to ensure compliance with Generally Recognised Accounting Practices (GRAP), prepare consolidated financial statements, and improve the efficiency of financial reporting in the public service.

Measurable objective: Achieve accountability to Parliament through transparent and effective financial management within the public sector.

Programme 6: Provincial and Local Government Transfers

Purpose: Manage conditional grants to the provincial and local spheres of government.

Measurable objective: Improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets.

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

Purpose: Provide for pension and post-retirement medical benefits to former employees of state departments and bodies, and for similar benefits for retired members of the military.

Measurable objective: Ensure that benefits and awards are paid to beneficiaries of departments, state-aided bodies and other specified bodies, in terms of legislation, collective-bargaining agreements and other commitments.

Programme 8: Fiscal Transfers

Purpose: Transfer funds to other governments and public authorities and institutions in terms of the appropriate legislation, including the international development institutions of which government is a member.

Measurable objective: Meet international and other statutory financial obligations. Meet the costs of raising revenue for the state. Gather finance intelligence and provide for other secret services in the national interest.

Strategic overview and key policy developments: 2001/02 – 2007/08

Fiscal reform

National Treasury’s ongoing fiscal reform is aimed at promoting sustainable growth and development and poverty reduction, and at improving budgetary transparency and financial management. The Treasury continues to develop monitoring and reporting systems to increase transparency and accountability, and thus improve service delivery.

A financial management priority is to develop public sector accounting policies to improve the quality, accuracy and usefulness of government's financial statements. Over the past year, National Treasury has helped to implement improved financial reporting formats for national government and provincial governments. This is part of the process of migrating to complying with GRAP standards in terms of section 216 of the Constitution.

Macroeconomic policies

Government's macroeconomic policies are aimed at meeting the challenges of South Africa's social and economic development in the context of an increasingly interdependent global environment. This includes deepening South Africa's financial markets, gradually liberalising exchange controls, improving oversight of the financial sector, improving consumer protection, and combating money laundering and the financing of terrorism. National Treasury is actively engaged in the development of the Southern African region through co-operation with SADC countries on issues such as taxation, investment and regional economic integration. This work feeds directly and indirectly into NEPAD. In the domestic economy, macro-economic policies and regulations are aimed at increasing the efficiency of domestic markets, and at reforms which mitigate the effects of the dual economy.

Intergovernmental relations

Building a solid intergovernmental financial and fiscal relations system is important for service delivery and efficient government spending. A major area of progress and development has been National Treasury's relationship with other spheres of government. New frameworks for allocating grants to provinces and local government provide sharper definitions of the purpose and intended outputs for each grant. This increases transparency and is expected to lead to further improvements in service delivery.

The further development of the system of intergovernmental fiscal relations will be achieved by rationalising grants to ensure that there are fewer, but better administered, grants, such as the recently integrated municipal infrastructure grant (MIG), which consolidates a number of previous municipal grants.

With the turnaround in provincial infrastructure investment, the main focus over the medium term will be to use infrastructure delivery to accomplish other government objectives. The priority will be to facilitate employment through labour-based and labour-intensive projects. Future initiatives will focus on institutionalising good practice in infrastructure planning, supply chain management (procurement) and delivery of infrastructure.

At the local government level, the priority will be to reinforce budget reform and financial management. Building on the solid legal foundation of the Municipal Finance Management Act (MFMA) 2003, municipalities will get targeted support to improve their financial management capacity and to strengthen the link between policy, planning and budgets through the MFMA. These reforms are being piloted in selected municipalities and will be rolled out countrywide over the medium term. This will ensure even greater transparency in resource allocation and reporting, and will, over time, further improve accountability and service delivery.

Implementing the PFMA and the MFMA

The successful ongoing implementation of the PFMA since 2000 has laid a solid foundation for the rollout of the MFMA. The implementation of the MFMA, which seeks to introduce similar financial management reforms to the PFMA at local government level, started in July 2004. Both the PFMA and the MFMA are key elements in transforming public sector financial management, one of National Treasury's key objectives. Over the next few years, National Treasury will be commissioning short courses for government officials to build the necessary capacity to implement these Acts. The Treasury is also rolling out financial management systems which will ensure not only transparent expenditure but also the effective and efficient use of scarce resources for social transformation. These systems for improving the integrity and effectiveness of supply chain and expenditure management are part of implementing the PFMA and are among National Treasury's most important reforms.

Appropriate tax policies

In formulating tax policy, there is a need to align the generally accepted principles of a good tax system with government's current macroeconomic and fiscal policy objectives. In designing tax policy, co-operation between the South African Revenue Service (SARS) and National Treasury is of utmost importance, as is daily interaction with the corporate sector and the general tax-paying public.

Since 1994, consistent tax policy and administrative practices have been initiated, aiming to broaden the tax base by improving tax administration and eliminating ineffective tax incentives. This has led to electronic filing and payments, a capital gains tax, residence-based taxation (as opposed to source-based), and a risk management approach to compliance. Tax legislation is being drafted by expert committees comprised of staff from National Treasury and SARS, with a clear focus on efficient and internationally competitive taxation strategies. Anti-avoidance provisions are included during the drafting, to make sure that there is better compliance.

Managing public sector debt

Another priority for National Treasury is the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. Since 1999, the debt management strategy has evolved from broad strategic considerations, where the primary focus was on access to capital markets and maintaining a balanced maturity profile, to active debt management. The primary focus is on financing government's borrowing requirements at the lowest possible cost within acceptable levels of risk and on the active management of outstanding debt. Strategies are in place to meet government's borrowing requirements over the medium term. National Treasury is also improving its cash management processes, enabling it to use surplus cash from the provinces. This strategy is impacting positively on government's cost of financing.

International financial relations

The Treasury continues to engage actively with multi-lateral institutions, including the IMF, the World Bank, the G20, the G24, and the United Nations and the Commission for Africa. Over the period ahead priority issues will include development policies for African economies and increasing the level of aid flows.

Organisational environment

The Treasury's current organisational structure was set up in phases and is now operational. To ensure future sustainability, the structure will be reviewed over the medium term. The review of the organisational structure will result in a reassessment of the staff component and recorded vacancies.

To provide the required strategic support to the organisation, two divisions within corporate services, namely IT and Security, will be restructured. As part of the attempt to improve governance within National Treasury, a new risk division will be established in the office of the chief operating officer.

Expenditure estimates

Table 8.1: National Treasury

Programme	Expenditure outcome					Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted Appropriation	Revised Estimate			
R thousand	2001/02	2002/03	2003/04	2004/05		2005/06	2006/07	2007/08
1. Administration	62 164	106 896	90 408	143 598	123 598	111 816	117 809	122 406
2. Economic Planning and Budget Management	53 806	86 422	106 436	150 139	140 139	151 761	163 056	170 676
3. Asset and Liability Management	16 159	20 062	51 867	53 876	43 876	49 722	45 934	48 221
4. Financial Management and Systems	222 563	258 016	234 313	352 455	322 455	281 999	370 723	389 661
5. Financial Accounting and Reporting	25 212	49 823	44 717	65 180	55 180	85 634	98 519	104 032
6. Provincial and Local Government Transfers	2 114 250	2 256 000	3 239 318	3 934 260	3 904 260	4 279 513	4 666 776	5 872 682
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	1 664 462	1 895 922	2 288 452	2 063 966	1 983 966	2 178 805	2 315 532	2 436 308
8. Fiscal Transfers	4 005 940	5 173 719	6 038 542	7 258 442	7 228 442	6 851 458	7 290 662	7 668 890
Subtotal	**8 164 556**	**9 846 860**	**12 094 053**	**14 021 916**	**13 801 916**	**13 990 708**	**15 069 011**	**16 812 876**
Direct charge on National Revenue Fund	**155 041 085**	**170 264 573**	**191 055 512**	**213 700 774**	**212 984 774**	**187 831 191**	**203 360 275**	**217 058 779**
Provinces Equitable Share	107 460 337	123 456 849	144 742 572	164 083 774	164 083 774	134 706 191	146 757 275	157 677 779
State Debt Costs	47 580 748	46 807 724	46 312 940	49 617 000	48 901 000	53 125 000	56 603 000	59 381 000
Total	**163 205 641**	**180 111 433**	**203 149 565**	**227 722 690**	**226 786 690**	**201 821 899**	**218 429 286**	**233 871 655**
Change to 2004 Budget estimate				3 377 557	2 441 557	(40 603 044)	(41 524 944)	(39 080 287)

Economic classification	2001/02	2002/03	2003/04	2004/05 Adjusted Appropriation	2004/05 Revised Estimate	2005/06	2006/07	2007/08
Current payments	**48 917 861**	**48 522 282**	**48 061 861**	**51 698 662**	**50 852 662**	**55 199 879**	**58 884 333**	**61 781 119**
Compensation of employees	93 559	107 277	132 000	197 617	172 617	254 527	282 005	304 882
Social contributions for retired employees	968 495	1 228 462	1 242 302	1 359 037	1 299 037	1 417 965	1 509 042	1 589 494
Goods and services	274 411	378 017	374 619	525 008	480 008	402 387	490 286	505 743
of which:								
Consultants and contractors	*230 497*	*281 323*	*283 183*	*85 755*	*70 755*	*50 782*	*52 117*	*47 823*
Travel and subsistence	*11 271*	*15 846*	*27 870*	*38 907*	*28 907*	*53 386*	*56 400*	*58 577*
Communication	*5 326*	*7 117*	*7 442*	*9 405*	*9 405*	*8 555*	*9 220*	*9 792*
Inventory	*8 393*	*9 695*	*10 002*	*13 144*	*13 144*	*13 981*	*14 942*	*15 911*
Computer services	*1 177*	*1 580*	*1 699*	*305 458*	*285 458*	*209 745*	*290 358*	*303 360*
Audit fees external	*9 735*	*5 049*	*7 288*	*16 650*	*16 650*	*9 749*	*10 547*	*10 801*
Personnel agency fees	*2 009*	*3 510*	*5 530*	*5 170*	*5 170*	*2 962*	*3 209*	*3 402*
Training and staff development: external	*1 366*	*41 009*	*12 670*	*8 721*	*8 721*	*19 654*	*20 692*	*21 637*
Interest and rent on land	47 580 748	46 807 724	46 312 940	49 617 000	48 901 000	53 125 000	56 603 000	59 381 000
Financial transactions in assets and liabilities	648	802	–	–	–	–	–	–

R thousand	Expenditure outcome Audited 2001/02	Audited 2002/03	Preliminary outcome 2003/04	Adjusted appropriation 2004/05	Revised Estimate 2004/05	Medium-term expenditure estimate 2005/06	2006/07	2007/08
Transfers and subsidies to:	**114 278 694**	**131 554 125**	**155 072 087**	**175 991 777**	**175 901 777**	**146 609 329**	**159 532 402**	**172 077 575**
Provinces and municipalities	109 574 846	125 713 169	147 982 452	168 018 616	167 988 616	138 985 831	151 424 159	163 550 588
Departmental agencies and accounts	3 864 757	4 893 217	5 634 014	6 782 379	6 782 379	6 402 817	6 809 282	7 158 896
Foreign governments and international organisations	152 659	299 629	428 315	462 046	422 046	436 896	470 666	500 382
Public corporations and private enterprises	–	–	200	40 001	40 001	40 000	40 000	40 000
Non-profit institutions	60	50	52	55	55	58	62	65
Households	686 372	648 060	1 027 054	688 680	668 680	743 727	788 233	827 644
Payments for capital assets	**9 086**	**35 026**	**15 617**	**32 251**	**32 251**	**12 691**	**12 551**	**12 961**
Buildings and other fixed structures	–	5 600	–	–	–	–	–	–
Machinery and equipment	9 086	29 426	15 617	20 853	20 853	12 417	12 196	12 572
Software and other intangible assets	–	–	–	11 398	11 398	274	355	389
Total	**163 205 641**	**180 111 433**	**203 149 565**	**227 722 690**	**226 786 690**	**201 821 899**	**218 429 286**	**233 871 655**

Expenditure trends

Most of the department's direct expenditure goes towards transfer payments, including provincial and local government transfers, civil and military pensions payments, the South African Revenue Service and the Secret Services.

