Vote 9

Public Enterprises

	2005/06 To be appropriated			2006/07	2007/08
MTEF allocations	R91 983 000			R79 756 000	R88 861 000
of which:	*Current payments*	*Transfers*	*Capital payments*		
	R72 698 000	R18 758 000	R527 000		
Statutory amounts	–			–	–
Responsible minister	Minister of Public Enterprises				
Administering department	Department of Public Enterprises				
Accounting officer	Director-General of Public Enterprises				

Aim

The aim of the Department of Public Enterprises is to enhance state-owned enterprises shareholder management, including restructuring to support promoting economic efficiency for a better life for South Africans.

Programme purpose and measurable objective

Programme 1: Administration

Purpose: Take responsibility for the overall direction and management of the ministry and the department.

Programme 2: Analysis and Risk Management

Purpose: Provide in-depth analysis of the macroeconomic impact, operations and financial performance of state-owned enterprises (SOEs), and systematically manage risks arising from the business of SOEs.

Measurable objective: Exercise strong oversight of SOEs and their impact in the economy (locally and internationally), and monitor the vulnerabilities of SOEs through risk management frameworks, resulting in protected shareholder value.

Programme 3: Governance and Policy

Purpose: Provide clear SOE mandates and ensure alignment of SOEs' governance systems, compliance and performance with government policy objectives.

Measurable objective: Develop effective governance and policy frameworks that ensure that all SOE activities are performed with integrity and honesty and in compliance with appropriate legislation.

Programme 4: Corporate Strategy and Structure

Purpose: Provide shareholder direction of SOEs' strategies and corporate structures to optimise their contribution to competitiveness, economic growth and development.

Measurable objective: Ensure that SOEs' corporate strategies and structures are aligned with government's broad economic and developmental objectives, thereby establishing an environment in which SOEs are globally competitive while maintaining low, sustainable costs.

Programme 5: Corporate Finance and Transactions

Purpose: Oversee and manage SOEs' corporate finance and legal structures, including transactions such as initial public offerings, joint ventures and PPPs.

Measurable objective: Successful government-led transactions through efficient and effective financial and project management within the recommended timeframes.

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

Restructuring state-owned enterprises

After 10 years of democracy, the Department of Public Enterprises is able to show a notable record of delivery and performance, with restructuring activities raising over R24 billion for the National Revenue Fund. The Accelerated Agenda for the restructuring of SOEs, launched in 2000, has guided restructuring activities, and includes objectives such as broad-based BEE. Restructuring transactions (like disposing of the South African Forestry Company's subsidiaries, disposing of the Aventura resorts, and government's divestment from Alexkor) have been successfully concluded, subject to some legal issues being resolved.

The restructuring of SOEs also involved their internal reorganisation, such as the corporatisation of Eskom, which shifted its non-core business activities to a wholly-owned subsidiary, Eskom Enterprises. March 2003 saw the listing of Telkom on the JSE Securities Exchange and New York Stock Exchange, raising R4,1 billion in proceeds. The Diabo Trust was established to encourage and manage staff participation in Telkom's share issue during the initial public offering (IPO), and the Khulisa Trust was established primarily to encourage historically disadvantaged individuals to participate in the Telkom IPO.

Restructuring of the department

Due to a shift in strategy during 2004/05, the department itself went through a restructuring process, which has led to a greater focus on shareholder management. The restructuring process resulted in a name change for programmes 2, 3 and 4 to reflect new activities and accommodate the reorganisation of functions. The department is concentrating on its primary fiduciary responsibilities of ensuring that the mandates of SOEs are aligned with government's broad objectives. Chief among these is decreasing the cost of doing business in South Africa. As business entities, SOEs must be more publicly accountable. There is greater emphasis on corporate governance and operational efficiencies, through mechanisms like the protocol on corporate governance and the King II report, which benchmarks corporate governance compliance in South Africa.

Private sector participation

The department's programme for the MTEF period has been formulated based on government's development agenda for the South African economy. During 2003/04, the department released a booklet, Africa's First, which highlights SOEs' development projects in Africa and reflects South Africa's commitment and contribution to NEPAD.

One of the foremost objectives for the MTEF period is to place Eskom, Transnet and Denel in a system of private sector participation. This should yield optimal performances and efficiencies in the energy, logistics and defence sectors, as these key SOEs are all major role-players in their sectors. In addition, the department has plans to reorganise the activities of SOEs in the ICT, forestry and mining industries in accordance with government's development agenda.

Opportunities for financial, technological and human capital will drive partnerships between the state and the private sector. These partnerships require strong and effective SOEs and efficient private sector partners. Their aim is to achieve: higher levels of investment; overall systemic economic efficiency; improved technological capacity; improved management of public assets (within public and private entities); enhanced human resources capacity; sustainable non-resource financing options; and better customer service delivery.

Corporate governance

During 2003/04, the department focused more on good corporate governance in SOEs by strengthening its oversight and shareholder management capacity. Financial performance is evaluated together with the integrity and ethics of business operations. The department will continue to develop policies that support the oversight function, while analysing the socio-economic impact of SOEs' restructuring activities.

The financial performance of SOEs is monitored and reported on quarterly and annually, in line with agreed financial targets and to identify and manage government's risk exposure from inappropriate business, strategy and operational decisions taken by the SOEs.

SOE investment in infrastructure

Government is increasingly looking to SOEs with sound corporate structures and practices and healthy balance sheets to make more capital investments in the South African economy. Eskom and Transnet have been identified as key contributors to economic growth and investment in the country's transport and logistics and energy systems.

Broad-based BEE

It is imperative that the public sector plays the leading role in developing broad-based BEE. Working with the Department of Trade and Industry, the Department of Public Enterprises will ensure that BEE processes in SOEs are in line with the government's broad-based BEE objectives. As envisaged in the Broad-Based Black Economic Empowerment Act (2003), the department will focus its attention on advanced skills and managerial resources, procurement, and enterprise development in the SOEs.

SOEs' restructuring processes have made significant contributions to broad-based BEE thus far. The department is currently working with SOEs to divest government's interests in approximately 20 enterprises to the private sector in a way that promotes broad-based BEE. The department will work closely with the National Empowerment Fund on facilitating broad-based BEE as part of the restructuring of SOEs.

