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VOTE 11
Public Enterprises

**ESTIMATES
OF NATIONAL
EXPENDITURE** **2011**



national treasury

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The *Estimates of National Expenditure 2011* e-publications are compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision. More comprehensive coverage of goods and services, donor funding, transfers and subsidies, public entities and lower level institutional information, is provided in this publication where applicable.

The *Estimates of National Expenditure 2011* e-publications are available on www.treasury.gov.za

Foreword

When this publication was introduced in 2001, we stated that “The Estimates of National Expenditure represents a significant step forward in national budget transparency.” Since then, the national budget process has undergone continued reform. The Budget preparation for 2011 saw a shift from budgeting by department to budgeting by function of government, thus enabling a more strategic focus on a smaller number of key outcomes. Using the functional approach, there is better transparency and coordination in budgeting due to participation by stakeholders responsible for delivery across all spheres of government, including the various agencies. Ongoing efforts to reform non-financial performance information have led to a systematic improvement in the veracity of this information. These reforms will lead to greater accountability and control.

Budgets are the link between the outcomes targeted by government and the services that are ultimately delivered. Government’s adoption of the outcomes approach in 2009 started the process of closer cooperation and improved coordination across government departments and agencies towards the attainment of 12 clearly stated outcomes that are of considerable importance to the country’s development. This approach started with the re-organisation of national government departments and was further re-enforced by signed agreements concluded between the president and ministers of national departments.

Budgets proposed for each of the votes in this publication give consideration to the initiatives focused on the 12 outcomes. One of the outcomes warranting a special mention is that of job creation. 2011 has been declared the year of job creation. A key aim of the new growth path is to achieve job creation on a significant scale through economic transformation and inclusive growth.

There is a focus on the reprioritisation of existing budgets, in addition to the allocation of new money made available by the main Budget framework. This publication indicates details per vote of savings amounting to R30.6 billion over the period ahead. This year, specific detail has been included on: the outcomes which institutions contribute towards and the output and other performance measures supporting them; personnel budgets, employee numbers and spending trends; and the purpose and key activities of each sub-programme within a vote. Compared to the abridged version of the Estimates of National Expenditure, the e-publications for each vote contain more comprehensive coverage of goods and services, transfers and subsidies, public entities, lower level expenditure information and information on donor funding.

The independent Open Budget Index assessment of budget transparency began in 2006. It is conducted every two years to measure the availability and comprehensiveness of key budget documents. In 2010, South Africa achieved first place among all the 94 countries surveyed across the world, scoring 92 per cent. South Africa’s score on the index rose from 86 per cent in 2006 (when 59 countries were surveyed), and 87 per cent in 2008 (when 85 countries surveyed).

The detailed expenditure estimates of departments set out in this publication are the result of an arduous executive and administrative process. Executive approval of additional spending allocations and savings takes place under the political guidance of the ministers’ committee on the Budget and follows a wide ranging intergovernmental consultative process led by a committee of senior officials in central government departments.

A special word of thanks is due to all our colleagues from other departments for their contributions. I also wish to express my appreciation to the National Treasury team, which worked tirelessly to produce a document of which we are rightly proud.



Lesetja Kganyago
Director-General: National Treasury

Introduction

South Africa has once again achieved international recognition for meeting budget transparency and accountability standards. The International Budget Partnership ranks South Africa first among 94 countries in the 2010 Open Budget Survey. The quality and usability of budget documents such as the Estimates of National Expenditure have made a significant contribution to this achievement. Moreover, the Money Bills Amendment Procedure and Related Matters Act (2009) has increased Parliament's oversight over the Budget proposal as it sets out the procedure in terms of which the proposal must be considered for possible amendment. The parliamentary procedure involves canvassing the opinion of civil society groups and lends itself to more participatory budgeting. The increased transparency of budgets and the increased scrutiny make it possible for South African public servants to be held more accountable for their management of resources and performance over the period ahead.

The 2011 Estimates of National Expenditure is a comprehensive publication that provides details of the spending plans of all national departments and agencies for the next three financial years (2011/12 to 2013/14), expenditure outcomes for the past three years (2007/08 to 2009/10), and revised estimates for the current year (2010/11). Information is also provided on legislation, policies, outcomes and performance targets over the seven-year period. Any changes in these areas are explained in relation to trends in planned expenditure. The Estimates of National Expenditure e-publications per vote give more extensive coverage of transfers and subsidies, public entities, goods and services, donor funding and lower level institutional information than does the abridged version of the Estimates of National Expenditure. This more detailed information for each vote is available at www.treasury.gov.za.

In keeping with the ongoing budget reform improvements to the way that public finances are managed and reported, changes have also been made in the 2011 Estimates of National Expenditure. Information on the outcomes that departments and government agencies contribute to and the related outputs included in delivery agreements is briefly discussed in the strategic overview section. Departments will also provide more information on the key functions of each subprogramme on a vote, particularly regarding its transfers and subsidies, personnel complement, volume of work carried out and the composition of spending. A new section on personnel information has been introduced under the expenditure trends section, including a table that provides information on posts funded on budget, vacancies and the number of posts in the department by salary level, as well as by programme and unit cost.

Budgeting for outcomes

Over the past decade, strong growth in public spending has not always been matched with a concomitant improvement in service delivery. If government's development and economic objectives stipulated in the new growth path are to be met, it is stated in the new growth path framework that public service delivery must improve significantly. Better public services require a culture of efficiency, effectiveness and stewardship of public resources, obliging government to become more responsive to the needs of citizens.

This objective is supported by various reform initiatives which have been and continue to be undertaken. At the outset, in 2009 the national macro organisation of the state project effected the reorganisation of national government departments to enhance their efficiency and improve on service delivery. Following on from this, the outcomes approach was adopted and 12 outcome targets were agreed upon for government, and signed ministerial performance agreements and interdepartmental and interagency delivery agreements followed. The outcomes approach provides a platform for achieving greater efficiency in the public service as it is aimed at addressing the weaknesses identified in coordination and cooperation across government. The five major budget priorities over the medium term expenditure framework period are expressed in terms of the 12 government outcomes. Budget decisions are informed by an agreed set of outputs and activities to the extent that they are organised around the 12 government outcomes and elaborated upon in delivery agreements.

Government has taken a different approach in reviewing its spending baseline to realign expenditure with the government outcomes and to make existing resources work with greater efficiency. Government's consumption expenditure (including wages as well as goods and services) has to be managed more efficiently to obtain greater value for money. Over recent years, there have been significant increases in overall personnel costs,

although expenditure on frontline personnel has not increased markedly. Government is targeting the reduction of large administrative budgets in favour of increasing frontline personnel and infrastructure investment, to channel more resources towards the actual delivery of key services.

In developing the 2011 medium term expenditure framework there was a shift towards budgeting by function rather than by department. The functional approach focuses on the purpose (the function) for which funds are to be used, and groups together national, provincial and local government, and government agencies, in terms of the function of government they perform. In this way a consolidated functional expenditure amount can be calculated, and monies transferred from one sphere of government to another can be more easily offset against each other. In support of the reprioritisation of funds in line with outcomes, more effective comparison of allocations with service delivery trends, and assessment of spending proposals, including the trade-offs between different options, are carried out in a given function. This approach provides more transparency and better coordination in the budgeting process. The table below shows the functional classification and, for each function, the national department(s) involved and the outcomes each function supports.