Between 2001/02 and 2004/05, expenditure increased from R8,2 billion to R14 billion, at an annual average rate of 19,8 per cent. The increase went mainly towards transfers, and there were also significant increases in the department's core programmes, those that fund its own operations. Expenditure is expected to fall slightly in 2005/06, mainly due to a fall in transfers to SARS, and then is expected to start rising again, to reach R16,8 billion in 2007/08. Much of the future increase will go towards provincial and local government transfers.

Included in the additional allocations of the 2005 budget are R68 million in 2006/07 and R76 million in 2007/08 for increased fiscal transfers to Lesotho, Namibia and Swaziland, and R10 million and R20 million in 2006/07 and 2007/08 for the Financial Intelligence Centre.

Direct charges on the National Revenue Fund

The department is responsible for the main statutory transfers of funds to provincial governments, under the constitutional requirement that they obtain an equitable share of revenue raised through national taxes. The equitable share transfers to provinces will decrease in 2005/06 as a result of the new Social Assistance Act (2004) and the Social Security Agency Act (2004), which require the centralisation of the social grants functions currently with provinces in national government. From 2005/06, these grants will be shown as conditional grants from the Department of Social Development. More information on these transfers can be found in chapter 7 and annexure E in the 2005 Budget Review and the 2005 Division of Revenue Bill. In addition, the National Treasury vote includes provision for servicing government's debt obligations, which are direct charges against the National Revenue Fund in terms of section 73 of the PFMA. Expenditure on state debt costs is expected to increase at an average annual rate of 6,7 per cent over the next three years. In 2004/05, expenditure on state debt costs will be R1,5 billion lower than expected in the 2004

Budget, mainly due to lower domestic interest rates and lower foreign interest payments due to the appreciation of the rand.

Departmental receipts

The main item of revenue is the interest on government deposits and interest and dividends received from the South African Reserve Bank.

Table 8.2: Departmental receipts

	Receipts outcome				Medium-term receipts estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Sales of goods and services produced by department	25 100	29 128	35 894	37 689	39 573	41 552	45 707
Fines, penalties and forfeits	2 500	237	583	612	642	675	742
Interest, dividends and rent on land	1 130 363	1 594 628	1 894 000	2 000 900	1 920 490	2 109 939	2 320 923
Sales of capital assets	–	1 296	–	–	–	–	–
Financial transactions in assets and liabilities	–	12 163	21 105	22 160	23 268	24 432	26 875
Total	**1 157 963**	**1 637 452**	**1 951 582**	**2 061 361**	**1 983 973**	**2 176 598**	**2 394 247**

Programme 1: Administration

Administration provides strategic leadership, management and value added administrative services to the management and staff of National Treasury.

Expenditure estimates

Table 8.3: Administration

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Minister [1]	614	691	747	791	843	898	942
Deputy Minister [2]	454	511	552	585	623	663	696
Management	15 117	26 423	12 898	26 406	27 367	28 487	30 513
Corporate Services	45 979	79 271	76 211	115 816	82 983	87 761	90 255
Total	**62 164**	**106 896**	**90 408**	**143 598**	**111 816**	**117 809**	**122 406**
Change to 2004 Budget estimate				41 719	7 088	6 630	5 668

1 Payable as from 1 April 2004. Salary: R633 061. Car allowance: R158 265.

2 Payable as from 1 April 2004. Salary: R467 765. Car allowance: R116 941.

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Economic classification							
Current payments	**59 437**	**77 874**	**78 421**	**119 676**	**108 055**	**114 732**	**118 816**
Compensation of employees	27 111	28 912	35 678	44 978	57 911	61 933	65 847
Goods and services	31 698	48 932	42 743	74 698	50 144	52 799	52 969
of which:							
Consultants and contractors	*12 743*	*28 664*	*19 278*	*12 279*	*11 067*	*13 708*	*11 569*
Travel and subsistence	*3 859*	*5 431*	*5 757*	*9 695*	*12 421*	*13 274*	*14 080*
Communication	*3 941*	*3 996*	*4 156*	*5 053*	*2 283*	*2 478*	*2 696*
Computer services	*332*	*507*	*583*	*5 194*	*3 210*	*3 345*	*3 759*
Audit fees external	*7 688*	*4 983*	*5 282*	*6 847*	*6 148*	*6 709*	*6 764*
Training and staff development: external	*296*	*476*	*1 276*	*2 701*	*2 611*	*2 616*	*2 846*
Financial transactions in assets and liabilities	628	30	–	–	–	–	–
Transfers and subsidies to:	**278**	**180**	**204**	**281**	**284**	**195**	**203**
Provinces and municipalities	67	84	86	141	34	35	38
Departmental agencies and accounts	211	96	118	140	140	160	165
Households	–	–	–	–	110	–	–
Payments for capital assets	**2 449**	**28 842**	**11 783**	**23 641**	**3 477**	**2 882**	**3 387**
Buildings and other fixed structures	–	5 600	–	–	–	–	–
Machinery and equipment	2 449	23 242	11 783	12 243	3 277	2 632	3 087
Software and other intangible assets	–	–	–	11 398	200	250	300
Total	**62 164**	**106 896**	**90 408**	**143 598**	**111 816**	**117 809**	**122 406**
Details of transfers and subsidies:							
Departmental agencies and accounts							
Current	**211**	**96**	**118**	**140**	**140**	**160**	**165**
Finance, Accounting, Management, Consulting and other Financial Services (Fasset) Sector Education and Training Authority	211	96	118	140	140	160	165
Total departmental agencies and accounts	**211**	**96**	**118**	**140**	**140**	**160**	**165**

Expenditure trends

Expenditure more than doubled between 2001/02 and 2004/05, although this masks some fluctuations in total expenditure, in part due to one-off costs for the occupation and renovation of the 240 Vermeulen Street building. Expenditure is expected to fall in 2005/06 and then increase slowly, mainly due to the completion of the refurbishment of the 240 Vermeulen Street and 40 Church Square buildings. Further renovations to the Centurion building and 120 Plein Street in Cape Town are included in the allocations for 2005/06.

Programme 2: Economic Planning and Budget Management

Economic Planning and Budget Management provides for professional advice and support to the Minister of Finance on economic and fiscal policy, financial sector policy and regulation, tax policy, international financial relations, public finance policy and development, intergovernmental financial relations and expenditure planning; and for the management of the annual budget process.

These functions are organised into four subprogrammes:

- *Public Finance* manages National Treasury's relations with other national departments, provides budgetary support to departments, and advises the Minister and the rest of National Treasury on departmental and government cluster matters. Focus areas include: departmental and sectoral financing and budgeting; monitoring financial management, expenditure and service delivery; policy analysis and policy development support; and, through the technical assistance unit, project management support for development programmes and initiatives.
- *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, co-ordinates international technical assistance and donor finance, supports PPPs and compiles the public finance statistics.
- *Intergovernmental Relations* co-ordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.
- *Economic Policy* is responsible for providing macroeconomic analysis and policy advice, managing international financial relations, formulating tax policy and legislation, and co-ordinating with the South African Reserve Bank on various areas of monetary policy and the Financial Services Board on the regulation of financial services.

Expenditure estimates

Table 8.4: Economic Planning and Budget Management

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Public Finance	12 009	19 024	26 892	36 851	35 311	38 800	40 432
Budget Office	9 337	17 159	30 339	39 093	42 206	45 752	48 503
Intergovernmental Relations	10 286	13 587	19 691	33 007	28 536	30 872	31 765
Economic Policy	22 174	36 652	29 514	41 188	45 708	47 632	49 976
Total	**53 806**	**86 422**	**106 436**	**150 139**	**151 761**	**163 056**	**170 676**
Change to 2004 Budget estimate				9 932	809	1 284	815
Economic classification							
Current payments	**50 879**	**83 948**	**98 362**	**141 403**	**143 682**	**154 986**	**162 847**
Compensation of employees	35 293	43 372	58 249	79 686	99 637	108 191	115 369
Goods and services	15 581	40 576	40 113	61 717	44 045	46 795	47 478
of which:							
Consultants and contractors	*4 883*	*24 033*	*16 686*	*34 368*	*15 542*	*17 024*	*16 385*
Travel and subsistence	*4 520*	*6 460*	*8 547*	*9 980*	*12 293*	*12 922*	*13 191*
Inventory	*3 303*	*3 708*	*4 498*	*5 344*	*5 348*	*5 615*	*5 971*
Personnel agency fees	*1 240*	*1 833*	*3 304*	*1 851*	*1 110*	*1 218*	*1 340*
Training and staff development	*222*	*1 025*	*1 326*	*2 106*	*1 703*	*1 842*	*1 839*
Financial transactions in assets and liabilities	5	–	–	–	–	–	–
Transfers and subsidies to:	**103**	**130**	**6 538**	**6 241**	**6 059**	**6 037**	**6 052**
Provinces and municipalities	103	130	338	241	59	37	52
Departmental agencies and accounts	–	–	6 000	6 000	6 000	6 000	6 000
Public corporations and private enterprises	–	–	200	–	–	–	–

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Payments for capital assets	**2 824**	**2 344**	**1 536**	**2 495**	**2 020**	**2 033**	**1 777**
Machinery and equipment	2 824	2 344	1 536	2 495	1 946	1 928	1 688
Software and other intangible assets	–	–	–	–	74	105	89
Total	**53 806**	**86 422**	**106 436**	**150 139**	**151 761**	**163 056**	**170 676**

Details of transfers and subsidies:

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Departmental agencies and accounts							
Current	**–**	**–**	**6 000**	**6 000**	**6 000**	**6 000**	**6 000**
Project Development Facility-Trading Account	–	–	6 000	6 000	6 000	6 000	6 000
Total departmental agencies and accounts	**–**	**–**	**6 000**	**6 000**	**6 000**	**6 000**	**6 000**

Expenditure trends

Expenditure increased rapidly over the last four years, increasing from R53,8 million in 2001/02 to R150,1 million in 2004/05, at an annual average rate of 40,8 per cent, due to increases in analytical and advisory capacity and the improvements in the quality of economic and fiscal planning.

Over the next three years, expenditure is expected to continue to increase, rising to R170,7 million in 2007/08. These increases will go towards further professional development over the medium term including international financial relations, financial regulation and oversight, support for municipal financial management capacity, PPPs, improved public sector infrastructure planning and project analysis, and the strengthening of research capacity on macroeconomic trends, tax policy, economic and financial policy analysis and social development planning. The allocations accommodate provision for the department’s internship programme, an annual allocation of R6 million to the project development facility trading account of the PPP unit and support for building economic research capacity in Southern Africa.

Service delivery objectives and indicators

Recent outputs

The main outputs of *Economic Planning and Budget Management* are the annual Budget and medium-term expenditure framework tabled in Parliament by the Minister of Finance in February each year. Key publications include the Budget Review, the Estimates of National Expenditure, the Medium Term Budget Policy Statement and the Intergovernmental Fiscal Review, all of which are supported by the public finance database maintained by the budget office.

Notable specific outputs in 2003 and 2004 include a revised and updated PPP Manual and Standardised PPP Provisions, a discussion document on retirement fund reform, a draft policy framework on environmental fiscal reform, several reports on the governance review of public sector entities, six sectoral reports and an overview on the findings of an investigation into administered and regulated prices, and a revised economic classification of expenditure and accompanying new chart of accounts for government finances.

National Treasury's legislative programme is also largely overseen by *Economic Planning and Budget Management*, and outputs include the annual Division of Revenue bill, the appropriation bills, revenue laws amendments and various financial regulatory bills.