Expenditure estimates

Table 9.1: Public Enterprises

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	26 171	30 302	36 870	35 049	36 549	36 679	39 112	41 788
2. Analysis and Risk Management	3 318	4 051	5 693	10 365	9 600	8 063	8 306	10 730
3. Governance and Policy	4 200	5 444	5 200	10 333	8 383	11 771	13 335	14 945
4. Corporate Strategy and Structure	8 833	6 067	6 120	6 578	5 823	11 064	12 978	14 475
5. Corporate Finance and Transactions	153 893	164 436	29 839	15 052	14 522	24 406	6 025	6 923
Total	**196 415**	**210 300**	**83 722**	**77 377**	**74 877**	**91 983**	**79 756**	**88 861**
Change to 2004 Budget estimate				1 389	(1 111)	12 501	(549)	4 541
Economic classification								
Current payments	**192 392**	**207 203**	**74 515**	**66 065**	**63 865**	**72 698**	**78 705**	**88 216**
Compensation of employees	20 422	25 525	29 990	37 835	35 335	52 845	54 962	58 258
Goods and services	171 970	181 678	44 525	28 230	28 530	19 853	23 743	29 958
of which:								
Consultants and contractors	*153 755*	*163 982*	*19 577*	*8 054*	*6 854*	*3 796*	*4 716*	*4 105*
Travel and subsistence	*1 494*	*1 624*	*3 456*	*4 006*	*4 641*	*4 060*	*5 167*	*5 814*
Communication	*592*	*701*	*789*	*930*	*930*	*1 336*	*1 937*	*2 732*
Inventory	*1 715*	*1 353*	*2 613*	*704*	*704*	*754*	*799*	*1 337*
Computer services	*720*	*754*	*878*	*780*	*580*	*587*	*678*	*1 025*
Transfers and subsidies to:	**60**	**1 573**	**8 425**	**9 065**	**9 065**	**18 758**	**585**	**156**
Provinces and municipalities	60	73	83	143	143	132	148	156
Departmental agencies and accounts	–	1 500	8 342	6 922	6 922	5 626	437	–
Public corporations and private enterprises	–	–	–	2 000	2 000	13 000	–	–
Payments for capital assets	**3 963**	**1 524**	**782**	**2 247**	**1 947**	**527**	**466**	**489**
Machinery and equipment	3 963	1 524	782	2 247	1 947	527	466	489
Total	**196 415**	**210 300**	**83 722**	**77 377**	**74 877**	**91 983**	**79 756**	**88 861**

Expenditure trends

Expenditure over the last three years has not had any consistent trend mainly due to costs related to the listing of Telkom in March 2003. Some of the costs for the IPO, reflected in *Corporate Finance and Transactions*, included the appointment of transaction advisors, lawyers and accountants, as well as actual transactional costs. Expenditure on the Telkom IPO amounted to R222 million over 2001/02 and 2002/03.

The large increase in expenditure in 2005/06 is due to a refund to Alexkor for costs incurred during the cancelled strategic equity partnership process. The 2005 Budget allocated an additional amount of R13 million for this. The changes to the department's programme structure result in significant changes in expenditure items in 2005/06: compensation of employees increases significantly, and there is a large fall in expenditure on goods and services, particularly on consultants and contractors.

The 2005 Budget also allocated an additional amount of R5 million for increased capacity, including the hiring of sector specialists, in 2007/08.

Note that the previous *Restructuring of SOEs* programme has been divided into two programmes, *Corporate Strategy and Structure* and *Corporate Finance and Transactions*. The activities of the subprogramme *Shareholder Management* in the old *Performance Monitoring and Benchmarking* programme have been moved to the *Governance and Policy* programme, and the *Business Operations* subprogramme is now the *Analysis and Risk Management* programme.

Departmental receipts

Departmental receipts are accumulated from dividends, proceeds from the sale of SOEs, and minor items such as commissions on insurance premiums.

The income for 2001/02 was mainly from dividends from Transnet, and the income for 2002/03 was mainly from dividends from Transnet (R1,6 billion) and Eskom (R549 million). The income for 2003/04 was from dividends from SAFCOL (R68,0 million) and Aventura (R13,6 million), and proceeds from the sale of Sun Air (R6 million). In 2004/05, dividends of R569 million were received from Eskom.

Table 9.2: 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	10	10	–	21	22	26	28
Sales of scrap, waste and other used current goods	22	2	–	2	4	5	5
Interest, dividends and rent on land	1 435 159	2 169 343	81 354	569 006	11	12	13
Sales of capital assets	–	–	6 005	–	–	–	–
Financial transactions in assets and liabilities	54	31	359	55	20	21	21
Total	**1 435 245**	**2 169 386**	**87 718**	**569 084**	**57**	**64**	**67**

Programme 1: Administration

Administration gives strategic leadership to the department. It includes the ministry, the office of the director-general and central corporate services. The programme includes policy formulation by the minister and senior management, and provides support services for human resources, IT, communications, finance, security services and business improvement.

Expenditure estimates

Table 9.3: 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]	768	816	876	791	843	898	942
Management	3 772	3 322	4 524	6 090	12 296	13 341	14 009
Corporate Services	21 631	26 164	31 470	28 168	23 540	24 873	26 837
Total	**26 171**	**30 302**	**36 870**	**35 049**	**36 679**	**39 112**	**41 788**
Change to 2004 Budget estimate				5 001	5 456	8 336	9 473

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

	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	**24 451**	**29 220**	**36 365**	**33 312**	**36 476**	**38 915**	**41 581**
Compensation of employees	10 420	13 785	17 112	17 985	27 618	28 995	30 445
Goods and services	14 031	15 435	19 253	15 327	8 858	9 920	11 136
of which:							
Consultants and contractors	*3 030*	*4 874*	*4 693*	*3 546*	*1 632*	*1 554*	*1 504*
Travel and subsistence	*939*	*1 211*	*2 875*	*3 306*	*2 277*	*2 571*	*2 763*
Communication	*246*	*301*	*354*	*450*	*711*	*1 195*	*1 237*
Inventory	*765*	*935*	*2 340*	*521*	*597*	*632*	*1 062*
Transfers and subsidies to:	**31**	**39**	**42**	**52**	**46**	**58**	**61**
Provinces and municipalities	31	39	42	52	46	58	61
Payments for capital assets	**1 689**	**1 043**	**463**	**1 685**	**157**	**139**	**146**
Machinery and equipment	1 689	1 043	463	1 685	157	139	146
Total	**26 171**	**30 302**	**36 870**	**35 049**	**36 679**	**39 112**	**41 788**

Expenditure trends

Expenditure increased at an average annual rate of 10,2 per cent between 2001/02 and 2004/05 due to internal capacity-building, and is expected to continue to increase over the next three years.

The increases have been spent on various projects, including an integrated document management system, project management tools, the department's corporate identity, the upgrading of central IT hardware and software, a human resources development programme, and a financial management improvement programme.

Programme 2: Analysis and Risk Management

The main aim of *Analysis and Risk Management* is to do insightful quantitative analysis, give advice on the commercial and development performance of SOEs, and manage key risks flowing from SOEs' activities.