Functional classification of national departments and related outcomes

Functional Classification	Department(s)	Outcome(s)
Economic affairs	Government Communication and Information System [9], Public Enterprises [11], Agriculture, Forestry and Fisheries [26], Economic Development [28], Energy [29], Environmental Affairs [30], Mineral Resources [32], Rural Development and Land Reform [33], Science and Technology [34], Tourism [35], Trade and Industry [36], Transport [37]	<p>Outcome 4: Decent employment through inclusive economic growth</p> <p>Outcome 5: A skilled and capable workforce to support an inclusive growth path</p> <p>Outcome 6: An efficient, competitive and responsive economic infrastructure network</p> <p>Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all</p> <p>Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced</p>
Housing and community amenities	Human Settlements [31], Water Affairs [38]	<p>Outcome 4: Decent employment through inclusive economic growth</p> <p>Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all</p> <p>Outcome 8: Sustainable human settlements and improved quality of household life</p> <p>Outcome 9: A responsive, accountable, effective and efficient local government system</p>
Education	Basic Education [15], Higher Education and Training [17]	<p>Outcome 1: Improved quality of basic education</p> <p>Outcome 5: A skilled and capable workforce to support an inclusive growth path</p>
Health	Health [16]	Outcome 2: A long and healthy life for all South Africans
Social protection	Women, Children and People with Disabilities [8], Labour [18], Social Development [19]	
Recreation, culture and sport	Arts and Culture [14], Sport and Recreation South Africa [20]	Outcome 12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship
Public order and safety	Correctional Services [21], Independent Complaints Directorate [23], Justice and Constitutional Development [24], Police [25]	<p>Outcome 3: All people in South Africa are and feel safe</p> <p>Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World</p> <p>Outcome 12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship</p>
Defence	Defence and Military Veterans [22]	<p>Outcome 3: All people in South Africa are and feel safe</p> <p>Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World</p>
General public service	Presidency [1], Parliament [2], Cooperative Governance and Traditional Affairs [3], Home Affairs [4], International Relations and Cooperation [5], Performance Monitoring and Evaluation [6], Public Works [7], National Treasury [10], Public Service and Administration [12], Statistics South Africa [13], Communications [27]	<p>Outcome 9: A responsive, accountable, effective and efficient local government system</p> <p>Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World</p> <p>Outcome 12: An efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship</p>

The functional groups that have been used are derived from the Classification of the Functions of Government published by the United Nations, but are modified for the South African budgeting context. All decisions on savings and spending in relation to each function were reached as part of a broad consultative process between different stakeholders in the sector, including the medium term expenditure committee of senior officials in central government departments which leads this process, the provincial technical and executive forums, the ministers' committee on the budget, Cabinet and Parliament. These decisions comprise the Budget proposal tabled on Budget day for Parliament's consideration.

Savings and reprioritisation of budgets

While the global economy has been showing signs of recovery, international opinion on the economy is still cautious, on the grounds of perceived uncertainties. In addition to the macroeconomic situation, in line with achieving government's outcomes targets the composition of government expenditure needs to change to ensure that there is value for money. To sustain public expenditure in South African in the long run, a moderation in spending growth over the period ahead is necessary. This necessitates a rigorous review of budget baseline expenditure and an assessment of the:

- capacity of departments and public entities to spend and manage resources appropriately
- strength of the link between expenditure and the outcomes approach as well as with government departmental mandates
- expenditure trade-offs between the different budget options proposed
- non-performing/ underperforming projects/ programmes and entities
- sourcing of funds through savings and reprioritisation initiatives
- alternative revenue raising capacity, cost recovery efforts and donor funding availability.

This year's budget preparation focused extensively on finding savings within the departmental and agency budget baselines linked to a given functional grouping. Departments were able to decrease spending on non-core goods and services, restrict expenditure on low priority programmes, reschedule expenditure, effect savings on foreign exchange rate projections, reduce transfers to certain public entities, improve financial management and reduce expenditure on administration. Savings identified per function over the medium term in this exercise are presented in the table below.

Savings realised per function over the medium term

R thousand	2011/12	2012/13	2013/14	Total
Economic affairs	1 387 674	1 645 222	1 232 355	4 265 251
Housing and community amenities	1 970 233	2 618 510	2 314 474	6 903 217
Education	24 157	24 418	25 590	74 165
Health	44 000	44 000	544 000	632 000
Social protection	1 273 468	1 021 306	519 124	2 813 898
Recreation, culture and sport	28 222	25 571	56 858	110 652
Public order and safety	293 940	1 768 802	1 860 911	3 923 653
Defence	404 824	458 919	434 034	1 297 777
General public service	933 163	1 187 437	875 382	2 995 982
Total	6 359 682	8 794 185	7 862 728	23 016 595

Savings realised over the three years on national votes amounted to R23 billion, of which R6.4 billion is in 2011/12, R8.8 billion in 2012/13 and R7.9 billion in 2013/14. Of these savings, R21.6 billion is reprioritised within functional budget baselines towards meeting existing outcomes commitments. The remainder of R1.4 billion is added to the policy reserve for reallocation. The major savings and reprioritisation areas identified over the medium term are presented in the table below.

Major areas of savings and reprioritisation

Function	Savings identified	Savings redirected
Economic affairs	Non-core goods and services (R2 billion) Underperforming programmes (R1.3 billion)	Road maintenance (R950 million) Expansion of public transport infrastructure and system grant (R580 million) Rural development and land reform (R1.3 billion)
Housing and community amenities	Underperforming programmes (R600 million) Non-core goods and services (R478 million) Rescheduling of expenditure (R759 million) Expanded public works programme: Infrastructure (R688 million)	Completion of De Hoop Dam and a portion of bulk distribution system (R1 billion) Regional bulk infrastructure (R600 million) Expanded public works programme Social sector (R825 million)
Social protection	Non-essential items such as catering and consultation fees (R927 million)	Old age grants - means threshold increased (R280 million) Efficient and effective grant payment model (R535 million)
Public order and safety	Non-essential items (R555 million)	Anti-retroviral drugs for prisoners and additional police personnel (R465 million)
Defence	Non-core goods and services (R1.3 billion)	New remuneration dispensation (R1.3 billion)

In addition to the initial exercise, a further reduction of 0.3 per cent on the budgets of provincial and national departments was also effected; this yielded an additional R6 billion in savings.

Policy reserve

In line with the change to functional budgeting, the additional allocation made available through the national Budget framework was divided per function and a policy reserve was also retained. In the 2011 Budget process the policy reserve was created to fund key government priorities over the next three years. Including the initial identified savings of R1.4 billion that was not reprioritised and the R6 billion identified later, a policy reserve amounting to R33 billion was created. The table below shows how the policy reserve was allocated.