Selected medium-term output targets

Economic Planning and Budget Management:

Measurable objective: Facilitate growth, social development and poverty reduction through sound economic, fiscal and financial policies, efficient revenue measures, and the efficient and appropriate allocation of public funds.

Subprogramme	Output	Measure/indicator	Target
Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Policy reviews for 2005/06: social security reform, health insurance, further education and skills development, broad-based BEE and small business development, government property and accommodation management, prisons accommodation, additional television broadcasting channels
	Expenditure analysis	Focused medium-term expenditure reviews	Sectoral expenditure reviews for 2005/06: health services and conditional grants, 2010 World Cup, land restitution and land reform, housing and the built environment, integrated justice
	Project management support (technical assistance unit)	Growth in project flow	Key projects for 2005/06: school infrastructure support programme, infrastructure delivery improvement programme, establishment of Social Security Agency, monitoring and evaluation of conditional grants, project management for the 2010 World Cup
Budget Office	Annual budget framework and division of revenue	Integrity of budget framework: fiscal sustainability, structure and trends in fiscal indicators	Moderate budget deficit and sound fiscal framework
	Budget Review, Estimates of National Expenditure, appropriation legislation, treasury guidelines and public finance statistics	Quality, scope and coverage of budget documentation	Inclusion of public entities in budget documentation, improved formulation of measurable objectives and programme descriptions
	PPP agreements	Increased PPP oversight capacity	Restructuring of PPP advisory and regulatory functions
	International co-operation agreements	Annual ODA expenditure	R1,5-R2 billion a year
		Alignment of ODA with government priorities	Mid-year ODA conference
Intergovernmental Relations	Support for provincial and municipal development	Number of provinces and municipalities in which financial management programmes and reforms have been implemented	All provinces and 156 high and medium capacity municipalities over the medium term
	Facilitate infrastructure delivery and improvements in provinces	Provincial infrastructure plans complying with guidelines provided by National Treasury	Appointment of technical assistants to assist provincial departments to prepare plans
Economic Policy	Macro-economic policy analysis and advice	Coherence of economic policy	Sustainable growth and development
	Financial sector policy advice, legislation and regulations	Deepening financial markets	Stable financial sector
	Tax policy analysis and advice	Tax policy reforms and revision of tax legislations	Robust tax revenue performance and structural adjustments of the overall tax system

Programme 3: Assets and Liability Management

Assets and Liability Management manages government's asset and liability portfolio, including its domestic and foreign debt portfolio.

The programme's activities are carried out through five subprogrammes:

- *Management.*
- *Asset Management* monitors and enforces government bodies' and public entities' corporate governance compliance in accordance with the PFMA, and co-ordinates the borrowing activities of public entities in line with Treasury regulations.
- *Liability Management* provides for government's liquidity needs and manages domestic and foreign debt.
- *Financial Operations* is responsible for managing government's liquidity requirements, and making sure that all government's debt transactions are accounted for and reported on, in terms of the PFMA and all other multilateral institutions' reporting requirements. It also provides for the systems used for storing information required by the different sections of the programme.
- *Strategy and Risk Management* develops and maintains a government-wide risk management framework and makes sure that the strategies adopted by the *Asset and Liability Management* programme are in line with the agreed framework.

Expenditure estimates

Table 8.5: Asset and Liability Management

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Management	3 393	7 021	31 143	19 075	13 520	12 074	11 948
Asset Management	2 424	2 207	4 934	12 729	12 190	7 812	8 358
Liability Management	3 555	4 414	6 007	8 539	9 737	10 579	11 323
Financial Operations	3 070	3 812	7 563	9 261	8 830	9 570	10 255
Strategy and Risk Management	3 717	2 608	2 220	4 272	5 445	5 899	6 337
Total	**16 159**	**20 062**	**51 867**	**53 876**	**49 722**	**45 934**	**48 221**
Change to 2004 Budget estimate				11 605	4 418	(2 469)	(2 602)
Economic classification							
Current payments	**15 335**	**19 447**	**50 887**	**52 288**	**49 237**	**45 420**	**47 681**
Compensation of employees	7 910	11 186	13 934	20 074	23 964	25 886	27 961
Goods and services	7 425	8 261	36 953	32 214	25 273	19 534	19 720
of which:							
Consultants and contractors	*4 889*	*4 188*	*18 466*	*14 629*	*5 000*	*376*	*401*
Travel and subsistence	*962*	*1 625*	*11 182*	*2 938*	*3 070*	*3 377*	*3 546*
Computer services	*43*	*145*	*139*	*6 632*	*6 739*	*4 293*	*3 721*
Training and staff development: external	*–*	*–*	*668*	*801*	*758*	*834*	*876*
Transfers and subsidies to:	**24**	**33**	**34**	**42**	**7**	**7**	**8**
Provinces and municipalities	24	33	34	42	7	7	8
Payments for capital assets	**800**	**582**	**946**	**1 546**	**478**	**507**	**532**
Machinery and equipment	800	582	946	1 546	478	507	532
Total	**16 159**	**20 062**	**51 867**	**53 876**	**49 722**	**45 934**	**48 221**

Expenditure trends

Expenditure more than doubled in 2003/04. The increase was mainly due to a payment for the settlement of debt incurred by the former Bophuthatswana government. There was also a significant increase in expenditure in 2004/05 due to the implementation of a new risk management approach, the focus on corporate governance, and the development and implementation of an integrated information system. Expenditure is expected to fall from R53,9 million in 2004/05 to R45,9 million in 2006/07, and then increases in 2007/08 to reach R48,2 million.

Service delivery objectives and indicators

Recent outputs

Government's net borrowing requirement was adjusted upwards from R46,2 billion to R48,7 billion, and the department is on track with its financing programme. Retail bonds were successfully introduced to the market in May 2004, and R1,5 billion has been issued to individual bond holders in the two, three and five-year maturities.

Government borrowed US$1 billion from the international capital markets at a very favourable coupon rate of 6,5 per cent, the lowest rate at which government has been able to borrow in US dollars.

In terms of the Gold and Foreign Exchange Contingency Reserve Account Defrayal Act 2003, R7,0 billion of nil coupon bonds was issued to the South African Reserve Bank.

During 2004/05, Fitch gave South Africa a positive credit rating. Moody's Investor Services has also given South Africa a favourable rating, with the possibility of an upgrade.

Provinces have opened corporation for public deposit bank accounts as part of their provincial revenue fund accounts in terms of the intergovernmental cash co-ordination programme. The improvement in cash management initiatives has resulted in a reduction from R100 million to R50 million in the exchequer account balances, with a concomitant increase in interest earned.

An intranet version of the state-owned enterprises and state contingent liability register has been developed. Tender documents for the public debt management systems are being finalised with SITA.

The strategy and risk management unit has developed a risk management framework that recognises the need for a broad approach. In the past, risk management in National Treasury has focused on government's liability portfolio. The current approach to risk management involves an analysis of all the risks that impact on government's budget. Risk management decision-making will thus be based on government's balance sheet, focusing on financial flows. In the context of government-wide risk management, risks have been identified as being either market, credit, country or operational risks.

Government is currently revising its policy on the restructuring of state-owned enterprises, which will continue over the medium term. Proceeds from the sale of assets will be channelled into state-owned-enterprise capital projects and the fiscus. At the time of the 2004 Budget, it was estimated that restructuring proceeds of R2,5 billion would be received in 2004/05, a significant portion of which were from the sale of a portion of government's stake in Telkom and the sale of SAFCOL.

Selected medium-term output targets

Assets and Liability Management

Measurable objective: Manage government's asset and liability portfolio through cash management, asset restructuring, financial management and optimal management of the government's domestic and foreign debt portfolio.

Subprogramme	Output	Measure/indicator	Target
Asset Management	Review of Development Finance Institutions (DFIs)	Progress report on operations and mandates	31 March 2006
		Guidelines of DFIs	31 March 2007
	Review of Treasury operations of all SOEs	Progress report on all SOEs	31 March 2006
		Guidelines of SOEs treasury operations	31 March 2007
	SOE dividend policy.	SOE dividend policy formulated	31 March 2006
	Prudent management of SOEs	PFMA compliance and monitoring	Quarterly over the medium-term
Liability Management	Annual funding Strategy	Finance government's 2005/06 borrowing requirements	100% financed
		Funding strategy for 2006/07 and 2007/08 completed	February 2006 and 20077
Financial Operations	Maintain cash management framework	Sound cash flow forecasts and optimised return on investments	Non-interest bearing deposit limited to R50 million
		Fully operational intergovernmental cash coordination	31 March 2006
	Systems Integration and information management	Analysis and design of an integrated public debt management system	31 March 2006
		Integrated Public Debt Management System	31 March 2007
		Development and deployment of the state's contingent liability register	First phase implemented by 31 March 2006 and completed by 31 March 2007
Strategy and Risk Management	Development of a Government-wide Risk Management Framework	Risk Management Framework developed and approved	31 March 2006
		Framework implemented	31 March 2007
	Review of the Market Risk Management Policy	Revised Market Risk Policy approved	31 March 2006
	Development of a Risk Management Policy on Contingent Liabilities	Policy on Risk Management of Contingent Liabilities developed and approved	31 March 2006

Programme 4: Financial Management and Systems

Financial Management and Systems manages and regulates government's procurement and supply chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the PFMA and associated capacity-building initiatives.

This programme consists of four subprogrammes:

- *Management*.
- *Supply Chain Management* develops policy that regulates the supply chain processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *PFMA Implementation and Co-ordination* provides for National Treasury's monitoring role in the implementation of the PFMA and related training initiatives.
- *Financial Systems* is responsible for maintaining and improving existing financial management systems, replacing outdated systems with those that comply with the PFMA and GRAP.

Expenditure estimates

Table 8.6: Financial Management and Systems

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
Management	837	4 363	1 080	1 233	1 251	1 359	1 427
Supply Chain Management	13 594	10 205	19 392	38 016	30 531	32 453	34 449
PFMA Implementation and Co-ordination	1 417	5 114	10 347	15 781	14 327	15 228	16 056
Financial Systems	206 715	238 334	203 494	297 425	235 890	321 683	337 729
Operational costs	*30 854*	*28 459*	*18 935*	*49 363*	*50 733*	*55 672*	*59 352*
Basic Accounting System (BAS)	*56 691*	*76 092*	*64 561*	*90 478*	*91 017*	*97 146*	*103 691*
Persal	*35 674*	*42 005*	*44 256*	*44 527*	*48 029*	*51 391*	*54 334*
Logis	*45 822*	*51 453*	*37 280*	*35 257*	*39 810*	*41 642*	*43 725*
Vulindlela	*25 360*	*34 218*	*16 953*	*18 903*	*21 118*	*22 507*	*23 629*
Financial Management System (FMS)	*12 314*	*12 662*	*10 935*	*15 907*	-	-	-
Integrated Financial Management System (IFMS)	–	–	*10 574*	*42 990*	*57 468*	*53 325*	*52 998*
Total	**222 563**	**264 571**	**234 313**	**352 455**	**354 284**	**370 723**	**389 661**
Change to 2004 Budget estimate				–	(83 624)	(10 769)	(10 906)
Economic classification							
Current payments	**219 588**	**254 760**	**233 361**	**348 884**	**278 779**	**367 318**	**386 119**
Compensation of employees	18 225	21 307	20 192	37 603	52 336	56 535	61 079
Goods and services	201 356	233 453	213 169	311 281	226 443	310 783	325 040
of which:							
Consultants and contractors	*193 501*	*189 040*	*197 651*	*5 918*	*852*	*887*	*872*
Travel and subsistence	*1 810*	*1 788*	*1 544*	*5 404*	*5 305*	*5 639*	*5 917*
Communication	*568*	*1 279*	*1 361*	*2 116*	*2 047*	*2 179*	*2 267*
Inventory	*2 054*	*1 036*	*701*	*2 655*	*2 389*	*2 502*	*2 586*
Computer services	*501*	*510*	*629*	*288 227*	*194 348*	*276 917*	*289 765*
Audit fees external	*2 047*	*66*	*946*	*2 094*	*2 162*	*2 271*	*2 385*
Personnel agency fees	*27*	*226*	*937*	–	–	–	–
Training and staff development: external	*848*	*39 508*	*9 400*	*1 288*	*13 647*	*14 383*	*15 046*
Financial transactions in assets and liabilities	7	–	–	–	–	–	–
Transfers and subsidies to:	**57**	**64**	**54**	**109**	**21**	**21**	**20**
Provinces and municipalities	57	64	54	109	21	21	20
Payments for capital assets	**2 918**	**3 192**	**898**	**3 462**	**3 199**	**3 384**	**3 522**
Machinery and equipment	2 918	3 192	898	3 462	3 199	3 384	3 522
Total	**222 563**	**258 016**	**234 313**	**352 455**	**281 999**	**370 723**	**389 661**

Expenditure trends

Expenditure on the *Financial Systems* subprogramme increased in 2002/03, due to the implementation of the Basic Accounting System (BAS). Expenditure fell in 2003/04 but then increased significantly again in 2004/05, in part due to costs related to BAS. Over the next three years, expenditure is expected to increase steadily, from R352,5 million in 2004/05 to R389,7 million in 2007/08, an annual average increase of 3,4 per cent.