Apart from the management component, the programme is divided into two subprogrammes:

- *Analysis* models and monitors the impact of SOEs in the broader economy, generating benchmarks in the energy, transport and defence sectors. It analyses sectoral trends, and monitors the performance of SOEs against agreed targets
- *Risk Management* does risk analysis to identify key risks to government and to systematically manage strategic, operational and financial risks from the businesses of SOEs. This includes analysing and monitoring: SOEs' investment strategies, risk management plans and strategies, internal controls and treasury operations; the impact of regulations and structural changes on SOEs; and ensuring compliance with the PFMA, Treasury Regulations and the Companies Act (1973).

Expenditure estimates

Table 9.4: Analysis and Risk 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	1 146	1 295	2 265	2 941	2 369	2 359	4 477
Analysis	–	–	1 287	1 664	2 602	2 701	2 998
Risk Management	2 172	2 756	2 141	5 760	3 092	3 246	3 255
Total	**3 318**	**4 051**	**5 693**	**10 365**	**8 063**	**8 306**	**10 730**
Change to 2004 Budget estimate				(1 136)	(4 415)	(4 808)	(3 040)
Economic classification							
Current payments	**3 233**	**3 944**	**5 561**	**10 230**	**8 005**	**8 277**	**10 700**
Compensation of employees	1 394	1 572	1 932	7 389	5 672	5 955	6 253
Goods and services	1 839	2 372	3 629	2 841	2 333	2 322	4 447
of which:							
Consultants and contractors	*550*	*620*	*780*	*1 655*	*450*	*433*	*148*
Travel and subsistence	*50*	*75*	*80*	*120*	*402*	*407*	*680*
Transfers and subsidies to:	**5**	**7**	**12**	**26**	**28**	**29**	**30**
Provinces and municipalities	5	7	12	26	28	29	30
Payments for capital assets	**80**	**100**	**120**	**109**	**30**	**–**	**–**
Machinery and equipment	80	100	120	109	30	–	–
Total	**3 318**	**4 051**	**5 693**	**10 365**	**8 063**	**8 306**	**10 730**

Expenditure trends

Expenditure increased very rapidly over the last three years, at an average annual growth rate of 46,2 per cent. This was due to both capacity-building and the appointment of consultants to undertake projects like designing a performance evaluation and benchmarking system, and developing an integrated SOE database and a guarantee exposure monitoring system.

Expenditure is expected to fall in 2005/06, reflecting the reprioritisation of funds within the department.

Service delivery objectives and indicators

Recent outputs

Monitoring and evaluation

The programme has provided in-depth analysis of SOEs' annual financial positions, performance and cash flow activities, tabling SOEs' annual reports in Parliament and reviewing the treasury operations of key SOEs.

Benchmarking evaluation system

A benchmarking evaluation system was developed in 2002/03, to evaluate and report on the performance of SOEs and to set performance targets according to the relevant industry indicators. The initial testing of the system, conducted in-house, has been completed. The department has entered into an agreement with arivia.kom to help with testing the integrated performance monitoring system. This is expected to be finished by the end of March 2005. Once the other systems currently being tested are complete, the benchmarking evaluation system will begin to be tested.

Infrastructure investment plans

The department is playing a leading role in developing infrastructure investment plans for SOEs in support of the economic, investment and employment cluster's priorities. The investment team has given a detailed report to the minister, advising on Eskom and Transnet's infrastructure investment plans for the next five years. Combined, these proposed investments amount to R165 billion. The rollout of the proposed financing strategy will be announced during March 2005.

Selected medium-term output targets

Analysis and Risk Management

Measurable objective: Exercise strong oversight of the SOEs and their impact in the economy (locally and internationally), and monitor the vulnerabilities of SOEs through risk management frameworks, resulting in protected shareholder value.

Subprogramme	Output	Measure/Indicators	Target
Analysis	Report on financial performance of SOEs against agreed targets	Financial performance reports with appropriate corrective measures taken by the department to limit the deviations	Quarterly
	Benchmarked on key financial performance indicators for each SOE for incorporation into shareholder compacts	Researched and benchmarked key performance financial indicators, resulting in SOE performance aligned with industry standards	Annual revised benchmarks
Risk Management	Determine effectiveness and appropriateness of risk management in SOEs	Risk management survey	June 2005
	Manage and reduce risks government is exposed to through the activities of SOEs	Reports from SOEs outlining risk profile and identified risks	Quarterly reports
	Government-wide guidelines on risk management in SOEs	Implemented or revised risk management guidelines within SOEs	2005/06

Programme 3: Governance and Policy

Governance and Policy provides leadership and guidance on benchmarked corporate governance practices, as well as monitoring and managing the impact of government policy on SOEs. The programme plays a role in shareholder management, in ensuring SOEs' compliance with corporate governance systems and in developing tools to protect shareholder interests.

Apart from a management component, the programme is organised into two subprogrammes:

- *Governance* is primarily responsible for improving government's capacity to oversee SOE management and to ensure compliance with best practice and the legislative and regulatory frameworks relevant to SOEs.
- *Policy* provides strategic policy interventions for the management and oversight of SOEs.

Expenditure estimates

Table 9.5: Governance and Policy

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	3 019	3 080	2 809	1 175	2 622	3 006	4 157
Governance	861	2 049	1 802	5 580	3 345	4 268	4 482
Policy	320	315	589	3 578	5 804	6 061	6 306
Total	**4 200**	**5 444**	**5 200**	**10 333**	**11 771**	**13 335**	**14 945**
Change to 2004 Budget estimate				568	1 293	1 357	2 368
Economic classification							
Current payments	**4 028**	**5 340**	**5 174**	**10 137**	**11 534**	**13 076**	**14 673**
Compensation of employees	1 770	1 947	2 198	3 000	8 282	8 696	9 131
Goods and services	2 258	3 393	2 976	7 137	3 252	4 380	5 542
of which:							
Consultants and contractors	*789*	*1 053*	*1 254*	*1 878*	*550*	*704*	*757*
Travel and subsistence	*175*	*178*	*185*	*198*	*417*	*868*	*937*
Transfers and subsidies to:	**6**	**7**	**6**	**23**	**27**	**28**	**30**
Provinces and municipalities	6	7	6	23	27	28	30
Payments for capital assets	**166**	**97**	**20**	**173**	**210**	**231**	**242**
Machinery and equipment	166	97	20	173	210	231	242
Total	**4 200**	**5 444**	**5 200**	**10 333**	**11 771**	**13 335**	**14 945**

Expenditure trends

Expenditure is expected to increase steadily over the next three years, rising from R10,3 million in 2004/05 to an expected R14,9 million in 2007/08, an average annual increase of 13,1 per cent. The increases will go to several projects, including the revision of the shareholder model and the strengthening of sector regulators.