Allocation of the policy reserve

R thousand	2011/12	2012/13	2013/14	Total
For various functions				
Job creation and youth employment	2 000 000	3 000 000	4 000 000	9 000 000
Economic affairs				
Economic regulatory capacity	50 000	50 000	50 000	150 000
Green economy: allocated	200 000	-	-	200 000
: unallocated	-	300 000	500 000	800 000
Broadband information and communication technology: universal access	100 000	150 000	200 000	450 000
Rural development and farmer support	150 000	350 000	600 000	1 100 000
Public transport	200 000	400 000	600 000	1 200 000
Agro-Processing Competitiveness Fund	34 000	108 000	108 000	250 000
Khula Direct	55 000	-	-	55 000
Housing and community amenities				
Human settlement upgrading	200 000	400 000	600 000	1 200 000
Water infrastructure and quality	50 000	150 000	200 000	400 000
Education				
School infrastructure	700 000	1 500 000	2 300 000	4 500 000
Further education and training colleges expansion and National Students Financial Aid Scheme	1 949 990	2 714 188	3 075 595	7 739 773
Health				
Public health services	600 000	1 400 000	2 000 000	4 000 000
Public order and safety				
Police capacity and border control	100 000	400 000	900 000	1 400 000
Defence				
Border control	100 000	200 000	300 000	600 000
Total	6 488 990	11 122 188	15 433 595	33 044 773

The largest allocation from the policy reserve amounts to R9 billion and targets job creation and youth employment, which is allocated on the National Treasury vote. It will be allocated to line departments that provide proposals for projects that meet the objectives of the fund. Of the R1 billion allocation for the green economy, R800 million is currently unallocated to any specific vote but will be announced in the 2011 Budget

as available for appropriation over the medium term. Other major allocations in the policy reserve include R7.7 billion for further education and training colleges and the National Student Financial Aid Scheme, R4.5 billion for school infrastructure and R4 billion for public health services.

Additional allocations

Including policy reserve funding, a total addition of R94.1 billion is allocated to government institutions in terms of the revised national Budget framework to fund government's key priorities over the next three years. Of the R94.1 billion, national departments receive R48.8 billion (51.9 per cent): R9.9 billion in 2011/12, R14.7 billion in 2012/13 and R24.2 billion in 2012/13. Provinces and municipalities receive the remainder: R40.2 billion (42.7 per cent) to provinces and R5.1 billion (5.4 per cent) to municipalities over the medium term. Conditional grants to provinces and municipalities are reflected on both national budgets and the budgets of provinces or municipalities, and are included in the discussion below.

A summary of additional allocations in line with government's policy priorities is provided below by national vote. It is important to note that the discussion on increases in the budget excludes all direct charges against the National Revenue Fund and the amounts of the local and provincial equitable share. Details are only provided for national votes receiving relatively large additional allocations for implementing new programmes or extending existing programmes. The amounts per vote in the discussion below correspond with those in table 2. They represent the gross additional allocations, before the baseline savings and reprioritisation have been effected. The total amounts may therefore be bigger than the overall net change in the budget of a specific vote. In the discussion below, these gross amounts will be referred to as the allocations received for the coming three year medium term expenditure framework period. In certain instances, the savings on a particular vote exceed the gross total allocation to that vote and the overall net change in the budget of that vote is actually negative.

Economic affairs

Taking into account the policy and practical budgeting considerations within this government function in the South African context, this function has been disaggregated broadly into four areas that are each discussed in turn.

Transport

For the **Department of Transport** for the medium term expenditure framework period, R2.7 billion is provided for the public transport infrastructure and systems conditional grant to municipalities to develop integrated public transport networks. The South African National Roads Agency is allocated R2.7 billion for the maintenance of roads and R1.4 billion is allocated to the Passenger Rail Agency South Africa to upgrade and replace Metrorail's signalling infrastructure.

Energy and environmental protection

Over the medium term, the **Department of Environmental Affairs** receives an additional R191 million to implement measures that will address wildlife trafficking, air quality, waste and coastline management, and oil spill disasters. For climate change mitigation and the establishment of a green fund for South Africa, R1 billion is provided. This will be announced in the 2011 Budget as an amount largely not appropriated to any specific vote, except for the R200 million in funding that is allocated to host the 2011 United Nations Conference on Climate Change in 2011/12.

Industrial development

An allocation to the **Economic Development Department** of R250 million is for the Competition Commission to group its work on anti-competitive practices in four priority sectors and to form a specialised cartel investigation unit.

Agriculture, forestry, fisheries and land affairs

An amount of R1.1 billion is the gross allocation to the **Department of Rural Development and Land Reform** for the comprehensive rural development programme.

The **Department of Agriculture, Forestry and Fisheries** receives R500 million for the comprehensive agriculture support programme grant and the land care programme grant.

Also, a gross allocation of R450 million is made available to the **Department of Communications** for broadband services information and communication technologies infrastructure, and universal access in underdeveloped or rural areas in the country.

Housing and community amenities

This function's budget is dominated by transfer payments. Over the MTEF period, an additional R2.1 billion is allocated to the **Department of Human Settlements** for informal settlements upgrading through the new urban settlements development grant. The Social Housing Regulatory Authority receives R972 million to increase the delivery of affordable rental housing.

The **Department of Water Affairs** is allocated a gross addition of R3.7 billion, of which R1 billion is for the completion of the De Hoop Dam and the provision of some bulk infrastructure pipelines, R952 million is for regional bulk infrastructure, R520 million for the completion of the Nandoni pipeline and R450 million for emergency drought relief in the Nelson Mandela Bay municipality.

Education

This function receives the biggest gross total allocation of R33.9 billion. The **Department of Basic Education** receives R8.2 billion, most of which is for transfers to provinces. The funds are mostly for school buildings for the eradication of inappropriate infrastructure structures and to ensure that more schools have water, sanitation and electricity. For bursaries for mathematics and science teachers, R596 million is allocated.

The **Department of Higher Education and Training** receives R3.6 billion for the National Student Financial Aid Scheme for funding higher education students, R300 million for establishing universities in Mpumalanga and Northern Cape, R3.9 billion for a state bursary scheme that will increase poor learners' access to further education and training colleges, and R1.4 billion to further education and training colleges to increase the number of students they enrol.

Health

The gross total allocation to the health function over the medium term is R18.5 billion. Most of this funding is allocated by means of the provincial equitable share. An amount of R1.4 billion is allocated to the national **Department of Health** towards increasing HIV counselling and circumcisions. To improve health facilities and medical equipment in preparation for national health insurance, the department receives a further R1.6 billion.

Social protection

The **Department of Social Development** is allocated R870 million for the South African Social Security Agency to implement a new grants application process that will reduce beneficiary waiting times and fraud.

Recreation, culture and sport

The **Department of Sport and Recreation South Africa** receives a gross allocation of R136 million to provide increased support to national sporting federations to enhance sports development and transformation, particularly in the participation of previously disadvantaged communities.

For the development of the local film industry R135 million is allocated to the National Film and Video Foundation under the **Department of Arts and Culture's** vote and R37 million is also allocated to capacitate the National Library of South Africa.

Public order and safety

Additional funding of R2.1 billion is made available to this function for the **Department of Police's** vote for the recruitment of additional policing personnel in the areas of visible policing, detective services and crime intelligence services. The number of police personnel will increase to 202 260 in 2013/14.

The **Department of Justice and Constitutional Development** receives additional funding of R490 million for the construction of two new high courts in Nelspruit and Polokwane, which will bring the total number of high courts to 16.

The **Department of Correctional Services** is allocated R460 million over the medium term for the upgrading of information technology that will enhance the functioning of the criminal justice system.

Defence

In this function, an amount of R600 million is allocated to the **Department of Defence** to deploy soldiers to the country's borders and upgrade and improve border facilities and equipment.

General public service

An amount of R500 million is added to the budget of **Statistics South Africa** for the 2011 Census, towards the costs of 120 000 field workers and to ensure greater coverage of the population than in the 2001 Census.

The **Department of Public Works** receives an additional R2.2 billion for municipal and accommodation charges payable.

To deal with the post recovery and reconstruction effects of the flooding disaster, R600 million has been allocated under the **National Treasury** vote. The National Treasury also receives R1.5 billion to fund increases in amounts payable to the Political Office Bearers' Pension Fund, as well as increases in costs related to post-retirement benefits and injury-on-duty benefits.