Over the medium term, the *PFMA Implementation and Co-ordination* subprogramme's baseline has been decreased by R2,0 million, R2,1 million and R2,2 million, because of funds shifted to SAMDI to assist with the rollout of financial management training.

Service delivery objectives and indicators

Recent outputs

A project office was established in February 2003 to develop a coherent strategy for renewing and integrating government's financial (BAS), supply chain, and human resources (PERSAL) management systems.

The Budget Council endorsed the project office's recommendations in December 2004 for formal submission to Cabinet early in 2005.

The PFMA

During the first quarter of 2004, the PFMA implementation unit submitted progress reports to Cabinet and the Standing Committee on Public Accounts (SCOPA) on progress on implementing the PFMA in National Treasury, as well as in departments, constitutional institutions and public entities. In general, departments appear to be making good progress, but two elements remain critical for success: properly trained departmental personnel, and the will and commitment of accounting officers. A further memorandum was submitted to Cabinet in November 2004, which detailed the audit outcomes and information on the tabling of annual reports of departments, constitutional institutions and public entities.

Training

The Validation Board, established in 2001 to accredit financial management training material, has accredited 68 courses from 14 service providers.

National Treasury's service level agreement with the Institute for Public Finance and Auditing has produced positive results. A substantial number of trainees benefited from this agreement, where National Treasury staff are trained to improve financial management within the Treasury in terms of GRAP. A total of 4 408 trainees enrolled in 194 courses. Of these, 110 were standard chart of accounts courses that were presented to 2 566 trainees free of charge.

National Treasury has engaged IPFA and SAMDI to help with the training of supply chain management officials. Courses developed by these service providers during 2004/05 were validated by the Validation Board and are currently being presented to officials in the national and provincial spheres. The training began in January 2005 and will continue for the next few years.

Supply chain management

During 2004/05, several practice notes and a checklist were issued to help accounting officers/authorities with implementing supply chain management. Workshops were also held with national and provincial departments and schedule 3A and 3C public entities. Reporting templates were issued. Information from these reports enabled National Treasury to identify problem areas and provide help. A database for management information on policy outcomes is being developed and will enable National Treasury to submit regular reports to Cabinet and SCOPA from 2005/06.

Revised procurement regulations

The National Council of Provinces has directed that government's preferential procurement be aligned with the Broad-Based Black Economic Empowerment Act (2003) and its strategy. To this end, a combined work team from National Treasury and the Department of Trade and Industry's BEE unit have compiled revised preferential procurement regulations, which were published for comment in October 2004. The revised regulations are likely to be promulgated in the first quarter of 2005.

Selected medium-term output targets

Financial Management and Systems

Measurable objective: Regulate and oversee public sector supply chain management and standardise the financial systems of national and provincial government, while co-ordinating the implementation of the PFMA

Subprogramme	Output	Measure/Indicator	Target
Supply Chain Management	Regulate and monitor supply chain management policy in government, and manage general supply contracts on behalf of government	Implement consistent legislative and policy framework	Phased implementation strategy and reports to Cabinet and SCOPA as from second semester 2005
		Issue further practice notes for implementing supply chain management	During 2005
		Issue supply chain management regulations in terms of MFMA	July 2005
		Revise preferential procurement regulations	March 2005
PFMA Implementation and Co-ordination	Co-ordinate implementation of PFMA and related training initiatives, as well as monitor implementation in institutions to which the Act applies	Report to Cabinet and SCOPA on progress with PFMA implementation	June 2005
		Report to Cabinet on audit outcomes of national and provincial entities	November 2005
		Number of courses presented to trainees to assist with implementation of financial reforms	Courses on: -standard chart of accounts: 135 -supply chain management: 120 -migration from cash to accrual accounting: 100
Financial Systems	Implement, maintain and improve financial management systems	Percentage of availability and stability of financial systems within working hours	System 98% available during office hours
		Submission of strategy for integrated financial management systems to Cabinet	First semester of 2005

Programme 5: Financial Accounting and Reporting

Financial Accounting and Reporting seeks to achieve accountability to the general public by promoting transparency and effectiveness in the delivery of public services, especially in the management of revenue, expenditure, assets and liabilities. It sets new, and improves existing, government accounting policies and practices to ensure compliance with the standards of GRAP, prepares consolidated financial statements, and endeavours to improve the timeliness, accuracy and efficiency of financial reporting.

The programme consists of six subprogrammes:

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the RDP Fund, banking services for national government, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management and providing training, developing and implementing accounting policies, and internal audit services. It also assists the Institute for Public Finance and Auditing.
- *Investment of Public Monies* accommodates augmentation of the Public Investment Commissioner's bank account.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.

- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (1995).
- *Contingent Liabilities: Reinsurance Liabilities* provides for reinsurance granted to insurers arising from loss or damage to property, funds payments or consequential loss as a result of riots in terms of the Reinsurance of Damages and Losses Act (1989), and grants loans and advances to such insurers in terms of the Act.

Expenditure estimates

Table 8.7: Financial Accounting and Reporting

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Financial Reporting for National Accounts	6 122	25 090	23 445	40 139	53 030	62 857	66 641
Financial Management Improvement	9 114	7 222	2 453	8 341	18 302	20 560	21 589
Investment of Public Monies	–	–	–	–	1	1	1
Service Charges (Commercial Banks)	3 807	5 634	7 624	33	–	–	–
Audit Statutory Bodies	6 169	11 877	11 195	16 667	14 300	15 100	15 800
Contingent Liabilities: Reinsurance Liabilities	–	–	–	–	1	1	1
Total	**25 212**	**49 823**	**44 717**	**65 180**	**85 634**	**98 519**	**104 032**
Change to 2004 Budget estimate				(1 002)	11 334	16 899	18 331
Economic classification							
Current payments	**16 309**	**34 283**	**29 268**	**47 086**	**63 076**	**74 905**	**79 485**
Compensation of employees	5 020	2 500	3 947	15 276	20 679	29 460	34 626
Goods and services	11 285	31 783	25 321	31 810	42 397	45 445	44 859
of which:							
Consultants and contractors	*7 415*	*20 386*	*14 782*	*5 273*	*4 236*	*5 192*	*2 919*
Travel and subsistence	*120*	*542*	*840*	*10 890*	*20 297*	*21 188*	*21 843*
Computer services	*26*	*102*	–	*4 888*	*4 767*	*5 078*	*5 348*
Audit fees external	–	–	–	*6 667*	*279*	*291*	*312*
Training and staff development: external	–	–	–	*1 825*	*935*	*1 017*	*1 030*
Financial transactions in assets and liabilities	4	–	–	–	–	–	–
Transfers and subsidies to:	**8 808**	**15 474**	**14 995**	**16 987**	**19 041**	**19 869**	**20 804**
Provinces and municipalities	8	9	50	49	6	8	9
Departmental agencies and accounts	8 800	15 465	14 945	16 938	19 035	19 861	20 795
Payments for capital assets	**95**	**66**	**454**	**1 107**	**3 517**	**3 745**	**3 743**
Machinery and equipment	95	66	454	1 107	3 517	3 745	3 743
Total	**25 212**	**49 823**	**44 717**	**65 180**	**85 634**	**98 519**	**104 032**
Details of transfers and subsidies:							
Departmental agencies and accounts							
Current	**8 800**	**15 273**	**14 695**	**16 938**	**19 035**	**19 861**	**20 795**
Accounting Standards Board	–	3 396	3 500	270	4 733	4 759	4 993
Audit (Auditor-General)	8 800	11 877	11 195	16 668	14 302	15 102	15 802
Capital	**–**	**192**	**250**	**–**	**–**	**–**	**–**
Accounting Standards Board	–	192	250	–	–	–	–
Total departmental agencies and accounts	**8 800**	**15 465**	**14 945**	**16 938**	**19 035**	**19 861**	**20 795**

Expenditure trends

Expenditure almost doubled in 2002/03, to reach R49,8 million, due to a large increase in expenditure on the *Financial Reporting for National Accounts* subprogramme. Expenditure rose further to R65,2 million in 2004/05, and is then expected to increase significantly over the next three years, to reach R104 million in 2007/08. Part of this increase is due to the increases in capacity.

Service delivery objectives and indicators

Recent outputs

Improvements in national and provincial departments' regular reporting

Over the past year, the *Financial Reporting on National Accounts* subprogramme made significant progress in clearing the backlog on the publication of consolidated annual financial statements for national government departments. It also improved the formats for financial reporting for national and provincial governments. The unit improved on ledger closure dates and contributed to the refined in-year monitoring system to facilitate punctual monthly, quarterly and annual reporting. The system captures forecasted expenditure and the reasons for deviation. The collated data is then available for varied time series analyses.

GRAP leads to better decision-making

The use of the standards of GRAP in financial reporting provides better information for decision-making and accountability. The *Financial Management Improvement* subprogramme's initiatives will help management uphold sound financial management practices and use public sector resources effectively.

Standardising annual reports

Financial Accounting and Reporting has also refined the process for drafting specimen formats for annual financial statements, ensuring reporting across national and provincial departments is more uniform. The team has engaged national and provincial departments in extensive consultation and training on the format, enhancing the implementation process.

Internal audit and risk management frameworks

Internal audit and risk management frameworks were benchmarked against the King II report and any revisions incorporated. The revised framework was circulated for comment to, among others, the forum for the heads of internal audit, the auditor-general and the Institute of Internal Auditors. The internal audit reports, with the auditor-general's report, provided the financial accounting and reporting team with additional insight into weaknesses in departments and provinces. This information is used to improve existing frameworks, policies and practices, and develop new ones. One of the key weaknesses is departments' lack of adequate capacity to implement policy.

Selected medium-term output targets

Financial Accounting and Reporting

Measurable objective: Achieve accountability to Parliament through transparency and effective financial management within the public sector.