Service delivery objectives and indicators

Recent outputs

Policy

The *Policy* subprogramme focuses on the research study part of the exercise on the economic-wide modelling of privatisation and restructuring in SOEs. The exercise aims to determine whether a macroeconomic model of restructuring is crucial. It is now in its second phase and will be completed by the end of 2004/05.

Governance

The socio-economic performance unit has developed guidelines on the participation of SOEs in government's integrated sustainable rural development programme, urban renewal programme and expanded public works programme.

The unit completed and communicated the principles of the protocol on corporate governance. Implementation of the protocol extends beyond the six SOEs reporting to the department, and it has been accepted and implemented by other public entities.

SOEs were required to report on corrective measures to address risk areas identified in the 2002 corporate governance audit. The challenges faced by these entities were identified by the department and presented to the January 2003 Cabinet lekgotla, where a decision was taken to mandate the department to develop and report on a common framework for corporate governance and best practice in SOEs, and to improve government's performance management of SOEs. It is expected that the shareholder management model frameworks will be completed and implemented in the first quarter of 2005.

Remuneration policies and practices in SOEs were reviewed to identify common practices as well as anomalies. The study included reviewing board and CEO remuneration, both guaranteed and non-guaranteed remuneration for the latter.

There is a new government focus on regulatory services, as detailed in government's programme of action for the economic cluster. A highlight has been setting up a departmental task team on strengthening sector regulation and the implementation of action plans. The task team will review the state of regulation in all the key sectors, beginning with transport, energy and telecoms, which will be followed by water and then the other sectors.

Selected medium-term output targets

Governance and Policy

Measurable objective: Develop effective governance and policy frameworks that ensure that all SOE activities are performed with integrity and honesty and in compliance with appropriate legislation.

Subprogramme	Output	Measure/Indicators	Target
Governance	Comprehensive and holistic shareholder management plan to improve government's oversight over SOEs	Developed and implemented shareholder management plan	November 2005
	Updated protocol on corporate governance to be used as tool to monitor compliance of SOEs with PFMA and governance requirements	Updated protocol on corporate governance issued and implemented as benchmark for PFMA and governance requirements	Revised protocol issued during October 2005, thereafter quarterly, half-yearly and annual assessments of compliance
	Framework to strengthen sector regulators	Development of framework	November 2005
Policy	Revised policy framework on restructuring SOEs to guide future restructuring activities	Revised policy framework developed	September 2005
	Develop operational frameworks on broad-based BEE, preferential procurement, gender, HIV and Aids, and skills development	Frameworks developed and in use by SOEs	March 2006

Programme 4: Corporate Strategy and Structure

Corporate Strategy and Structure aims to provide strategic direction to SOEs to ensure that they are appropriately structured to deliver on their mandate and thus contribute to government's economic objectives.

Apart from the management component, this programme consists of the following subprogrammes:

- *Project Co-ordination* is responsible for co-ordinating and monitoring projects.
- *Transport Specialist Services* manages government's investments in the transport industry, particularly Transnet and South African Airways.
- *Energy Specialist Services* manages government's investments in the energy industry and participates in the process to introduce independent power producers into the industry.

- *Other Sector Specialist Services* manages government's investments in the defence, aviation, forestry, diamond and mining, and IT industries.

Expenditure estimates

Table 9.6: Corporate Strategy and Structure

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	3 800	4 204	4 233	2 417	2 525	2 631	3 413
Project Co-ordination	1 520	597	561	1 150	1 167	1 146	1 203
Transport Specialist Services	1 680	654	698	1 054	1 344	1 411	1 482
Energy Specialist Services	1 833	612	628	1 957	2 829	3 057	3 352
Other Sector Specialist Services	–	–	–	–	3 199	4 733	5 025
Total	**8 833**	**6 067**	**6 120**	**6 578**	**11 064**	**12 978**	**14 475**
Change to 2004 Budget estimate				(761)	3 516	4 521	5 595
Economic classification							
Current payments	**8 663**	**5 966**	**6 095**	**6 382**	**11 014**	**12 861**	**14 352**
Compensation of employees	2 806	3 977	1 789	3 972	6 776	7 115	7 471
Goods and services	5 857	1 989	4 306	2 410	4 238	5 746	6 881
of which:							
Consultants and contractors	*4 614*	*872*	*1 461*	*825*	*664*	*1 500*	*1 145*
Travel and subsistence	*55*	*60*	*187*	*247*	*732*	*1 099*	*1 201*
Transfers and subsidies to:	**4**	**4**	**5**	**23**	**20**	**21**	**22**
Provinces and municipalities	4	4	5	23	20	21	22
Payments for capital assets	**166**	**97**	**20**	**173**	**30**	**96**	**101**
Machinery and equipment	166	97	20	173	30	96	101
Total	**8 833**	**6 067**	**6 120**	**6 578**	**11 064**	**12 978**	**14 475**

Expenditure trends

After falling in 2002/03 and 2003/04, expenditure is expected to increase significantly over the next three years, rising from R6,6 million in 2004/05 to R14,5 million in 2007/08, at an average annual rate of 30,1 per cent. The increases will go towards compensation of employees, as a result of the filling of vacancies and the creation of new posts with more specialised skills. The increased capacity will support work on projects like the review of Eskom's business plan and performance indicators. The latter includes defining and implementing key performance indicators for infrastructure and operations in ports, as well as defining a strategy for ports and a framework for private sector participation in both ports and rail.

Service delivery objectives and indicators

Recent outputs

Energy

Although the department has put considerable effort into the legal and regulatory framework of the wholesale electricity market, government will not continue with the plan to establish an independent South African power exchange in the current economic climate. The main reason is a shortage of capacity to supply energy, and government wants to secure the supply before introducing competition in the wholesale market. However, the new policy emphasis of introducing private sector participation in the energy sector is still supported, by allowing competition for producing energy. It is envisaged that the Electricity Regulatory Bill will be finalised during 2005/06.

Transport

An economic impact study on ports, completed in 2004, defined significant preparatory work for the port reform process. One of the outcomes of the study was a detailed assessment of the facilities and operations of the Durban Container Terminal (DCT), which resulted in a decision that the DCT would be used as a pilot for the container terminal concession process. The decision created investor uncertainty, as the concession should not be dealt with in isolation from other port reform plans, such as the construction of Port Ngqura and the container terminal in the Coega industrial development zone. The plan for the DCT will now be part of an integrated plan on the South African ports system, including opportunities for private sector involvement. A progress report will be finalised by the end of November 2005.