For the new conditional grants to deal with immediate disaster effects, R1.8 billion is allocated over the medium term under the **Cooperative Governance and Traditional Affairs**' vote. Of this, R675 million is for the provinces and R1.2 billion is allocated to municipalities.

Overview of expenditure

The main Budget, including state debt costs, provides for total expenditure of R888.9 billion in 2011/12, R968.1 billion in 2012/13 and R1.1 trillion in 2013/14, reflecting a nominal growth rate of approximately 9.1 per cent on average over the medium term expenditure framework period. Non-interest expenditure comprises on average 89.3 per cent of total main Budget expenditure, growing at an average annual rate of 7.6 per cent over the period. These budgeted estimates provide for a contingency reserve set aside to deal with unanticipated events, amounting to R4.1 billion in 2011/12, R11.4 billion in 2012/13 and R23.4 billion in 2013/14.

The allocations in the main Budget are detailed in the pages of this publication, with a high level overview provided in the summary tables below.

Summary tables

Table 1: Main budget framework 2007/08 to 2013/14

Table 2: Additional allocation to national votes 2011/12 to 2013/14

Table 3: Expenditure by national vote 2007/08 to 2013/14

Table 4: Expenditure by economic classification 2007/08 to 2013/14

Table 5: Amounts to be appropriated from the National Revenue Fund for 2011/12

Table 6a: Conditional grants to provinces 2007/08 to 2013/14

Table 6b: Conditional grants to municipalities 2007/08 to 2013/14

Table 7: Training expenditure per vote 2007/08 to 2013/14

Table 8: Infrastructure expenditure per vote 2007/08 to 2013/14

Table 9: Personnel expenditure per vote 2007/08 to 2013/14

Table 10: Departmental receipts per vote 2007/08 to 2013/14

Table 1 Main budget framework 2007/08 to 2013/14

R million	Audited outcome			Revised estimate	Medium-term estimates		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Revenue (National Revenue Fund)							
Tax revenue (gross)	572 814.6	625 100.2	598 705.4	672 200.0	741 620.0	827 310.0	927 960.0
Departmental and other receipts, and repayments	12 693.0	12 616.0	8 889.0	12 254.0	10 000.9	11 540.0	12 351.1
Less: Southern Africa Customs Union payments	-24 712.6	-28 920.6	-27 915.4	-14 991.3	-21 763.2	-32 431.8	-35 997.4
Other adjustment ¹	-	-	-	-2 900.0	-	-	-
Total revenue	560 795.1	608 795.5	579 679.0	666 562.7	729 857.6	806 418.2	904 313.7
<i>Percentage of GDP</i>	<i>27.0%</i>	<i>26.3%</i>	<i>23.7%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.2%</i>	<i>25.6%</i>
Expenditure							
State debt cost	52 877.1	54 393.7	57 129.2	66 570.4	76 578.7	90 807.7	104 036.2
<i>Percentage of GDP</i>	<i>2.5%</i>	<i>2.4%</i>	<i>2.3%</i>	<i>2.5%</i>	<i>2.6%</i>	<i>2.8%</i>	<i>2.9%</i>
Current payments ²	88 512.0	103 376.4	117 130.0	135 313.3	147 760.3	156 210.6	166 884.0
Transfers and subsidies	391 929.9	458 702.2	532 182.3	578 332.9	648 496.9	695 554.1	740 738.6
Payments for capital assets ²	7 018.5	8 508.4	9 202.2	8 817.0	11 206.9	13 823.7	17 464.5
Payments for financial assets	1 105.9	10 972.6	31 553.0	20 889.7	750.1	0.1	0.1
Unallocated	-	-	-	-	40.0	330.0	530.0
Contingency reserve	-	-	-	-	4 090.4	11 405.4	23 375.2
Total expenditure	541 443.4	635 953.3	747 196.8	809 923.3	888 923.3	968 131.7	1 053 028.6
<i>Percentage of GDP</i>	<i>26.0%</i>	<i>27.5%</i>	<i>30.6%</i>	<i>30.4%</i>	<i>30.5%</i>	<i>30.2%</i>	<i>29.8%</i>
Budget deficit³	19 351.6	-27 157.8	-167 517.7	-143 360.6	-159 065.7	-161 713.5	-148 714.9
<i>Percentage of GDP</i>	<i>0.9%</i>	<i>-1.2%</i>	<i>-6.9%</i>	<i>-5.4%</i>	<i>-5.5%</i>	<i>-5.1%</i>	<i>-4.2%</i>
GDP	2 078 822.0	2 312 965.0	2 442 593.0	2 666 893.9	2 914 861.7	3 201 299.3	3 536 001.5

1. Payment to SACU partners in respect of a previous error in calculation of the 1969 agreement.

2. Excludes conditional grants to provinces and local government, which are included in transfers and subsidies.

3. A positive number reflects a surplus and a negative number a deficit.

Table 2 Additional allocation to national votes 2011/12 to 2013/14¹

R million	Medium-term expenditure estimates			Total
	2011/12	2012/13	2013/14	
Central Government Administration	1 948.2	2 277.4	2 923.5	7 149.1
1 The Presidency	90.5	131.3	126.4	348.3
2 Parliament	30.4	31.3	32.4	94.1
3 Cooperative Governance and Traditional Affairs	964.1	873.0	1 250.8	3 087.9
4 Home Affairs	176.9	444.8	600.2	1 221.9
5 International Relations and Cooperation	145.2	162.2	170.1	477.4
6 Performance Monitoring and Evaluation	37.4	97.5	114.5	249.3
7 Public Works	493.7	522.3	609.1	1 625.1
8 Women, Children and People with Disabilities	10.0	15.0	20.0	45.0
Financial and Administrative Services	4 067.9	4 190.0	5 261.1	13 519.0
9 Government Communication and Information System	10.1	10.6	9.9	30.6
10 National Treasury	3 442.3	4 048.0	5 097.8	12 588.1
11 Public Enterprises	44.8	4.6	4.6	53.9
12 Public Service and Administration	34.9	44.2	55.0	134.0
13 Statistics South Africa	535.8	82.7	93.8	712.3
Social Services	4 043.4	7 691.7	14 993.2	26 728.2
14 Arts and Culture	66.9	83.1	105.7	255.8
15 Basic Education	826.4	2 574.4	5 649.7	9 050.4
16 Health	442.0	692.0	2 236.0	3 370.0
17 Higher Education and Training	2 215.3	3 560.3	4 403.6	10 179.2
18 Labour	131.7	170.3	187.3	489.3
19 Social Development	312.1	543.3	2 322.5	3 177.9
20 Sport and Recreation South Africa	49.0	68.3	88.4	205.7
Justice, Crime Prevention and Security	3 740.6	5 760.1	7 583.9	17 084.7
21 Correctional Services	579.9	1 046.7	1 147.8	2 774.3
22 Defence and Military Veterans	1 180.2	1 552.8	1 863.6	4 596.6
23 Independent Complaints Directorate	7.9	9.1	10.1	27.1
24 Justice and Constitutional Development	477.0	1 098.6	1 196.9	2 772.4
25 Police	1 495.7	2 052.9	3 365.5	6 914.2
Economic Services and Infrastructure	6 550.4	8 755.2	10 874.5	26 180.1
26 Agriculture, Forestry and Fisheries	194.1	405.7	512.4	1 112.2
27 Communications	105.7	155.9	206.1	467.7
28 Economic Development	101.6	156.0	166.1	423.7
29 Energy	307.9	29.2	32.6	369.7
30 Environmental Affairs	297.9	146.0	186.4	630.3
31 Human Settlements	657.5	1 215.8	1 757.2	3 630.6
32 Mineral Resources	43.2	53.6	34.1	130.9
33 Rural Development and Land Reform	610.4	838.5	1 113.9	2 562.8
34 Science and Technology	14.6	139.9	404.1	558.6
35 Tourism	52.5	42.4	44.9	139.8
36 Trade and Industry	527.6	621.7	646.3	1 795.6
37 Transport	2 180.8	3 689.9	4 786.2	10 656.9
38 Water Affairs	1 456.6	1 260.4	984.2	3 701.2
Total	20 350.6	28 674.3	41 636.1	90 661.1

1. Excludes additional allocations on provincial equitable share and other direct charges against the National Revenue Fund.