Subprogramme	Output	Measure/Indicator	Target
Financial Reporting for National Accounts	Monthly statement of National Revenue Fund actual revenue and expenditure	Accurate statement published on time	30 days after month end
	Specimen formats for annual financial statements and consolidated annual financial statements	Completed formats that comply with government prescripts	31 July 2005
	Consolidated annual financial statements for national government for 2004/05	Audited consolidated annual financial statements for national government	30 September 2005
		Published consolidated annual financial statements	31 October 2005
	Annual financial statements for the Reconstruction and Development Programme (RDP) Fund	Audited and published annual financial statements for the RDP Fund	31 October 2005
Financial Management Improvement	Revised framework for transition from cash to accrual accounting	Framework complies with Accounting Standards Board work plan and adheres to local and international best practice	31 June 2005
	Detailed implementation plan for transition from cash to accrual accounting	Implementation plan in line with framework and adheres to local and international best practice	30 September 2005
	Accounting policies and practices in support of framework for transition from cash to accrual accounting	Completed set of accounting policies and practices in line with GRAP standards and adhering to local and international best practices	100% alignment to GRAP standards
	Approved internal audit and risk management frameworks for national and provincial departments	Percentage compliance with the frameworks	60% compliance by March 2006
	Internal quality assurance reviews on internal audit activities in national, provincial and local government and public entities	Report to SCOPA level of compliance with framework	By March 2006: 100% national 100% provincial 20% public entities 20% municipalities
	Proposal on public sector audit committee forum to director-general of National Treasury	Proposal indicating terms of reference, composition, authority and relationships with other governance structures.	31 September 2005
	Participation on audit committees and risk management committees	Percentage of national department's participation on committees	80% national participation

Programme 6: Provincial and Local Government Transfers

Provincial and Local Government Transfers designs, manages and monitors National Treasury's own conditional transfers to provincial and local governments.

There are two subprogrammes:

- *Provincial Infrastructure Grant* provides for the transfers to provinces and for monitoring. The grant supports accelerated infrastructure development and maintenance for roads, schools, health facilities and rural development.
- *Local Government Financial Management and Restructuring Grants* provides for the transfers to municipalities, and is responsible for the design and monitoring of the financial management

grant and the restructuring grant, which are for piloting budget and financial reforms and the implementation of the Municipal Finance Management Act (2003).

Expenditure estimates

Table 8.8: Provincial and Local Government Transfers

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Provincial Infrastructure Grant	1 824 000	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	5 324 025
Local Government Financial Management and Restructuring Grants	290 250	306 000	704 830	585 898	548 740	548 657	548 657
Total	**2 114 250**	**2 256 000**	**3 239 318**	**3 934 260**	**4 279 513**	**4 666 776**	**5 872 682**
Change to 2004 Budget estimate				45 000	–	–	972 567
Economic classification							
Transfers and subsidies to:	**2 114 250**	**2 256 000**	**3 239 318**	**3 934 260**	**4 279 513**	**4 666 776**	**5 872 682**
Provinces and municipalities	2 114 250	2 256 000	3 239 318	3 934 260	4 279 513	4 666 776	5 872 682
Total	**2 114 250**	**2 256 000**	**3 239 318**	**3 934 260**	**4 279 513**	**4 666 776**	**5 872 682**
Details of transfers and subsidies:							
Provinces and municipalities							
Provinces							
Provincial revenue funds							
Current	**424 000**	**–**	**–**	**–**	**–**	**–**	**–**
Supplementary allocation	124 000	–	–	–	–	–	–
Mpumalanga (Sec100 (1)(a) of the Constitution)	300 000	–	–	–	–	–	–
Capital	**1 400 000**	**1 950 000**	**2 534 488**	**3 348 362**	**3 730 773**	**4 118 119**	**5 324 025**
Provincial Infrastucture Grant	800 000	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119	5 324 025
Flood Rehablilitation	600 000	400 000	200 000	–	–	–	–
Municipalities							
Municipal bank accounts							
Current	**290 250**	**306 000**	**704 830**	**585 898**	**548 740**	**548 657**	**548 657**
Local Government Restructuring	230 250	151 000	494 000	387 900	350 000	350 000	350 000
Financial Management: Municipalities	60 000	111 000	151 000	129 000	125 536	121 088	121 088
Financial Management: Development Bank of Southern Africa	–	44 000	59 830	68 998	73 204	77 569	77 569
Total provinces and municipalities	**2 114 250**	**2 256 000**	**3 239 318**	**3 934 260**	**4 279 513**	**4 666 776**	**5 872 682**

Expenditure trends

The *provincial infrastructure grant* addresses the backlogs in provincial infrastructure. Expenditure on the grant has increased rapidly over the last three years, rising from R1,8 billion in 2001/02 to R3,3 billion in 2004/05, an average annual increase of 22,4 per cent. This growth is expected to continue to increase, with expenditure reaching R5,3 billion in 2007/08, an average annual increase of 16,7 per cent.

Expenditure on the *Local Government Financial Management and Restructuring Grants* subprogramme is expected to remain steady over the next three years, with expenditure of R548,7 million in 2007/08. Within this, expenditure on the local government financial management grant will be approximately R200 million per year, while the restructuring grant will remain capped at R350 million per year. Municipalities will be granted a minimum of R1 million each from the financial management grant.

Service delivery objectives and indicators

Recent outputs

In implementing the MFMA, municipalities have been categorised into high, medium and low capacity. Many of the medium to low capacity municipalities have only just been allocated the financial management grant and will require much more support to fully implement the MFMA, hence the phasing-in strategy which has been implemented from July 2004.

Selected medium-term output targets

Provincial and Local Government Transfers

Measurable objective: Improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets.

Subprogramme	Output	Measure/indicator	Target
Provincial Infrastructure Grant	Monitoring provincial infrastructure development	Transfers made according to conditions	Transfers made by 31 March 2006 in compliance with the requirements of the Division of Revenue Act
		Reporting on compliance, transfers and spending	Quarterly reporting
Local Government Financial Management and Restructuring Grants	Monitoring of municipal financial management reforms and restructuring	Transfers made according to conditions	Transfers made by 31 March 2006 in compliance with the requirements of the Division of Revenue Act
		Regular reporting per grant	Quarterly reporting as per stated criteria and conditions

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

The key objective of *Civil and Military Pensions, Contributions to Funds and Other Benefits* is to provide for the payment of pension and other benefits in the public sector.

There are two subprogrammes:

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance-devices, and other related expenses, in terms of statutory commitments.

Expenditure estimates

Table 8.9: Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Civil Pensions and Contributions to Funds	1 533 622	1 762 101	2 148 823	1 923 966	2 034 694	2 162 774	2 275 912
Military Pensions and Other Benefits	130 840	133 821	139 629	140 000	144 111	152 758	160 396
Total	**1 664 462**	**1 895 922**	**2 288 452**	**2 063 966**	**2 178 805**	**2 315 532**	**2 436 308**
Change to 2004 Budget estimate				(100 000)	(114 999)	(115 900)	(116 696)
Economic classification							
Current payments	**975 565**	**1 244 246**	**1 258 622**	**1 372 325**	**1 432 050**	**1 523 972**	**1 605 171**
Social contributions for retired employees	968 495	1 228 462	1 242 302	1 359 037	1 417 965	1 509 042	1 589 494
Goods and services	7 066	15 012	16 320	13 288	14 085	14 930	15 677
of which:							
Consultants and contractors	*7 066*	*15 012*	*16 320*	*13 288*	*14 085*	*14 930*	*15 677*
Financial transactions in assets and liabilities	4	772	–	–	–	–	–
Transfers and subsidies to:	**1 375 269**	**1 299 736**	**2 056 884**	**1 380 321**	**1 490 372**	**1 579 793**	**1 658 781**
Foreign governments and international organisations	2 465	3 566	2 724	2 906	3 080	3 265	3 428
Non-profit institutions	60	50	52	55	58	62	65
Households	1 372 744	1 296 120	2 054 108	1 377 360	1 487 234	1 576 466	1 655 288
Total	**2 350 834**	**2 543 982**	**3 315 506**	**2 752 646**	**2 922 422**	**3 103 765**	**3 263 952**
Details of transfers and subsidies:							
Foreign governments and international organisations							
Current	**2 465**	**3 566**	**2 724**	**2 906**	**3 080**	**3 265**	**3 428**
United Kingdom Tax	2 465	3 566	2 724	2 906	3 080	3 265	3 428
Total foreign governments and international organisations	**2 465**	**3 566**	**2 724**	**2 906**	**3 080**	**3 265**	**3 428**
Non-profit institutions							
Current	**60**	**50**	**52**	**55**	**58**	**62**	**65**
SA Legion	60	50	52	55	58	62	65
Total non-profit institutions	**60**	**50**	**52**	**55**	**58**	**62**	**65**

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Households							
Social benefits							
Current	**1 372 744**	**1 296 120**	**2 054 108**	**1 377 360**	**1 487 234**	**1 576 466**	**1 655 288**
Civil Pensions	556 604	515 947	903 901	550 638	601 581	637 675	669 558
of which:							
Contributions to provident funds for associated institutions	474	469	727	771	817	866	909
Parliamentary awards	35	38	121	128	136	144	151
Other beneficiaries	43 960	41 668	45 700	48 443	51 350	54 431	57 153
Pension benefit: President of RSA	596	640	639	677	718	761	799
Political Office Bearers' Fund	13 288	14 019	416 750	17 755	18 820	19 949	20 946
Awards iro temporary, total or partial disablement or death as a result of injury on duty	153 717	179 232	155 380	179 703	220 000	233 200	244 860
Special pensions	344 534	279 881	284 583	303 160	309 739	328 323	344 739
Augmentation of civil pensions	–	–	1	1	1	1	1
Military Pensions	129 768	132 113	123 153	138 042	142 036	150 558	158 086
of which:							
Ex-servicemen	50 352	48 457	44 090	47 175	48 000	50 880	53 424
SA Citizen Force	67 276	71 428	69 031	78 833	80 000	84 800	89 040
Civil Protection	19	19	32	34	36	38	40
Other Benefits Ex-servicemen	12 121	12 209	10 000	12 000	14 000	14 840	15 582
Total households	**1 372 744**	**1 296 120**	**2 054 108**	**1 377 360**	**1 487 234**	**1 576 466**	**1 655 288**

Expenditure trends

Expenditure rose from R1,7 billion in 2001/02 to R2,3 billion in 2003/04, before falling to R2,1 billion in 2004/05. Over the next three years, expenditure is expected to increase steadily to reach R2,4 billion.

Over the medium term, the baseline budget decreases by R114,9 million in 2005/06, R115,9 million in 2006/07 and R116,7 million in 2007/08 due to a decrease in government contributions to medical schemes.

Service delivery objectives and indicators

Recent outputs

Through reviewing administrative systems, it became clear that the administration of pensions and contributions needed to be re-engineered. Business analysts have compiled draft functional specifications for workflow processes, and these are being evaluated. The preferred application is also being reconsidered resulting from the shortcomings encountered in the functioning of the system, financial considerations and changing market perceptions about the pensions administration system.

Selected medium-term output target

Civil and Military Pensions, Contributions to Funds and Other Benefits

Measurable objective: Ensure that benefits and awards are paid to beneficiaries of departments, state-aided bodies and other specified bodies, in terms of legislation, collective-bargaining agreements and other commitments.

Subprogramme	Output	Measure/indicator	Target
Civil Pensions and Contributions to Funds	Payment of pension benefits and contributions to funds	Accurate and punctual payments	Pension benefits paid to 15 677 beneficiaries on the first working day of each month Contributions to medical aid schemes for 100 799 members paid by the end of the month after the month when the expenses were incurred Fees for 900 members of the Political Office Bearer's Pension Fund paid by the seventh working day each month
Military Pensions and Other Benefits	Payment of pension benefits and to service providers for medical expenses	Accurate and punctual payments	Correct pension benefits to 6 885 eligible beneficiaries paid on the first working day of each month Military medical benefits claims paid when claims by service providers have been received

Programme 8: Fiscal Transfers

Fiscal Transfers transfers funds to public authorities and other institutions in terms of the various statutory provisions governing the financial relations between government and the particular authority or institution.

The subprogrammes reflect the different transfers.

Domestic transfers are made to the Development Bank of Southern Africa, the South African Revenue Service and the Financial and Fiscal Commission for the fulfilment of their statutory obligations. In addition, funds are paid to augment the Secret Services account for intelligence gathering, and for a financial intelligence centre.

Foreign transfer payments are made to: the highly indebted poor countries initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries and the International Monetary Fund (IMF); the World Bank Group; the African Development Bank; Lesotho, Namibia and Swaziland (*Common Monetary Area Compensation* subprogramme) for the rand monetary area agreement; and the Commonwealth Fund for Technical Co-operation.