Defence-related industries

Denel, the state arms company, experienced significant challenges in 2004 and suffered financial losses amounting to R378 million. A turnaround strategy which will enable the recapitalisation of the company should be finalised during 2005/06.

Forestry

Bonheur Consortium was appointed as the preferred bidder for Komatiland forests. The transaction has been delayed by the Competition Commission's refusal to allow the transaction. The Competition Commission approved the Mountain-to-Ocean transaction in September 2004, in which government is offering the private sector a share of the timber plantations that stretch from the Cape Peninsula to Longmore in Port Elizabeth. The transaction should be completed by July 2005.

Selected medium–term output targets

Corporate Strategy and Structure

Measurable objective: Ensure that SOEs' corporate strategies and structures are aligned with government's broad economic and developmental objectives, thereby establishing an environment in which SOEs are globally competitive while maintaining low, sustainable costs.

Subprogramme	Output	Measure/Indicators	Target
Transport Specialist Services	Clearly defined strategy for ports, and framework for private sector participation	Defined areas for private sector participation, starting with container terminals	May 2005
	Revised pricing policy for ports, specifically in relation to strategic industrial projects (e.g. Coega)	Pricing framework accepted by government and SOEs	August 2005
	South African Airways strategy and investments aligned to overarching aviation industry strategy	Revised national aviation strategy, and revision of SAA plans in accordance with national aviation strategy	September 2005
	Model for private sector participation in rail, including principles for private sector access to railway network	Framework for private sector participation in rail, both core and branch line networks	December 2005
Energy Specialist Services	Revised Eskom business strategy to align its activities with government objectives for electricity supply	*Phase1:* Revised and implemented business model agreed between Eskom and government	September 2005
		Phase 2: Review Eskom's participation in generation projects in Africa and its effect on security of supply	October 2005

Subprogramme	Output	Measure/Indicator	Target
Other Sector Specialist Services	Defined growth and development strategy for Denel that will aid the broader defence industry.	*Phase 1:* Revised business model, business plan and investment plan	November 2005
		Phase 2: Integration in global supply chain through strategic partnership alliances	Annual review of integration process

Programme 5: Corporate Finance and Transactions

Corporate Finance and Transactions is responsible for identifying, managing and reporting on all SOE transactions of a material nature (according to the materiality framework defined in the Treasury Regulations and section 54 of the PFMA), whether initiated by government or the SOE. The programme is responsible for implementing the most appropriate restructuring model, such as IPOs, joint ventures, outright sale of business to local or international entities, PPPs, and mergers and acquisitions.

Apart from the *Management* subprogramme, there are four others:

- *Corporate Legal Services* is responsible for analysing contractual agreements and providing strategic reports.
- *Corporate Finance* is responsible for developing optimal financing structures for SOEs, taking into account the nature and extent of their finance requirements, their ability to access capital markets, and their financial position, and the objective of the transaction (namely promoting BEE). The unit also acts as mediator and liaison between the provider of finance (the corporate bank) and the SOE.
- *Transaction Specialist Services* is responsible for managing, executing and reporting on approved SOE transactions of a material nature, in accordance with the strategy, legal requirements and appropriate transaction model.
- *Initial Public Offering* prepares identified SOEs for their listing on the domestic and international equity exchange markets.

Expenditure estimates

Table 9.7: Corporate Finance and Transactions

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	–	–	–	–	14 531	1 756	2 844
Corporate Legal Services	528	576	658	5 541	1 809	1 339	1 301
Corporate Finance	587	608	646	1 021	1 223	1 126	1 247
Transaction Specialist Services	–	–	–	1 568	1 217	1 367	1 531
Initial Public Offering	152 778	163 252	28 535	6 922	5 626	437	–
Total	**153 893**	**164 436**	**29 839**	**15 052**	**24 406**	**6 025**	**6 923**
Change to 2004 Budget estimate				(2 283)	6 651	(9 955)	(9 856)
Economic classification							
Current payments	**152 017**	**162 733**	**21 320**	**6 004**	**5 669**	**5 576**	**6 910**
Compensation of employees	4 032	4 244	6 959	5 489	4 497	4 201	4 958
Goods and services	147 985	158 489	14 361	515	1 172	1 375	1 952
of which:							
Consultants and contractors	*144 772*	*156 563*	*11 389*	*150*	*500*	*525*	*551*
Travel and subsistence	*275*	*100*	*129*	*135*	*232*	*222*	*233*

	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
Transfers and subsidies to:	**14**	**1 516**	**8 360**	**8 941**	**18 637**	**449**	**13**
Provinces and municipalities	14	16	18	19	11	12	13
Departmental agencies and accounts	–	1 500	8 342	6 922	5 626	437	–
Public corporations and private enterprises	–	–	–	2 000	13 000	–	–
Payments for capital assets	**1 862**	**187**	**159**	**107**	**100**	**–**	**–**
Machinery and equipment	1 862	187	159	107	100	–	–
Total	**153 893**	**164 436**	**29 839**	**15 052**	**24 406**	**6 025**	**6 923**

Details of transfers and subsidies:

Departmental agencies and accounts							
Current	**–**	**1 500**	**8 342**	**6 922**	**5 626**	**437**	**–**
Diabo Trust	–	1 500	4 505	3 119	3 152	437	–
Khulisa Trust	–	–	3 837	3 803	2 474	–	–
Total departmental agencies and accounts	**–**	**1 500**	**8 342**	**6 922**	**5 626**	**437**	**–**
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	**–**	**–**	**–**	**2 000**	**13 000**	**–**	**–**
Alexkor	–	–	–	2 000	13 000	–	–
Total public corporations and private enterprises	**–**	**–**	**–**	**2 000**	**13 000**	**–**	**–**

Expenditure trends

This programme funded the expenditure on the Telkom IPO, most of which occurred in 2001/02 and 2002/03, and which took up almost all the programme's budget. Over the next three years, expenditure is expected to remain low, although in 2005/06 there is a significant increase due to a transfer payment of R13 million to Alexkor to refund the costs it incurred during the cancelled strategic equity partnership process. Contributions to the Khulisa and Diabo trusts cease in 2005/06 and 2006/07 respectively.

Service delivery objectives and indicators

Recent outputs

Alexkor

Cabinet approved the department's recommendation that the restructuring of Alexkor be postponed due to the Richtersveld Community land claim. The community lodged a land claim under the Restitution of Land Act (1994) for land that government had transferred to Alexkor. Cabinet also approved that the department manage and lead the negotiations with the community, on behalf of government, to reach an amicable settlement.