Table 3 Expenditure by national vote 2007/08 to 2013/14

R million	Audited outcome			Adjusted appropriation
	2007/08	2008/09	2009/10	2010/11
Central Government Administration				
1 The Presidency	649.4	308.8	659.1	766.9
2 Parliament	849.8	1 071.5	1 009.0	1 201.6
3 Cooperative Governance and Traditional Affairs	28 359.9	33 386.0	33 661.6	41 748.5
4 Home Affairs	3 241.7	4 666.6	5 195.4	5 834.4
5 International Relations and Cooperation	4 069.7	5 472.3	5 417.4	4 715.8
6 Performance Monitoring and Evaluation	2.0	3.6	10.4	40.5
7 Public Works	3 402.3	4 197.0	5 533.6	7 364.8
8 Women, Children and People with Disabilities	52.5	61.9	77.5	106.2
Financial and Administrative Services				
9 Government Communication and Information System	380.9	427.5	495.4	550.2
10 National Treasury	12 569.3	23 762.8	53 240.6	38 704.9
11 Public Enterprises	4 604.0	3 265.1	3 983.3	555.5
12 Public Service and Administration	609.6	630.6	670.8	658.7
13 Statistics South Africa	1 054.3	1 323.1	1 555.8	2 101.4
Social Services				
14 Arts and Culture	1 585.8	2 114.5	2 224.9	2 441.2
15 Basic Education	4 799.5	6 384.0	7 854.3	10 924.3
16 Health	13 578.6	16 424.5	19 168.6	23 132.5
17 Higher Education and Training	15 999.1	18 767.8	20 684.4	23 776.2
18 Labour	1 431.5	1 507.2	1 698.7	1 835.8
19 Social Development	67 191.4	76 096.7	85 318.2	95 941.1
20 Sport and Recreation South Africa	5 048.0	4 871.4	2 866.4	1 255.5
Justice, Crime Prevention and Security				
21 Correctional Services	11 122.4	12 822.6	13 687.3	15 427.5
22 Defence and Military Veterans	25 180.1	27 801.3	31 324.2	30 442.6
23 Independent Complaints Directorate	80.9	99.3	106.2	131.4
24 Justice and Constitutional Development	7 194.0	8 244.4	9 653.5	10 787.3
25 Police	36 525.9	41 635.2	47 662.5	53 529.7
Economic Services and Infrastructure				
26 Agriculture, Forestry and Fisheries	3 957.2	3 564.9	3 961.8	4 003.9
27 Communications	1 911.8	2 328.6	2 301.9	2 138.0
28 Economic Development	245.1	220.4	314.6	449.8
29 Energy	2 229.8	2 961.7	3 690.9	5 648.7
30 Environmental Affairs	1 564.5	1 789.9	2 124.3	2 438.5
31 Human Settlements	10 503.0	13 269.5	16 407.4	19 305.9
32 Mineral Resources	717.5	768.3	853.8	995.8
33 Rural Development and Land Reform	5 896.6	6 669.8	5 863.8	7 293.4
34 Science and Technology	3 127.3	3 703.5	4 183.9	4 128.0
35 Tourism	1 056.0	1 202.2	1 145.6	1 183.8
36 Trade and Industry	5 050.2	4 836.7	5 923.3	6 194.2
37 Transport	19 155.9	28 161.7	28 664.0	30 380.8
38 Water Affairs	4 802.9	5 797.8	7 188.6	8 203.2
Total appropriation by vote	309 800.8	370 620.6	436 383.5	466 338.6
Plus:				
Direct charges against the National Revenue Fund				
President and Deputy President salary (The Presidency)	2.3	4.0	3.8	4.6
Members remuneration (Parliament)	240.7	304.2	398.8	392.7
State debt costs (National Treasury)	52 877.1	54 393.7	57 129.2	67 606.9
Provincial equitable share (National Treasury)	171 053.7	201 795.6	236 890.8	265 139.4
General fuel levy sharing with metros (National Treasury)	-	-	6 800.1	7 542.4
Skills levy and Setas (Higher Education and Training)	6 284.3	7 234.1	7 815.6	8 424.2
Judges and magistrates salaries (Justice and Constitutional Development)	1 184.5	1 601.1	1 774.9	1 929.9
Total direct charges against the National Revenue Fund	231 642.6	265 332.8	310 813.2	351 040.0
Unallocated	-	-	-	-
Contingency reserve	-	-	-	-
Projected underspending	-	-	-	-1 700.0
Total	541 443.4	635 953.3	747 196.8	815 678.6