Expenditure estimates

Table 8.10: Fiscal Transfers

Subprogramme	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Common Monetary Area Compensation (CMA)	448	128 925	292 835	263 028	276 500	311 804	327 402
Development Bank of Southern Africa	–	–	–	40 001	40 000	40 000	40 000
World Bank Group	–	–	–	1	–	–	–
Highly Indebted Poor Countries Initiative	49 388	54 400	44 700	39 505	–	–	–
African Development Bank	100 358	112 738	85 436	154 316	154 316	152 597	169 552
South African Revenue Service	2 863 181	3 501 950	3 792 007	4 602 509	4 254 302	4 509 560	4 735 038
Financial and Fiscal Commission	9 258	12 038	12 679	17 869	19 660	19 205	20 178
Secret Services	983 307	1 328 668	1 771 265	2 117 057	2 080 063	2 223 086	2 334 240
Financial Intelligence Centre	–	35 000	37 000	21 866	23 617	31 410	42 480
Commonwealth Fund for Technical Cooperation	–	–	2 620	2 290	3 000	3 000	–
Total	**4 005 940**	**5 173 719**	**6 038 542**	**7 258 442**	**6 851 458**	**7 290 662**	**7 668 890**
Change to 2004 Budget estimate				72 931	(421 726)	(444 168)	(452 682)

Economic classification

Transfers and subsidies to:	**4 005 940**	**5 173 719**	**6 038 542**	**7 258 442**	**6 851 458**	**7 290 662**	**7 668 890**
Departmental agencies and accounts	3 855 746	4 877 656	5 612 951	6 759 301	6 377 642	6 783 261	7 131 936
Foreign governments and international organisations	150 194	296 063	425 591	459 140	433 816	467 401	496 954
Public corporations and private enterprises	–	–	–	40 001	40 000	40 000	40 000
Total	**4 005 940**	**5 173 719**	**6 038 542**	**7 258 442**	**6 851 458**	**7 290 662**	**7 668 890**

Details of transfers and subsidies:

Departmental agencies and accounts							
Current	**3 460 850**	**4 303 114**	**4 858 730**	**5 718 802**	**5 558 316**	**5 899 398**	**6 203 881**
South African Revenue Services	2 468 285	2 952 408	3 457 459	4 113 559	3 803 868	4 032 100	4 233 705
Secret Services Account	983 307	1 328 668	1 363 592	1 569 324	1 715 216	1 822 068	1 913 172
Financial Intelligence Centre	–	10 000	25 000	18 050	19 572	26 025	36 826
Financial and Fiscal Commission	9 258	12 038	12 679	17 869	19 660	19 205	20 178
Capital	**394 896**	**574 542**	**754 221**	**1 040 499**	**819 326**	**883 863**	**928 055**
South African Revenue Services	394 896	549 542	334 548	488 950	450 434	477 460	501 333
Secret Services Account	–	–	407 673	547 733	364 847	401 018	421 068
Financial Intelligence Centre	–	25 000	12 000	3 816	4 045	5 385	5 654
Total departmental agencies and accounts	**3 855 746**	**4 877 656**	**5 612 951**	**6 759 301**	**6 377 642**	**6 783 261**	**7 131 936**

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Foreign governments and international organisations							
Current	**49 836**	**183 325**	**340 155**	**304 823**	**279 500**	**314 804**	**327 402**
Lesotho,Namibia & Swaziland	448	128 925	292 835	263 028	276 500	311 804	327 402
Highly Indebted Poor Countries Initiative (HIPC)	49 388	54 400	44 700	39 505	–	–	–
Commonwealth Fund for Technical Cooperation	–	–	2 620	2 290	3 000	3 000	–
Capital	**100 358**	**112 738**	**85 436**	**154 317**	**154 316**	**152 597**	**169 552**
African Development Bank	100 358	112 738	85 436	154 316	154 316	152 597	169 552
World Bank	–	–	–	1	–	–	–
Total foreign governments and international organisations	**150 194**	**296 063**	**425 591**	**459 140**	**433 816**	**467 401**	**496 954**
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**–**	**40 001**	**40 000**	**40 000**	**40 000**
Development Bank of Southern Africa	–	–	–	40 001	40 000	40 000	40 000
Total public corporations and private enterprises	**–**	**–**	**–**	**40 001**	**40 000**	**40 000**	**40 000**

Expenditure trends

The bulk of expenditure is allocated to the South African Revenue Service (SARS) and the Secret Services. Expenditure grew from R4 billion in 2001/02 to R7,3 billion in 2004/05, an average annual increase of 21,9 per cent, mainly due to additional allocations for the Secret Services and SARS and the introduction of the transfer to Swaziland in 2004/05.

Expenditure is expected to fall in 2005/06 due to lower transfers to SARS, as a result of the change to the VAT-treatment of grants to government agencies, and to then increase steadily, reaching R7,7 billion in 2007/08.

Service delivery objectives and indicators

Recent outputs

Lesotho, Namibia and Swaziland

Since 1974, South Africa has been making rand-denominated fiscal transfers to Lesotho and Namibia under the common monetary area agreement, and Swaziland has been included since 2004/05. The common monetary area is a decentralised monetary union, in which South Africa sets monetary policy, but the smaller countries have the right to issue their own currencies. There are no restrictions on transferring funds within the area, and while the smaller countries' currencies are convertible into rands one-to-one, they are not legal tender in South Africa. As the dominant member, South Africa has agreed to share seignorage rights based on an estimate of the rand currency circulating in the other three member countries. The fiscal transfers to Lesotho, Namibia and Swaziland are made for the sharing of seignorage collections.

Development Bank of Southern Africa

National Treasury has worked closely with the Development Bank of Southern Africa (DBSA) and the Department of Trade and Industry (DTI) on the design of a pilot Apex fund for micro-credit. The Apex fund will extend micro-credit, via micro-finance intermediaries, to poor and low income households, and ensure that they get enough guidance to use the loans to improve their livelihoods. The establishment of the fund is now the sole responsibility of the DTI, but National Treasury will contribute to it over the medium term.

Highly indebted poor countries initiative

As part of its international development commitments, South Africa committed itself to contribute standard drawing right (SDR) 20 million (R250 million), payable in five equal annual instalments, towards the highly indebted poor countries initiative. Payments began in May 2000, and the fifth and final instalment was paid in May 2004. It is envisaged that future contributions to the initiative will take place through the World Bank's International Development Association.

African Development Bank

South Africa is a shareholder in the African Development Fund of the African Development Bank. In 2004, South Africa participated in the negotiation of the tenth replenishment of the fund. In addition, government monitors progress in the bank on the provision of loans to parastatals, on the basis of the strength of their balance sheets and without the backing of a sovereign guarantee.

Secret Services

The Secret Services subprogramme provides for funding of the National Intelligence Agency (NIA), SA Secret Services (SASS) and the intelligence division of the SA Police Service.

Implementing the Regulation of Interception of Communication and Provision of Communication Related Information Act (2002) remains a priority for the National Intelligence Agency (NIA) and the intelligence division of the South African Police Service (SAPS), as part of the Secret Services. The Electronic Communications Security (Pty) Ltd was registered in April 2004, the objectives of which are to ensure that the electronic communications infrastructures of all organs of state are secure.

One of the core functions of the intelligence division of the SAPS is to investigate and expose individuals involved in organised criminal activities by using undercover methodologies. The highlight of 2003/04 was the successful infiltration and arrest of the perpetrators in the Boeremag right-wing extremist movement. In 2004/05, many international and domestic terrorist cells were infiltrated. This division also focuses on criminal organisations involved in drugs, the trafficking of firearms and vehicles, corruption, commercial crime, cyber crime and child abuse.

The SASS will be strengthening their foreign representation by opening new offices and increasing the number of members abroad. In 2003/04, the SASS had a presence in 61 countries, and participated in peacekeeping and conflict resolution initiatives. Technical surveillance measures to support the president abroad have also been increased.

Commonwealth Fund for Technical Co-operation

South Africa has been a regular contributor to the Commonwealth Fund for Technical Co-operation since 1994, through the Department of Foreign Affairs. From 2003/04, transfers to the fund have been made from the National Treasury's vote.

The fund's primary function is to serve as the development finance arm of the Commonwealth.

Selected medium-term output targets

Fiscal Transfers

Measurable objective: Meet international and other statutory financial obligations. Meet the costs of raising revenue for the state. Gather finance intelligence and perform other secret services in the national interest.

Subprogramme	Output	Measure/Indicator	Target
South African Revenue Service	Administrative and management support services to SARS.	Appropriate capacity and capabilities for administration systems	In place by 2006/07
	Improved trade administration and border control	Integrated border service	2005/06
	Improvements in core business and supporting divisions to ensure optimal use of ICT-related infrastructure	Stable, available infrastructure in support of 24/7 operations	2005/06
Financial Intelligence Centre	Monitoring and analysis of financial transactions for evidence of laundering activities	Number of reports on unusual and suspicious transactions	5 000 reports from accountable instititutions

Trading accounts

Project development facility

The project development facility (PDF) is a single-function trading entity in National Treasury's PPP unit, created in accordance with the PFMA. Its role is to pay for services provided by consultants (transaction advisors) on contract to a department or public entity for a PPP. After the financial close of the PPP the funds are recovered from the successful private party bidder.

The PDF is currently committed to funding seven projects. This represents the full commitment of available funds. All the projects meet the PDF criteria for prioritising social services projects.

PPP projects supported by PDF funding	Amount funded (R)
Free State Department of Health – Trompsburg and Ladybrand hospitals	1 861 912
KwaZulu-Natal department of transport - Vukuzakhe plant depot	1 081 011
Eastern Cape department of health – Pharmaceuticals	3 146 696
Eastern Cape department of health – Settlers and Port Alfred hospitals	496 060
Western Cape department of health – Rehabilitation centre	2 925 000
Department of Labour ICT convergence PPP: Phase 1	1 960 000
Western Cape department of health – Swellendam hospital	561 450
Total	**12 032 129**

Public entities reporting to the Minister

South African Revenue Service

The South African Revenue Service Act (1997) gives the South African Revenue Service (SARS) the mandate to perform the following central tasks: collect revenues that are due; ensure maximum compliance with legislation; and provide a customs service that will maximise revenue collection, protect the borders and facilitate trade.

The main priorities for the year ahead will be optimal coverage across industries and sectors, tax types, taxpayer types, geographical locations, as ways of eradicating non-compliance with tax laws.

Other significant operational priorities include:

- preparing an in-depth policy document that will form the basis for redrafting the Customs and Excise Amendment Act (1996) to take account of regional integration, the Kyoto Convention and other trends linked to the globalisation of trade
- activating the reportable arrangements provisions that were inserted in the Income Tax Act (1962) in 2003
- introducing an advance ruling system to provide businesses with greater certainty about transactions that are being considered (legislation is being drafted).

The average annual increase of 22,2 per cent in compensation of employees between 2001/02 and 2004/05 is mainly due to an increase in the staff complement resulting from the requirement to broaden the tax base, provision for annual salary increments, the introduction of a cash allowance for medical aid for employees, and a compulsory contribution by all SARS employees to the Unemployment Insurance Fund. The average annual increase of 27,2 per cent on goods and services between 2001/02 and 2004/05 is mainly due to the increased costs of data communication, rental on buildings and equipment maintenance.