Aventura

The sale of Aventura's assets and liabilities to an international investor (including a BEE partner) and to individual companies has been concluded. However, the land claims litigation process is hampering the transfers of some of the land and buildings to the Forever Siyonwaba Resorts Consortium. The department is involved in a process in which all stakeholders are consulted and the legal and operational effects of the land claim on the stakeholders are mapped out. It is also ensuring that the remaining transfer of land and buildings is made in accordance with the rulings (if any) of the land claims court.

Divesting from non-core businesses

Transnet's 5 per cent stake in MTN (in the form of Transnet Defined Pension Fund) is going to be disposed of. This is part of the department's strategy to divest from the non-core businesses of SOEs. The department is currently negotiating with the approved preferred bidder to finalise the legal aspects of the disposal of the shares.

Denel

Denel's non-core business entities and activities have been identified. Transaction strategies are currently being developed in consultation with the *Corporate Strategy and Structure* programme to ensure that non-core entities and activities are disposed of or stopped in the most appropriate way and in line with an approved structure.

Cabinet approved the acquisition of the A400M aeroplanes by the Department of Defence, in principle. Denel and Aerosud will participate in the development of specific A400M South African configurations of up to €400 million. *Corporate Strategy and Structure* is part of the acquisition team.

Summary of proceeds from restructuring of SOEs: 2001/02 to 2004/05

SOE	Date	Percentage stake sold	Proceeds (Rm)	Transferred to National Revenue Fund (Rm
Financial year ending March 2002				
SASRIA	April 2001	N/A	3 200	2 200
MTN	January 2002	20	5 300	2 000
Turbomeca / Aerospace	April 2002	51	30	N/A
MTN	August 2002	N/A	1 100	1 100
Apron Services	November 2002	51	117	N/A
Aventura Kareekloof	January 2003	100	1,75	N/A
Aventura Eiland	January 2003	100	5,6	N/A
Aventura Heidelbergkloof	January 2003	100	6,5	N/A
Aventura Roodeplaat	June 2003	100	16.2	N/A
CEF	March 2003	N/A	1 500	1 500
ESKOM	March 2003	N/A	549	549
Telkom	March 2003	25	4 100	4 100
Aventura	July 2003	100	101	13
Safcol	December 2003	N/A	30	30
Total proceeds			16 057,05	11 492

Selected medium–term output targets:

Corporate Finance and Transactions

Measurable objective: Successful government-led transactions through efficient and effective financial and project management within the recommended timeframes.

Subprogramme	Output	Measure/Indicator	Target
Corporate Finance	Optimal financing strategies aligned to corporate structures and strategies of the SOEs	Financing strategy supported by research and benchmarked data	December 2005
Transaction Specialist Services	Appropriate materiality frameworks implemented SOEs to guide level of government intervention in transactions	Review of materiality frameworks implemented at SOEs in terms of Treasury regulation requirements	May 2005
	Generic guidelines and service level agreements for SOE transactions of material nature, to promote conformity and standard processes during transactions	Developed and implemented generic guidelines and service level agreements between department and SOEs	July 2005

Public entities reporting to the minister

Transnet

Transnet Limited is the holding company for South Africa's largest transport businesses, and consists of ten divisions: Spoornet, National Ports Authority, South African Port Operations, Freight Dynamics, Petronet, Metrorail, Propnet, Transtel, Transwerk and South African Airways.

To strengthen Transnet's financial position in 2004/05, a first phase plan was developed that could be implemented without affecting Transnet's current balance sheet adversely. In addition, the Ports Bill was reworded to prevent financing problems arising from the position of the National Ports Authority (NPA) and will be submitted to Parliament. The NPA will remain within Transnet, with a strengthened regulator, and with the intention of moving it to a public company. This stabilises its financial position in the short to medium term. Cabinet also confirmed that South African Airways would be moved off the Transnet balance sheet as soon as practically and financially possible. Accordingly, Transnet will in future focus on its rail, port and petro-pipeline core business.

Detailed work has been done on investment within Transnet. The planned investments are divided into those which maintain Transnet's operations at reasonable efficiency levels (replacing old assets with new assets that perform the same functions) and those that would expand South Africa's port and rail infrastructure in a manner that would lead to growth and not follow it. In the first phase, the department is concentrating on maintaining Transnet's current operations that are sustainable on the balance sheet. The total of these investments is R37 billion over the next five years, which can be funded primarily out of core business cash flows. The projected capital market requirements, for both this capital expenditure programme and existing debt service costs, ranges from R2,5 billion to R8,0 billion depending on the performance of key operating divisions. In addition, work is in progress on the means for financing an additional R21 billion to expand Transnet's port and rail infrastructure.

For 2003/04 the Transnet group reported a loss of R6,3 billion. This loss, together with the negative adjustments of R4,3 billion to the opening balances of the accumulated loss account, reduced the shareholder's interest to R8,8 billion, leaving the solvency of the group at risk, as the total assets exceed the total liabilities only by 1,14 times.

The losses for the year are mainly from South African Airways, which reported a loss of R8,9 billion in the financial year under review, mainly as a result of derivative fair value adjustments of R4,5 billion and impairment of aircraft amounting to R3,3 billion. Spoornet reported a loss of R311 million, primarily as a result of the revaluation of embedded derivatives, while Propnet reported a loss of R87 million.

Eskom

Eskom is South Africa's major electricity utility and supplies over 95 per cent of the country's electricity. The major divisions within Eskom are Generation, Transmission and Distribution.

Current estimates are that R107 billion would be required between 2005 and 2009 to meet South Africa's growing energy needs. Cabinet has requested that Eskom plan to provide 70 per cent of that, implying an investment by Eskom of R84 billion over the next five years. The balance of R23 billion is at present being reserved for possible independent power providers (IPP). The IPP process is targeted to begin by the final quarter of 2005 or the first quarter of 2006. The decision also allows for a more detailed engagement with the National Electricity Regulator and the Department of Minerals and Energy to plan the actual implementation of IPPs and related structures.

Eskom's financial results have shown a steady improvement over the four years ending in December 2003, with a liquidity ratio of 1,09:1, a solvency ratio of 2,08:1 and a debt:equity ratio of 32 per cent at 31 December 2003. The group turnover has increased by 10,6 per cent to R32,8 billion in 2003. The profit for the year ending 31 December 2003 was R3,5 billion compared to R3,7 billion in 2002. The decline in profits is mainly as a result of the provision for impairment of the investments in the second network operator and Mountain Kingdom Communications (MKC), and the provision for the possibly onerous contract with MKC. The net impact of these non-cash impairment provisions was R803 million.

The Eskom group has provided sureties and guarantees to various entities, on behalf of group companies, in excess of R4 billion, compared to R5,1 billion in 2002.

The cash flow results are positive, with cash flow from operating activities improving slightly in 2003 to R12,7 billion (2002:R11,8 billion), while cash used in investing activities increased to R7,0 billion (2002:R5,75 billion).