Table 3 Expenditure by national vote 2007/08 to 2013/14

Revised estimate	Medium-term expenditure estimates			R million
	2010/11	2011/12	2012/13	
				Central Government Administration
766.9	815.0	887.5	924.2	The Presidency
1 201.6	1 265.3	1 315.9	1 387.6	Parliament
41 748.5	47 933.6	53 842.8	57 120.8	Cooperative Governance and Traditional Affairs
5 834.4	5 464.1	5 249.7	5 864.3	Home Affairs
4 715.8	4 796.8	5 154.9	5 569.3	International Relations and Cooperation
40.5	75.8	141.0	160.4	Performance Monitoring and Evaluation
7 138.7	7 819.3	8 061.2	8 900.1	Public Works
106.2	117.9	129.5	140.8	Women, Children and People with Disabilities
				Financial and Administrative Services
550.2	496.4	524.4	552.0	Government Communication and Information System
38 375.4	22 598.2	23 469.1	25 578.9	National Treasury
555.5	230.2	199.7	210.4	Public Enterprises
656.7	690.1	726.2	774.5	Public Service and Administration
1 741.7	3 240.9	1 698.3	1 717.7	Statistics South Africa
				Social Services
2 339.7	2 468.6	2 625.1	2 784.7	Arts and Culture
9 093.0	13 868.1	16 557.9	20 409.6	Basic Education
22 218.7	25 731.6	27 610.8	30 136.7	Health
23 757.2	28 228.6	31 318.5	33 688.2	Higher Education and Training
1 793.2	1 981.5	2 098.5	2 221.7	Labour
94 841.0	104 732.7	113 524.0	122 075.5	Social Development
1 249.6	802.7	852.3	915.5	Sport and Recreation South Africa
				Justice, Crime Prevention and Security
15 232.5	16 559.2	17 805.0	18 827.8	Correctional Services
30 442.6	34 605.0	37 371.2	39 702.2	Defence and Military Veterans
131.4	151.6	161.0	170.4	Independent Complaints Directorate
10 742.3	11 413.5	12 674.3	13 409.3	Justice and Constitutional Development
53 529.7	58 061.5	62 077.6	66 696.7	Police
				Economic Services and Infrastructure
4 003.9	4 719.7	5 312.0	5 503.2	Agriculture, Forestry and Fisheries
2 138.0	1 889.1	1 721.7	1 851.7	Communications
384.5	594.5	674.7	713.3	Economic Development
5 648.7	6 089.9	5 575.3	4 304.8	Energy
2 359.8	2 846.1	2 399.3	2 643.0	Environmental Affairs
19 305.9	22 578.5	24 875.1	26 674.7	Human Settlements
995.8	1 036.2	1 107.5	1 178.7	Mineral Resources
7 293.4	8 124.2	8 674.1	9 381.1	Rural Development and Land Reform
4 128.0	4 404.6	4 887.4	5 510.1	Science and Technology
1 183.8	1 242.9	1 273.9	1 345.3	Tourism
6 075.5	6 786.9	7 366.9	7 572.4	Trade and Industry
29 989.4	35 084.0	38 204.4	41 198.9	Transport
7 609.7	9 936.2	10 231.5	10 883.5	Water Affairs
459 919.7	499 480.9	538 380.2	578 700.1	Total appropriation by vote
				Plus:
				Direct charges against the National Revenue Fund
4.6	4.8	5.1	5.3	President and Deputy President salary (The Presidency)
392.7	409.6	430.1	453.8	Members remuneration (Parliament)
66 570.4	76 578.7	90 807.7	104 036.2	State debt costs (National Treasury)
265 139.4	288 492.8	305 725.4	323 604.4	Provincial equitable share (National Treasury)
7 542.4	8 573.1	9 039.7	9 613.4	General fuel levy sharing with metros (National Treasury)
8 424.2	9 148.7	9 606.1	10 134.5	Skills levy and Setas (Higher Education and Training)
1 929.9	2 104.2	2 401.9	2 575.7	Judges and magistrates salaries (Justice and Constitutional Development)
350 003.5	385 312.0	418 016.1	450 423.3	Total direct charges against the National Revenue Fund
-	40.0	330.0	530.0	Unallocated
-	4 090.4	11 405.4	23 375.2	Contingency reserve
-	-	-	-	Projected underspending
809 923.3	888 923.3	968 131.7	1 053 028.6	Total

Table 4 Expenditure by economic classification 2007/08 to 2013/14

R million	Audited outcome			Adjusted appropriation
	2007/08	2008/09	2009/10	2010/11
Current payments				
Compensation of employees	56 221.9	64 819.2	75 276.3	88 740.8
Salaries and wages	46 758.3	53 869.3	62 806.6	74 671.9
Social contributions	9 463.6	10 949.9	12 469.7	14 068.9
Goods and services	32 272.1	38 522.2	41 695.1	47 989.9
Interest and rent on land	52 895.1	54 428.7	57 287.8	67 615.5
Interest (Incl. interest on finance leases)	52 893.9	54 428.5	57 280.1	67 614.7
Rent on land	1.2	0.2	7.7	0.8
Total current payments	141 389.1	157 770.1	174 259.2	204 346.3
Transfers and subsidies to:				
Provinces and municipalities	243 233.6	289 395.9	344 774.7	387 557.9
Provinces	204 668.3	243 851.9	293 163.8	326 000.2
Provincial revenue funds	204 668.3	243 851.9	293 163.8	326 000.2
Municipalities	38 565.4	45 544.0	51 610.8	61 557.8
Municipal bank accounts	38 565.4	45 544.0	51 610.8	61 557.8
Departmental agencies and accounts	44 609.0	53 708.8	57 458.8	56 035.9
Social security funds	8.5	2 508.7	9.7	11.6
Departmental agencies (non-business entities)	44 600.5	51 200.1	57 449.1	56 024.3
Universities and technikons	12 004.1	13 897.7	15 443.5	17 576.1
Foreign governments and international organisations	935.6	1 010.6	1 366.4	1 357.1
Public corporations and private enterprises	19 485.7	20 188.1	21 704.6	20 492.5
Public corporations	14 887.2	14 723.0	19 325.2	18 180.6
Subsidies on products or production	6 293.0	8 060.3	8 477.2	9 836.7
Other transfers to public corporations	8 594.1	6 662.6	10 848.0	8 343.9
Private enterprises	4 598.5	5 465.1	2 379.4	2 311.9
Subsidies on products or production	4 111.4	5 193.5	2 009.5	1 848.5
Other transfers to private enterprises	487.1	271.7	369.9	463.4
Non-profit institutions	1 006.7	1 222.2	1 220.3	1 470.9
Households	70 655.2	79 279.0	90 214.0	98 316.7
Social benefits	65 169.0	73 588.0	84 842.8	92 538.4
Other transfers to households	5 486.3	5 690.9	5 371.2	5 778.3
Total transfers and subsidies	391 929.9	458 702.2	532 182.3	582 807.0
Payments for capital assets				
Buildings and other fixed structures	3 631.3	5 331.6	5 712.2	5 975.7
Buildings	3 356.9	4 860.4	4 598.8	4 757.1
Other fixed structures	274.4	471.2	1 113.4	1 218.5
Machinery and equipment	3 161.5	2 926.7	3 127.6	3 298.6
Transport equipment	1 538.2	1 510.2	1 524.2	1 769.1
Other machinery and equipment	1 623.4	1 416.5	1 603.4	1 529.5
Heritage assets	-	0.1	0.2	-
Specialised military assets	-	-	83.1	19.0
Biological assets	10.6	2.7	2.1	2.0
Land and subsoil assets	27.4	49.0	83.9	0.1
Software and other intangible assets	187.7	198.3	193.2	40.8
Total payments for capital assets	7 018.5	8 508.4	9 202.2	9 336.2
Payments for financial assets	1 105.9	10 972.6	31 553.0	20 889.2
Total	541 443.4	635 953.3	747 196.8	817 378.6
Unallocated	-	-	-	-
Contingency reserve	-	-	-	-
Projected underspending	-	-	-	-1 700.0
Total	541 443.4	635 953.3	747 196.8	815 678.6