Table 8.11: Financial summary for the South African Revenue Service (SARS)

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	**112 134**	**224 752**	**264 437**	**203 755**	**192 147**	**204 958**	**219 794**
Interest	61 321	120 427	127 493	52 000	32 000	32 000	33 000
Other non-tax revenue	50 813	104 325	136 944	151 755	160 147	172 958	186 794
Transfers received [1]	**2 471 816**	**2 953 882**	**3 450 959**	**4 119 381**	**4 254 302**	**4 509 560**	**4 735 038**
Total revenue	**2 583 950**	**3 178 634**	**3 715 396**	**4 323 136**	**4 446 449**	**4 714 518**	**4 954 832**

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Expenses							
Current expense	**2 289 348**	**2 759 006**	**3 687 455**	**4 606 648**	**4 445 634**	**4 708 125**	**4 943 495**
Compensation of employees	1 455 283	1 658 413	2 209 619	2 656 081	2 715 999	2 858 143	3 007 787
Goods and services	807 190	1 105 746	1 176 797	1 660 475	1 496 635	1 594 982	1 655 708
Depreciation	70 108	114 301	176 391	208 000	233 000	255 000	280 000
Adjustments related to transfers and subsidies	(43 277)	(119 478)	124 637	82 092	–	–	–
Interest	44	24	11	–	–	–	–
Total expenses	**2 289 348**	**2 759 006**	**3 687 455**	**4 606 648**	**4 445 634**	**4 708 125**	**4 943 495**
Surplus / (Deficit)	**294 602**	**419 628**	**27 941**	**(283 512)**	**815**	**6 393**	**11 337**
BALANCE SHEET SUMMARY							
Carrying value of assets	206 818	297 405	462 074	752 674	753 489	759 882	771 219
of which: Acquisition of assets	*130 139*	*205 695*	*342 601*	*498 600*	*233 815*	*261 393*	*291 337*
Receivables and prepayments	89 701	42 983	89 151	54 000	57 920	62 154	66 726
Cash and cash equivalents	638 420	1 050 695	946 997	426 275	447 624	470 423	494 775
Total assets	**934 939**	**1 391 083**	**1 498 222**	**1 232 949**	**1 259 034**	**1 292 459**	**1 332 720**
Capital and reserves	672 392	1 092 020	1 119 961	836 449	837 264	843 657	854 994
Trade and other payables	135 670	183 133	214 343	223 500	241 380	260 690	281 546
Provisions	126 877	115 930	163 918	173 000	180 390	188 112	196 181
Total equity and liabilities	**934 939**	**1 391 083**	**1 498 222**	**1 232 949**	**1 259 034**	**1 292 459**	**1 332 720**

1. Transfers received have been adjusted in the history years in order to account for the changes in VAT Legislation

Data provided by the South African Revenue Services

Development Bank of Southern Africa

The Development Bank of Southern Africa (DBSA), a development finance institution wholly owned by government, is a schedule 2 public entity governed by the Development Bank of Southern Africa Act (1997).

Highlights for 2003/04 included the establishment of a joint R25 million project preparation facility for NEPAD projects in partnership with the French Development Agency. DBSA's development impact and outreach have been enhanced by the establishment of the DBSA Development Fund, from which capacity-building initiatives in 2003/04 totalled R153 million, exceeding the target by 123 per cent. Dedicated business units were established during 2003 to service the Eastern Cape and Limpopo, and projects valued at a total of R274 million were approved in these provinces.

The DBSA's Vision 2014 seeks to integrate, empower and develop the Southern African region. The following core areas of intervention have been identified: accelerated infrastructure development, human resources and institutional development, and regional economic integration and development.

In the table below, interest received includes interest received on development loans and investments, government stock, the money market, the capital market and home ownership. The upward trend in compensation of employees is linked to inflation, as well as some increases in the staff complement. The increase from 2002/03 to 2003/04 is due to movement in the post-retirement medical benefits provision.

Included in transfers and subsidies is the grant to the Development Fund and technical assistance grants. The downward trend in long-term investments is due to the assumption that no new funds will be borrowed unless liquidity requirements require this. Liquidity drops gradually, due to repayments on development loans. This coincides with the downward trend in borrowings.

Table 8.12: Financial summary for the Development Bank of Southern Africa (DBSA)

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	**2 121 034**	**2 729 670**	**2 630 531**	**2 499 660**	**2 626 420**	**2 851 751**	**2 979 774**
Sale of goods and services other than capital assets	37 714	29 588	26 019	17 025	17 774	18 698	19 671
Interest	2 083 320	2 282 553	2 534 570	2 482 635	2 608 646	2 833 053	2 960 103
Other non-tax revenue	–	417 529	69 942	–	–	–	–
Total revenue	**2 121 034**	**2 729 670**	**2 630 531**	**2 499 660**	**2 626 420**	**2 851 751**	**2 979 774**
Expenses							
Current expense	**1 394 885**	**1 352 018**	**1 546 604**	**1 400 260**	**1 429 080**	**1 482 979**	**1 511 345**
Compensation of employees	161 544	193 813	251 385	273 487	285 521	300 368	315 987
Goods and services	77 540	72 426	101 060	157 494	164 424	172 974	181 968
Depreciation	6 237	6 785	9 369	11 245	15 079	16 114	18 488
Other	–	112 032	84 019	–	–	–	–
Interest	1 149 564	966 962	1 100 771	958 034	964 056	993 523	994 902
Transfers and subsidies	**89 703**	**93 852**	**320 513**	**88 534**	**135 646**	**156 677**	**166 111**
Total expenses	**1 484 588**	**1 445 870**	**1 867 117**	**1 488 794**	**1 564 726**	**1 639 656**	**1 677 456**
Surplus / (Deficit)	**636 446**	**1 283 800**	**763 414**	**1 010 866**	**1 061 694**	**1 212 095**	**1 302 318**
BALANCE SHEET SUMMARY							
Carrying value of assets	115 229	120 955	129 893	135 249	137 500	157 818	158 510
Long-term investments	5 215 595	5 277 886	6 003 694	7 580 837	6 978 170	5 943 599	5 701 379
Receivables and prepayments	11 936 059	14 214 539	15 637 461	15 275 469	16 995 079	18 969 032	20 360 085
Cash and cash equivalents	1 375 868	1 305 768	1 913 410	737 210	684 073	786 883	824 860
Total assets	**18 642 751**	**20 919 148**	**23 684 458**	**23 728 765**	**24 794 822**	**25 857 332**	**27 044 834**
Capital and reserves	8 897 881	10 231 348	11 197 045	11 792 277	12 802 640	14 009 545	15 271 640
Borrowings	9 241 567	10 225 613	11 751 116	11 165 607	11 183 297	10 993 407	10 870 680
Post retirement benefits	79 027	66 095	105 086	113 493	122 572	132 378	142 968
Trade and other payables	401 194	352 984	602 959	626 311	652 128	684 398	718 182
Provisions	23 082	43 108	28 252	31 077	34 185	37 603	41 364
Total equity and liabilities	**18 642 751**	**20 919 148**	**23 684 458**	**23 728 765**	**24 794 822**	**25 857 332**	**27 044 834**

Data provided by the Development Bank of Southern Africa Ltd.

Financial Intelligence Centre

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (2001) and has been operational since February 2002. The FIC has implemented measures enabling it to operate as an independent state agency, and has implemented regulations supporting the Act since June 2003. These regulations outline in detail the obligations on accountable institutions for implementing customer due diligence measures, keeping records, and appointing and training staff.

The core function of the FIC is to process, analyse and interpret information disclosed to it. This information is received mainly from accountable institutions such as banks, accountants and lawyers, as well as reporting institutions such as dealers in Kruger coins and dealers in motor vehicles. The FIC has received 7 480 suspicious transaction reports from accountable institutions for analysis.

The FIC IT division has taken measures to enhance the IT system to enable the FIC's monitoring and analysis division to receive reports electronically from accountable institutions and other institutions.

Financial Services Board

The Financial Services Board (FSB) is a statutory body established in terms of the Financial Services Board Act (1990). It supervises the activities of non-banking financial institutions and services, and acts in an advisory capacity to the Minister of Finance. The Board is financed by the financial services industry, with no contribution from government.

The board supervises institutions and services in terms of 16 Acts. Functions include regulatory control over insider trading and the participation bonds industry, certain trust and depository institutions, and central security depositories responsible for the safe custody of securities. The board is also responsible for the financial supervision of the Road Accident Fund.

Achievements for 2003/04 include reviews of: regulation 28 of the Pension Funds Act (1956), which seeks to tighten corporate governance procedures; the Collective Investments Scheme Control Act (2002), which came into operation to improve investor protection while opening up the industry to product innovation; and the Insurance Amendment Act (2003), which was introduced to ensure greater consumer protection and increased defences against systematic risk.

The Financial Services Board prepared a medium-term resource plan in 2004, which indicated that the staff complement would have to increase by 120 (current 250) in order to implement the financial advisory and intermediary services department's registrations and expand their regulatory functions.

Objectives for 2005 are: finalising the Pension Fund circular on contingency reserves as required by legislation flowing from the Pension Funds Second Amendment Act (2001); focusing on section 14 approvals in terms of the Financial Services Board Act (1990), where the FSB can add value and streamline processes for faster turnaround times on priority cases; finalising the electronic submission of valuation reports; continuous work on draft legislative changes necessary to adequately protect policy holders in response to the Fedsure inspection report; and revisiting the capital adequacy requirements for long-term insurers.

In the table below, other non-tax revenue includes: levies, income from fees charged, and cost recoveries. The increase in compensation of employees over the medium term makes provision for an increase in the staff complement. Some of the items included in goods and services are computers, software, furniture and equipment.

Table 8.13: Financial summary for the Financial Services Board (FSB)

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	**71 642**	**100 773**	**118 607**	**148 873**	**169 012**	**196 435**	**220 135**
Penalties	3 426	3 590	3 381	–	–	–	–
Interest	2 812	4 776	4 215	2 579	4 879	6 979	8 349
Other non-tax revenue	65 404	92 407	111 011	146 294	164 133	189 456	211 786
Total revenue	**71 642**	**100 773**	**118 607**	**148 873**	**169 012**	**196 435**	**220 135**
Expenses							
Current expense	**76 447**	**100 620**	**112 854**	**130 652**	**164 062**	**186 394**	**212 090**
Compensation of employees	46 345	59 120	62 965	84 321	110 413	127 164	147 049
Goods and services	28 579	39 550	47 423	43 400	50 139	55 190	60 497
Depreciation	1 518	1 791	2 460	2 931	3 510	4 040	4 544
Interest	5	159	6	–	–	–	–
Total expenses	**76 447**	**100 620**	**112 854**	**130 652**	**164 062**	**186 394**	**212 090**
Surplus / (Deficit)	**(4 805)**	**153**	**5 753**	**18 221**	**4 950**	**10 041**	**8 045**

Data provided by the Financial Services Board

Public Investment Commissioners

The Public Investment Commissioners (PIC) is a statutory body governed in terms of the Public Investment Commissioners Act (1984), as amended. The Minister of Finance is responsible for appointing the board, and the board is responsible for overseeing the activities of the secretariat and its investment portfolio. The PIC is effectively self-funded, and produces its own annual report, which is tabled in Parliament.

The PIC invests and manages surplus funds on behalf of various public sector bodies. Previously, the PIC was restricted to the role of a government administrative agency, investing all deposits in gilts and semi-gilts. In 1995 this was extended to include equities and property.

In 2003/04 the fair value of funds under management grew from R308 billion to R377 billion, generating a blended return of 20,9 per cent[1] primarily due to improved equity markets and the strong performance of the bond portfolio.

Accounting Standards Board

The Accounting Standards Board (ASB), established in the latter part of 2002 in accordance with the PFMA (1999), as amended, is mainly responsible for setting the accounting standards of generally recognised accounting practice (GRAP) in government.

During 2003/04, progress was made in developing a framework for the preparation and presentation of financial statements. The draft standards for the following were issued for public

[1] As a result of system limitations, the performance figures have been calculated with reference to closing values as in previous years, and not amended to take into account AC133 fair value adjustments.

comment: presentation of financial statements; cash flow statements; accounting policies; changes in accounting estimates; and errors and impairment of assets.