Denel

Denel was incorporated as a private company in April 1992 when it separated from the Armaments Corporation of South Africa (Armscor). At the time, the industrial and manufacturing activities of Armscor were integrated into Denel (Pty) Ltd. The main aim of the company is to create economic value by transforming its technological capabilities into superior defence and commercial projects and related services for global markets.

The group incurred a net loss of R378 million for the 2003/04 financial year, compared with R73 million in 2002/03, diluting its capital and reserves to an all-time low of R843 million. The decline in net income can be attributed to the strengthening of the rand, the lack of major (artillery export) orders, and the delays in the rightsizing or disposal of identified non-core, loss-making businesses. The net loss before tax was further negatively influenced by impairments of R130,3 million, which were raised during 2003/04.

Denel continued to increase its export drive during 2003/04. This effort has resulted in export sales increasing by 2,5 per cent as a proportion of the group's total sales (an increase in value of 6,3 per cent over 2002/03).

The increasing revenue trend from 2004/05 (R4,2 billion) over the medium term, averaging 14,2 per cent annually, can be largely attributed to the realisation of present and future orders in line with the product development life-cycle. The resulting increases in manufacturing costs, attributable to increased production volumes, will lead to an average annual growth rate over the MTEF period of 16,7 per cent in spending on goods and services.

Capital expenditure for the medium term going forward is mainly earmarked to maintain current operations. The decreasing expenditure trend for capex is in line with Denel's intention to exit from non-core activities and operations.

Table 9.8: Financial summary for the Denel Group

	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	**3 953 000**	**4 433 000**	**4 511 000**	**4 219 000**	**5 110 000**	**5 835 000**	**6 285 000**
Sale of goods and services other than capital assets	3 904 000	4 372 000	4 442 000	4 200 000	5 081 000	5 805 000	6 253 000
Other non-tax revenue	49 000	61 000	69 000	19 000	29 000	30 000	32 000
Sale of capital assets	**–**	**(2 000)**	**2 000**	**–**	**–**	**–**	**–**
Total revenue	**3 953 000**	**4 431 000**	**4 513 000**	**4 219 000**	**5 110 000**	**5 835 000**	**6 285 000**
Expenses							
Current expense	**4 303 000**	**4 475 000**	**4 871 000**	**4 491 000**	**5 191 000**	**5 823 000**	**6 032 000**
Compensation of employees	1 649 000	1 713 000	1 902 000	1 785 000	2 021 000	2 117 000	1 769 000
Goods and services	2 497 000	2 560 000	2 683 000	2 428 000	2 859 000	3 328 000	3 862 000
Depreciation	96 000	107 000	121 000	112 000	110 000	133 000	133 000
Interest and dividends	61 000	95 000	165 000	166 000	201 000	245 000	268 000
Transfers and subsidies	**13 000**	**29 000**	**20 000**	**12 000**	**–**	**–**	**–**
Total expenses	**4 316 000**	**4 504 000**	**4 891 000**	**4 503 000**	**5 191 000**	**5 823 000**	**6 032 000**
Surplus / (Deficit)	**(363 000)**	**(73 000)**	**(378 000)**	**(284 000)**	**(81 000)**	**12 000**	**253 000**
BALANCE SHEET SUMMARY							
Carrying value of assets	1 033 000	1 079 000	1 054 000	835 000	991 000	1 050 000	1 043 000
of which: Acquisition of assets	*209 000*	*222 000*	*187 000*	*232 000*	*297 000*	*233 000*	*177 000*
Long-term investments	211 000	295 000	248 000	71 000	64 000	59 000	53 000
Inventory	1 351 000	1 286 000	1 322 000	1 139 000	1 105 000	1 317 000	1 342 000
Receivables and prepayments	1 202 000	1 111 000	1 126 000	1 317 000	1 024 000	1 193 000	1 263 000
Cash and cash equivalents	204 000	443 000	295 000	337 000	204 000	215 000	227 000
Total assets	**4 001 000**	**4 214 000**	**4 045 000**	**3 699 000**	**3 388 000**	**3 834 000**	**3 928 000**
Capital and reserves	1 415 000	1 388 000	843 000	550 000	469 000	481 000	734 000
Borrowings	379 000	850 000	908 000	830 000	1 129 000	1 159 000	1 250 000
Trade and other payables	1 548 000	1 518 000	1 836 000	1 881 000	1 357 000	1 740 000	1 479 000
Provisions	659 000	458 000	458 000	438 000	433 000	454 000	465 000
Total equity and liabilities	**4 001 000**	**4 214 000**	**4 045 000**	**3 699 000**	**3 388 000**	**3 834 000**	**3 928 000**

Data provided by the Denel Group

Alexkor

Alexkor's core business is mining diamonds on land, along rivers, on beaches, and in the sea along the north-west coast of South Africa. Alexkor Limited is a juristic entity established in terms of the Alexkor Limited Act (1992) and is wholly owned by government. It has two divisions: Alexandra Bay Mining (identified as non-core activities) and Alexandra Bay Trading (ABT).

Alexkor's results improved for the financial year ending 30 June 2004, with net income increasing from R6,2 million in 2002/03 to R35,7 million in 2003/04. Significant contributors to the positive net income were investment income and the revision of provisions, totalling R44,7 million.

Since the price of diamonds is governed by international commodity prices, the company is affected by the prevailing rand/US dollar exchange rate. A further contributing factor is the weather, given that 74,4 per cent of total diamond production is from marine mining. Poor weather conditions in 2004 only allowed for 66 working days, leading to a 10 per cent decline in production, a decrease in total revenue for the year.

Whilst the financial position of the company improved, its solvency position moving from a negative shareholders interest value of R2,9 million at 30 June 2001 to a positive one of R40,3 million at 30 June 2004, the company still has a retained loss of R9,7 million. With the exception of provisions for post-retirement medical aid contributions and rehabilitation costs, Alexkor has no long-term borrowings. Alexkor had cash and cash equivalents amounting to R71,4 million as at 30 June 2004.

SAFCOL

The main aim of SAFCOL is to develop the South African forestry industry by optimising its assets according to accepted commercial management practices and conservation principles. To execute its responsibilities, the company acquired the commercial forestry and related activities of the forestry branch of the Department of Water Affairs and Forestry (DWAF), in terms of the Management of State Forests Act (1992), in April 1993. On 1 November 2001, the remaining DWAF businesses and assets, together with the commensurate SAFCOL businesses and assets, were transferred into three subsidiaries, MTO Forestry (Pty) Ltd, Amatola Forestry Company (Pty) Ltd and Komatiland Forests (Pty) Ltd.