Table 4 Expenditure by economic classification 2007/08 to 2013/14

Revised estimate	Medium-term expenditure estimates			R million
	2010/11	2011/12	2012/13	
88 324.0	94 788.4	100 350.8	107 316.5	Current payments
				Compensation of employees
74 278.1	79 661.6	84 435.8	90 409.3	Salaries and wages
14 046.0	15 126.9	15 914.9	16 907.2	Social contributions
46 980.3	52 944.2	55 829.0	59 536.1	Goods and services
66 579.3	76 606.4	90 838.6	104 067.6	Interest and rent on land
66 578.5	76 605.4	90 837.4	104 066.4	Interest (Incl. interest on finance leases)
0.8	1.1	1.2	1.2	Rent on land
201 883.7	224 339.0	247 018.3	270 920.2	Total current payments
				Transfers and subsidies to:
384 334.3	428 131.5	457 512.2	486 602.9	Provinces and municipalities
323 080.3	357 928.6	380 449.6	404 251.4	Provinces
323 080.3	357 928.6	380 449.6	404 251.4	Provincial revenue funds
61 254.0	70 202.9	77 062.5	82 351.5	Municipalities
61 254.0	70 202.9	77 062.5	82 351.5	Municipal bank accounts
55 866.1	68 241.9	73 170.5	78 537.2	Departmental agencies and accounts
11.6	12.4	13.0	13.7	Social security funds
55 854.6	68 229.5	73 157.5	78 523.5	Departmental agencies (non-business entities)
17 571.1	19 365.4	20 766.7	21 953.2	Universities and technikons
1 358.2	1 463.4	1 723.6	1 830.5	Foreign governments and international organisations
20 459.5	23 642.9	25 011.7	25 561.1	Public corporations and private enterprises
18 180.6	20 434.1	21 742.4	22 063.1	Public corporations
9 836.7	9 879.4	9 997.1	8 896.9	Subsidies on products or production
8 343.9	10 554.7	11 745.4	13 166.3	Other transfers to public corporations
2 278.9	3 208.8	3 269.3	3 498.0	Private enterprises
1 813.5	2 718.2	2 663.9	2 856.4	Subsidies on products or production
465.4	490.6	605.4	641.6	Other transfers to private enterprises
1 461.7	1 500.4	1 874.8	2 099.0	Non-profit institutions
97 282.0	106 151.3	115 494.5	124 154.6	Households
91 514.5	101 279.1	110 239.7	118 596.5	Social benefits
5 767.5	4 872.3	5 254.9	5 558.1	Other transfers to households
578 332.9	648 496.9	695 554.1	740 738.6	Total transfers and subsidies
				Payments for capital assets
5 615.9	7 845.0	10 560.6	14 057.6	Buildings and other fixed structures
4 479.1	5 486.6	7 813.1	11 078.5	Buildings
1 136.8	2 358.3	2 747.6	2 979.1	Other fixed structures
3 144.0	3 302.7	3 202.5	3 344.4	Machinery and equipment
1 699.1	1 922.9	1 645.0	1 697.5	Transport equipment
1 444.9	1 379.8	1 557.5	1 646.9	Other machinery and equipment
0.0	-	-	-	Heritage assets
19.0	20.7	21.3	22.4	Specialised military assets
2.0	0.2	0.3	0.3	Biological assets
0.1	-	-	-	Land and subsoil assets
35.9	38.3	39.1	39.9	Software and other intangible assets
8 817.0	11 206.9	13 823.7	17 464.5	Total payments for capital assets
20 889.7	750.1	0.1	0.1	Payments for financial assets
809 923.3	884 792.9	956 396.3	1 029 123.4	Total
-	40.0	330.0	530.0	Unallocated
-	4 090.4	11 405.4	23 375.2	Contingency reserve
-	-	-	-	Projected underspending
809 923.3	888 923.3	968 131.7	1 053 028.6	Total

Table 5 Amounts to be appropriated from the National Revenue Fund for 2011/12

R million	Appropriated (including direct charges) 2010/11	Current payments	Transfers and subsidies	Payments for capital assets 2011/12	Payments for financial assets	To be appropriated	Increase/ Decrease	
Central Government Administration								
1	The Presidency	706.8	417.5	387.8	14.5	-	819.8	113.0
2	Parliament	1 571.9	1 383.1	287.9	3.9	-	1 674.9	103.0
3	Cooperative Governance and Traditional Affairs	41 096.9	691.3	47 222.4	19.8	0.1	47 933.6	6 836.7
4	Home Affairs	5 719.6	4 437.4	1 000.1	26.7	-	5 464.1	-255.5
5	International Relations and Cooperation	4 824.4	3 703.1	809.9	283.7	-	4 796.8	-27.7
6	Performance Monitoring and Evaluation	20.4	72.8	-	3.0	-	75.8	55.4
7	Public Works	6 446.3	2 265.4	4 010.3	1 543.6	-	7 819.3	1 372.9
8	Women, Children and People with Disabilities	97.8	60.5	55.2	2.3	-	117.9	20.2
Financial and Administrative Services								
9	Government Communication and Information System	546.2	334.8	159.2	2.4	-	496.4	-49.8
10	National Treasury	378 589.1	78 015.4	317 463.8	13.7	750.0	396 242.8	17 653.7
11	Public Enterprises	350.6	188.1	40.8	1.4	-	230.2	-120.4
12	Public Service and Administration	651.5	396.5	290.9	2.7	-	690.1	38.6
13	Statistics South Africa	1 973.4	3 188.8	10.5	41.7	-	3 240.9	1 267.5
Social Services								
14	Arts and Culture	2 406.7	392.9	2 069.3	6.4	-	2 468.6	61.9
15	Basic Education	10 918.5	2 136.9	11 025.3	706.0	-	13 868.1	2 949.7
16	Health	22 967.9	1 209.3	24 489.3	32.9	-	25 731.6	2 763.6
17	Higher Education and Training	32 144.9	455.8	36 913.4	8.1	-	37 377.3	5 232.4
18	Labour	1 783.9	1 349.9	599.4	32.1	-	1 981.5	197.6
19	Social Development	95 929.1	543.7	104 177.1	11.9	-	104 732.7	8 803.6
20	Sport and Recreation South Africa	1 245.6	222.5	574.1	6.0	-	802.7	-442.9
Justice, Crime Prevention and Security								
21	Correctional Services	15 129.0	15 342.1	31.3	1 185.8	-	16 559.2	1 430.2
22	Defence and Military Veterans	30 715.3	27 278.4	6 978.0	348.6	-	34 605.0	3 889.6
23	Independent Complaints Directorate	129.3	147.6	0.1	4.0	-	151.6	22.3
24	Justice and Constitutional Development	12 180.4	10 933.7	1 791.1	792.9	-	13 517.7	1 337.3
25	Police	52 556.4	54 596.4	464.6	3 000.5	-	58 061.5	5 505.1
Economic Services and Infrastructure								
26	Agriculture, Forestry and Fisheries	3 708.0	2 039.4	2 567.8	112.5	-	4 719.7	1 011.8
27	Communications	2 114.0	585.2	1 299.6	4.3	-	1 889.1	-224.9
28	Economic Development	418.6	123.2	464.8	6.5	-	594.5	175.9
29	Energy	5 535.4	297.2	5 784.9	7.8	-	6 089.9	554.5
30	Environmental Affairs	2 557.8	1 119.1	1 219.0	508.0	-	2 846.1	288.3
31	Human Settlements	19 215.6	642.2	21 700.6	235.7	-	22 578.5	3 362.9
32	Mineral Resources	1 030.0	587.6	438.4	10.1	-	1 036.2	6.2
33	Rural Development and Land Reform	6 769.6	2 524.1	5 564.7	35.4	-	8 124.2	1 354.7
34	Science and Technology	4 615.5	369.7	4 031.6	3.3	-	4 404.6	-210.9
35	Tourism	1 151.8	268.2	968.0	6.7	-	1 242.9	91.0
36	Trade and Industry	6 150.1	1 172.4	5 600.4	14.1	-	6 786.9	636.8
37	Transport	30 178.0	841.8	34 238.0	4.1	-	35 084.0	4 906.0
38	Water Affairs	7 996.6	4 005.2	3 767.2	2 163.9	-	9 936.2	1 939.6
Total	812 142.9	224 339.0	648 496.9	11 206.9	750.1	884 792.9	72 650.0	