Over the medium term, the board aims to develop and issue a core set of GRAP that would be available for implementation by all spheres of government. This is in line with the movement towards accrual accounting by national and provincial governments in the long term, and the implementation of the master systems plan for transversal systems.

The ASB recorded a surplus of R193 000 in 2004, following an increase of 6,3 per cent on their 2003 transfer from the department.

Annexure

Vote 8: National Treasury

Table 8.A: Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Preliminary	Appropriation			Revised
	Main	Adjusted	outcome	Main	Additional	Adjusted	estimate
R thousand	2003/04			2004/05			
1. Administration	102 382	111 890	90 408	101 879	41 719	143 598	123 598
2. Economic Planning and Budget Management	122 593	128 263	106 436	140 207	9 932	150 139	140 139
3. Asset and Liability Management	42 831	42 831	51 867	42 271	11 605	53 876	43 876
4. Financial Management and Systems	357 716	370 950	234 313	352 455	–	352 455	322 455
5. Financial Accounting and Reporting	63 208	63 323	44 717	66 182	(1 002)	65 180	55 180
6. Provincial and Local Government Transfers	3 061 403	3 284 318	3 239 318	3 889 260	45 000	3 934 260	3 904 260
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 029 569	2 449 569	2 288 452	2 163 966	(100 000)	2 063 966	1 983 966
8. Fiscal Transfers	5 992 605	6 142 152	6 038 542	7 185 511	72 931	7 258 442	7 228 442
Subtotal	**11 772 307**	**12 593 296**	**12 094 053**	**13 941 731**	**80 185**	**14 021 916**	**13 801 916**
Direct charge on							
National Revenue Fund	**193 372 030**	**191 939 572**	**191 055 512**	**210 403 402**	**3 297 372**	**213 700 774**	**212 984 774**
Provinces Equitable Share	142 386 030	144 742 572	144 742 572	159 971 402	4 112 372	164 083 774	164 083 774
State Debt Costs	50 986 000	47 197 000	46 312 940	50 432 000	(815 000)	49 617 000	48 901 000
Total	**205 144 337**	**204 532 868**	**203 149 565**	**224 345 133**	**3 377 557**	**227 722 690**	**226 786 690**

Economic classification							
Current payments	**53 044 546**	**49 281 023**	**48 061 861**	**52 606 159**	**(907 497)**	**51 698 662**	**50 852 662**
Compensation of employees	1 593 372	1 590 530	1 374 302	1 705 076	(148 422)	1 556 654	1 471 654
Goods and services	465 174	493 493	374 619	469 083	55 925	525 008	480 008
Interest and rent on land	50 986 000	47 197 000	46 312 940	50 432 000	(815 000)	49 617 000	48 901 000
Transfers and subsidies	**152 081 476**	**155 220 966**	**155 072 087**	**171 726 957**	**4 260 103**	**175 991 777**	**175 901 777**
Provinces	144 920 518	147 277 060	147 277 060	163 319 764	4 112 372	167 432 136	167 432 136
Municipalities	526 419	750 419	705 392	541 378	45 102	586 480	556 480
Departmental agencies and accounts	5 622 490	5 634 064	5 634 014	6 775 489	6 890	6 782 379	6 782 379
Foreign governments and international organisations	344 943	491 943	428 315	391 590	70 456	462 046	422 046
Public corporations	40 000	40 000	–	40 001	–	40 001	40 001
Private enterprises	–	374	200	–	–	–	–
Non-profit institutions	52	52	52	55	–	55	55
Households	627 054	1 027 054	1 027 054	658 680	30 000	688 680	668 680
Payments for capital assets	**18 315**	**30 879**	**15 617**	**12 017**	**20 234**	**32 251**	**32 251**
Buildings and other fixed structures	4 800	–	–	–	–	–	–
Other fixed structures	*4 800*	–	–	–	–	–	–
Machinery and equipment	13 515	30 879	15 617	12 017	8 836	20 853	20 853
Other machinery and equipment	*13 515*	*30 879*	*15 617*	*12 017*	*8 836*	*20 853*	*20 853*
Software and intangible assets	–	–	–	–	11 398	11 398	11 398
Total	**205 144 337**	**204 532 868**	**203 149 565**	**224 345 133**	**3 377 557**	**227 722 690**	**226 786 690**

Table 8.B: Summary of personnel numbers and compensation of employees per programme[1]

Programme	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	258	251	216	217	239
2. Economic Planning and Budget Management	209	243	243	304	322
3. Asset and Liability Management	42	57	71	71	71
4. Financial Management and Systems	182	235	168	207	207
5. Financial Accounting and Reporting	38	63	53	53	74
Total	**729**	**849**	**751**	**852**	**913**
Total personnel cost (R thousand)	93 559	107 277	132 000	197 617	254 527
Unit cost (R thousand)	128	126	176	232	279

1 Budgeted full-time equivalent

Table 8.C: Summary of expenditure on training per programme

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
1. Administration	1 144	744	2 513	1 862	1 896	2 039	2 141
2. Economic Planning and Budget Management	1 118	1 026	1 210	1 971	2 059	2 238	2 350
3. Asset and Liability Management	191	306	716	664	698	734	771
4. Financial Management and Systems	718	1 126	1 022	1 124	1 242	1 268	1 331
5. Financial Accounting and Reporting	1 287	2 649	956	876	882	818	859
Total	**4 458**	**5 851**	**6 417**	**6 497**	**6 777**	**7 097**	**7 452**

Table 8.D: Summary of information and communications technology expenditure per programme

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
1. Administration	**10 888**	**11 347**	**22 036**	**20 178**	**6 074**	**6 448**	**6 823**
Technology	1 498	1 521	6 585	4 114	39	49	41
IT services	9 390	9 826	15 451	16 064	6 035	6 399	6 782
2. Economic Planning and Budget Management	**9 904**	**6 009**	**13 904**	**17 650**	**2 794**	**2 644**	**2 604**
Technology	2 943	1 047	2 851	2 497	1 691	1 511	1 392
IT services	6 961	4 962	11 053	15 153	1 103	1 133	1 212
3. Asset and Liability Management	**5 518**	**5 679**	**2 662**	**2 331**	**8 656**	**6 386**	**5 919**
Technology	564	646	557	1 671	6 641	4 170	3 592
IT services	4 954	5 033	2 105	660	2 014	2 216	2 327
4. Financial Management and Systems	**258 927**	**273 647**	**30 915**	**15 198**	**270 140**	**279 636**	**292 634**
Technology	2 440	1 913	17 356	10 873	2 996	3 163	3 331
IT services	256 487	271 734	13 559	4 325	267 144	276 472	289 303
5. Financial Accounting and Reporting	**8 023**	**11 463**	**16 765**	**20 204**	**8 220**	**8 623**	**8 658**
Technology	458	2 092	4 683	5 593	2 468	2 581	2 319
IT services	7 565	9 371	12 082	14 611	5 752	6 042	6 340
Total	**293 260**	**308 145**	**86 282**	**75 561**	**295 883**	**303 736**	**316 638**

Table 8.E: Summary of conditional grants and indirect grants to provinces and local government (municipalities)[1]

	Expenditure outcome				Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Provincial Infrastructure Grant							
Provincial Infrastructure Grant	800 000	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119	5 324 025
6. Provincial and Local Government Transfers							
Provincial Infrastructure Grant							
Provincial Infrastructure - Flood Rehabilitation	600 000	400 000	200 000	–	–	–	–
6. Provincial and Local Government Transfers							
Provincial Infrastructure Grant							
Supplementary	124 000	–	–	–	–	–	–
6. Provincial and Local Government Transfers							
Provincial Infrastructure Grant							
Section 100 Mpumalanga	300 000	–	–	–	–	–	–
Total	**1 824 000**	**1 950 000**	**2 534 488**	**3 348 362**	**3 730 773**	**4 118 119**	**5 324 025**
Conditional grants to local government (municipalities)							
6. Provincial and Local Government Transfers							
Local Government and Financial Management Restructuring Grants							
Local Government Restructuring	230 250	151 000	494 000	387 900	350 000	350 000	350 000
6. Provincial and Local Government Transfers							
Local Government and Financial Management Restructuring Grants							
Financial Management	60 000	111 000	151 000	129 000	125 536	121 088	121 088
6. Provincial and Local Government Transfers							
Local Government and Financial Management Restructuring Grants							
Financial Management	–	44 000	59 830	68 998	73 204	77 569	77 569
Total	**290 250**	**306 000**	**704 830**	**585 898**	**548 740**	**548 657**	**548 657**

1 Detail provided in the Division of Revenue Act (2005).

Table 8.F: Summary of official development assistance expenditure

Donor	Project	Cash/	Outcome				Medium-term expenditure estimate		
R thousand		kind	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Foreign									
European Union (EU)	Technical Assistance Team	Cash	3 022	1 529	1 118	23 609	12 026	–	–
European Union (EU)	Financial Management Improvement Programme	Cash	2 973	3 000	2 176	6 571	–	–	–
International Development Research Centre-Canada (IDRC)	Development Co-operation Information Systems	Cash	–	18	22	–	–	–	–
European Union	International Development Co-operation Support Programme	Cash	–	585	1 702	1 702	1 702	–	–
European Union Commission	Finance and Investment Protocol-FISCU	Cash	3 115	–	3 115	–	–	–	–
United Kingdom	Support to Economic Reform Project 1 (SERP)	Kind	2 271	–	–	–	–	–	–
United Kingdom	Support to Economic Reform Project 2 (SERP)	Kind	2 978	–	2 978	–	–	–	–
Sweden	Revised Budget Reporting Formats	Kind	763	–	–	–	–	–	–
United States of America (USA)	Support for Economic Growth and Analysis (SEGA)	Kind	3 706	–	–	–	–	–	–
United States of America (USA)	Chemonics	Kind	196	–	–	–	–	–	–
United States of America (USA)	US Treasury Secondment	Kind	1 599	–	–	–	–	–	–
German Technical Co-operation (GTZ)	Economic Policy and Advisory Programme	Kind	463	–	–	–	–	–	–
IMF	Short course (G Marincowitz)	Kind	–	27	–	–	–	–	–
DFID	Short course (P Bologo)	Kind	–	–	17	–	–	–	–
IMF	Conference (E Masilela)	Kind	–	–	45	–	–	–	–
United Kingdom	Siyakha (SARS transformation) Support to Tax Policy	Kind	1 760	2 230	–	–	–	–	–
Switzerland	Development Co-operation Information Systems	Cash	–	–	114	–	–	–	–
Japan International Co-operation Agency (JICA)	Development Co-operation Information Systems	Cash	–	–	–	67	–	–	–
DFID	Strengthening the Impact of Pro-Poor Programmes (SIPP)	Kind	–	–	–	2 564	5 898	2 798	–
DFID	Conference-Commission for Africa Secretariat	Cash	–	–	–	1 590	–	–	–
DCI	Collaborative African Budget Reform Initiative	Cash	–	–	–	315	–	–	–
DFID	Strengthening the Impact of pro-Poor Programmes (SIPP)	Kind	–	–	–	–	–	–	–
Total			**22 846**	**7 414**	**11 287**	**36 418**	**34 895**	**18 067**	**–**

Table 8.G: Summary of expenditure on infrastructure

Projects	Description	Expenditure outcome				Medium-term expenditure estimate		
		Audited	Audited	Preliminary outcome	Adjusted appropriation			
R thousand		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Infrastructure transfers								
Provincial Infrastructure and flood rehabilitation	Conditional grant to supplement provincial infrastructure programmes	1 400 000	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	4 824 025
Maintenance on infrastructure								
40 Church Square	Refurbishment	13 240	4 414	3 000	2 000	–	–	–
240 Vermeulen Street	Refurbishment	9 057	30 506	9 000	5 000	–	–	–
SITA Centurion	Refurbishment	–	–	–	19 964	–	–	–
Total		**1 422 297**	**1 984 920**	**2 546 488**	**3 375 326**	**3 730 773**	**4 118 119**	**4 824 025**