SAFCOL's reported net profit of R37 million, for the financial year ending 30 June 2004, is more than 60 per cent lower than the net profit reported for the previous year. Despite the marginal growth in revenue during the year under review, operating profit decreased by 33,6 per cent, mainly due to forest fires damaging over 7 390ha of forest in the year under review. This resulted in lower volumes and quality of timber for sale, a reduction in the average log prices, as well as increased costs for harvesting, fire fighting and cleaning up damaged areas.

The implementation of accounting statement AC137: Agriculture, which requires the fair value adjustments of plantations, has positively affected operating profits by R64,8 million for 2003/04 and R14,5 million for 2002/03.

Operating activities resulted in a net cash outflow of R23,4 million in 2003/04 (2002/03: cash inflow of R28,6 million), while cash and cash equivalents reduced by R18,8 million to R88,7 million in 2003/04, reducing the liquidity ratio to 1,49. SAFCOL's solvency ratio is relatively high, and the group is funded mainly by capital and reserves, with almost no borrowings.

The proposed dividend of R30 million was paid out to shareholders (government) on 31 December 2004.

Aventura

Aventura (Pty) Ltd operates self-catering resorts around the country. In 2001/02, Aventura reported a turnover of R138,8 million with an after-tax profit of R1,6 million, including a profit of R7,7 million from the sale of resorts. At the date of publishing this report no additional financial information was available, as the 2003 and the 2004 set of annual financial statements have not been finalised.

Annexure

Vote 9: Public Enterprises

Table 9.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	28 676	31 801	36 870	30 048	5 001	35 049	36 549
2. Analysis and Risk Management	7 548	7 281	5 693	11 501	(1 136)	10 365	9 600
3. Governance and Policy	8 134	3 612	5 200	9 765	568	10 333	8 383
4. Corporate Strategy and Structure	7 249	10 568	6 120	7 339	(761)	6 578	5 823
5. Corporate Finance and Transactions	8 598	34 866	29 839	17 335	(2 283)	15 052	14 522
Total	**60 205**	**88 128**	**83 722**	**75 988**	**1 389**	**77 377**	**74 877**
Economic classification							
Current payments	**59 556**	**79 137**	**74 515**	**67 885**	**(1 820)**	**66 065**	**63 865**
Compensation of employees	32 467	32 467	29 990	42 825	(4 990)	37 835	35 335
Goods and services	27 089	46 670	44 525	25 060	3 170	28 230	28 530
Transfers and subsidies	**99**	**8 441**	**8 425**	**7 051**	**2 014**	**9 065**	**9 065**
Municipalities	99	99	83	129	14	143	143
Departmental agencies and accounts	–	8 342	8 342	6 922	–	6 922	6 922
Public corporations	–	–	–	–	2 000	2 000	2 000
Payments for capital assets	**550**	**550**	**782**	**1 052**	**1 195**	**2 247**	**1 947**
Machinery and equipment	550	550	782	1 052	1 195	2 247	1 947
Transport equipment	–	–	–	–	*550*	*550*	*550*
Other machinery and equipment	*550*	*550*	*782*	*1 052*	*645*	*1 697*	*1 397*
Total	**60 205**	**88 128**	**83 722**	**75 988**	**1 389**	**77 377**	**74 877**

Table 9.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	66	76	75	80	91
2. Analysis and Risk Management	27	25	23	24	12
3. Governance and Policy	15	31	19	35	30
4. Corporate Strategy and Structure	6	8	12	13	17
5. Corporate Finance and Transactions	10	11	12	15	10
Total	**124**	**151**	**141**	**167**	**160**
Total personnel cost (R thousand)	20 422	25 525	29 990	37 835	52 845
Unit cost (R thousand)	165	169	213	227	330

1 Budgeted full-time equivalent

Table 9.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	1,412	1,012	1,662	1,950	1,008	973	1,011
2. Analysis and Risk Management	118	349	–	–	398	432	445
3. Governance and Policy	320	223	–	–	256	297	325
4. Corporate Strategy and Structure	85	166	–	–	175	194	208
5. Corporate Finance and Transactions	185	215	–	–	208	228	241
Total	**2,120**	**1,965**	**1,662**	**1,950**	**2,045**	**2,124**	**2,230**

Table 9.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	**1 559**	**1 576**	**976**	**1 085**	**1 111**	**1 175**	**1 232**
Technology	1 042	642	315	380	403	427	449
IT services	517	934	661	705	708	748	783
2. Analysis and Risk Management	**152**	**10**	**11**	**11**	**12**	**13**	**14**
Technology	142	–	–	–	–	–	–
IT services	10	10	11	11	12	13	14
3. Governance and Policy	**123**	**179**	**266**	**250**	**265**	**281**	**295**
Technology	105	161	247	224	239	253	266
IT services	18	18	19	26	26	28	29
4. Corporate Strategy and Structure	**59**	**187**	**64**	**106**	**112**	**119**	**124**
Technology	52	180	53	96	100	106	111
IT services	7	7	11	10	12	13	13
5. Corporate Finance and Transactions	**56**	**19**	**28**	**45**	**87**	**95**	**102**
Technology	45	–	–	–	–	–	–
IT services	11	19	28	45	87	95	102
Total	**1 949**	**1 971**	**1 345**	**1 497**	**1 587**	**1 683**	**1 767**

Table 9.E: 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									
DFID	Restructuring activities	Kind	228	–	6 881	81 600	–	–	–
DFID	Energy sector specialist	Kind	932	296	2 117	–	–	–	–
DFID	Ports specialist	Kind	426	–	3 009	–	–	–	–
DFID	Overseas Development Institute (ODI)	Kind	267	–	–	–	–	–	–
DFID	Corporate governance	Kind	116	–	–	–	–	–	–
DFID	Performance monitoring	Kind	–	442	–	–	–	–	–
DFID	Training	Kind	58	407	–	–	–	–	–
DFID	Support to restructuring of Public Enterprises in South Africa	Kind	–	–	–	–	8 555	9 272	109
USAID	Training	Kind	3 984	–	8 311	19 036	3 750	–	–
USAID	Project management systems	Kind	–	–	–	–	–	–	–
USAID	Ports study	Kind	78	–	–	–	–	–	–
USAID	Preliminary study or ports restructuring	Kind	200	–	–	–	–	–	–
USAID	Corporate governance	Kind	–	–	–	–	–	–	–
USAID	Audit of SOEs	Kind	–	–	–	–	–	–	–
USAID	Training of SOE's directors	Kind	179	–	–	–	–	–	–
USAID	Database enhancements	Kind	–	–	–	–	–	–	–
Total			**6 468**	**1 145**	**20 318**	**100 636**	**12 305**	**9 272**	**109**