1. A positive number reflects an increase and a negative number a decrease.

Table 6a Conditional grants to provinces 2007/08 to 2013/14¹

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Central Government Administration								
3	–	29.7	–	214.4	214.4	305.0	180.0	190.0
7	836.6	889.3	1 466.0	2 252.9	2 181.3	2 270.9	2 504.8	2 778.5
Financial and Administrative Services								
10	–	–	4 200.0	–	–	–	–	–
Social Services								
14	163.2	344.6	440.6	512.7	512.7	543.4	570.8	602.2
15	4 012.9	5 215.6	6 460.1	8 683.6	7 107.4	10 546.4	11 330.6	11 953.7
16	12 368.6	14 988.7	17 523.8	21 363.7	20 483.0	23 947.7	25 746.5	28 175.2
17	2 435.3	3 005.8	3 155.3	3 804.0	3 804.0	4 326.0	4 705.1	5 262.4
20	194.0	293.7	402.3	426.4	426.4	452.0	474.6	500.7
Economic Services and Infrastructure								
26	761.7	898.0	973.7	1 166.9	1 166.9	1 487.1	1 683.9	1 866.9
31	6 988.5	8 727.6	10 819.3	13 032.1	13 032.1	14 941.5	15 599.4	16 457.4
37	5 853.7	7 663.3	10 832.1	9 404.1	9 012.8	10 615.9	11 928.5	12 860.0
Total	33 614.6	42 056.3	56 273.0	60 860.7	57 940.8	69 435.8	74 724.2	80 647.0

1. Detail provided in the Division of Revenue Act (2011).

Table 6b Conditional grants to municipalities 2007/08 to 2013/14¹

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Central Government Administration								
3	7 167.2	7 186.4	8 988.3	9 726.7	9 726.7	12 132.9	14 474.2	15 272.1
7	–	–	100.5	623.0	551.4	679.6	665.7	779.5
Financial and Administrative Services								
10	716.5	361.5	808.1	1 394.6	1 186.6	1 184.6	1 279.3	1 326.1
Social Services								
20	4 605.0	4 295.0	2 168.7	512.6	512.6	–	–	–
Economic Services and Infrastructure								
29	462.5	589.1	1 074.6	1 240.1	1 240.1	1 376.6	1 151.4	1 214.8
31	2 948.3	3 572.4	4 418.2	5 157.6	5 157.6	6 267.0	7 409.5	8 126.8
37	1 174.0	2 928.7	2 431.0	3 709.9	3 709.9	4 838.8	5 037.2	5 602.9
38	732.9	994.6	902.4	990.5	966.3	1 010.8	399.0	420.9
Total	17 806.4	19 927.6	20 891.8	23 354.9	23 051.2	27 490.3	30 416.4	32 743.1

1. Detail provided in the Division of Revenue Act (2011).

Table 7 Training expenditure per vote 2007/08 to 2013/14

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Central Government Administration							
1 The Presidency	2.3	1.4	1.9	2.1	2.4	2.5	2.8
2 Parliament	10.6	11.9	10.1	10.4	14.2	15.0	16.8
3 Cooperative Governance and Traditional Affairs	2.3	1.7	1.8	2.4	5.0	5.2	5.5
4 Home Affairs	32.4	34.0	26.4	48.5	37.2	37.5	39.6
5 International Relations and Cooperation	13.1	8.1	12.4	19.6	16.6	17.8	20.0
7 Public Works	15.2	15.2	22.0	27.5	24.8	24.8	26.1
8 Women, Children and People with Disabilities	–	–	–	0.2	0.3	0.4	0.5
Financial and Administrative Services							
9 Government Communication and Information System	4.7	4.2	4.4	4.9	4.8	5.0	5.3
10 National Treasury	16.1	16.9	10.0	20.0	10.8	11.6	12.2
11 Public Enterprises	1.3	2.3	2.2	3.3	2.9	3.1	3.4
12 Public Service and Administration	2.2	3.7	2.6	3.4	3.2	3.4	3.7
13 Statistics South Africa	11.9	14.0	21.2	38.5	21.4	22.5	23.7
Social Services							
14 Arts and Culture	3.1	4.5	2.1	2.3	1.6	1.7	1.8
15 Basic Education	2.8	6.5	1.7	2.8	1.9	2.0	2.1
16 Health	9.5	1.8	4.5	5.5	4.0	4.5	4.9
17 Higher Education and Training	2.5	2.9	1.9	2.4	1.3	1.3	1.3
18 Labour	6.5	8.9	8.3	8.9	11.8	12.0	12.7
19 Social Development	1.7	1.8	2.3	2.5	2.7	2.9	3.0
20 Sport and Recreation South Africa	0.9	0.9	1.1	1.2	1.6	1.6	1.5
Justice, Crime Prevention and Security							
21 Correctional Services	125.6	76.0	89.5	64.0	100.5	105.6	111.0
22 Defence and Military Veterans	87.4	117.7	113.6	145.6	131.9	133.0	141.2
23 Independent Complaints Directorate	0.6	0.4	0.7	1.2	1.2	1.3	1.4
24 Justice and Constitutional Development	18.3	37.5	86.4	78.9	83.6	89.4	94.0
25 Police	966.0	1 124.0	1 253.4	1 386.6	1 449.0	1 514.2	1 590.0
Economic Services and Infrastructure							
26 Agriculture, Forestry and Fisheries	20.3	24.2	16.4	20.0	13.1	14.9	25.5
27 Communications	3.7	6.0	9.0	5.9	6.7	7.3	7.7
28 Economic Development	–	–	–	0.1	0.8	0.9	1.0
29 Energy	0.7	1.6	2.1	2.1	2.7	2.9	3.3
30 Environmental Affairs	2.1	2.2	2.3	2.5	4.1	4.2	4.3
31 Human Settlements	1.2	2.9	2.3	14.1	4.0	4.3	4.5
32 Mineral Resources	1.7	3.8	9.1	3.5	3.9	4.1	4.4
33 Rural Development and Land Reform	9.0	9.4	11.9	12.6	13.3	13.9	–
34 Science and Technology	1.7	2.0	3.2	5.1	5.4	5.6	5.9
35 Tourism	1.4	1.5	1.0	1.0	1.0	1.1	1.1
36 Trade and Industry	1.0	2.5	9.3	11.0	13.4	14.1	14.9
37 Transport	3.2	1.8	3.9	4.0	2.9	3.1	3.5
38 Water Affairs	38.9	40.8	50.6	56.7	62.4	68.6	75.5
Total	1 421.9	1 595.3	1 801.5	2 021.3	2 069.6	2 164.4	2 277.3

Table 8 Infrastructure expenditure per vote 2007/08 to 2013/14¹

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
Central Government Administration								
3	Cooperative Governance and Traditional Affairs	6 967.2	6 969.0	8 727.5	9 514.7	11 500.2	13 983.1	14 752.2
4	Home Affairs	122.9	136.0	102.0	131.1	209.8	215.8	248.0
5	International Relations and Cooperation	649.9	926.7	165.3	267.9	250.9	318.2	319.2
7	Public Works	488.0	988.4	1 253.6	1 376.0	1 443.9	1 474.7	1 724.7
Financial and Administrative Services								
10	National Treasury	41.2	373.5	578.1	1 155.0	853.6	880.0	855.0
Social Services								
14	Arts and Culture	281.2	448.6	449.7	447.8	455.6	483.0	509.5
15	Basic Education	2 636.0	3 101.5	3 884.7	4 832.3	6 398.3	8 408.2	11 617.3
16	Health	5 507.8	3 361.4	3 720.5	5 403.0	5 838.1	6 156.9	5 989.0
18	Labour	64.4	37.6	26.9	28.5	44.2	10.5	7.6
20	Sport and Recreation South Africa	4 605.0	4 295.0	2 168.7	512.6	-	-	-
Justice, Crime Prevention and Security								
21	Correctional Services	1 005.3	948.5	833.6	950.9	968.3	1 016.8	1 072.7
22	Defence and Military Veterans	8.1	621.3	665.0	732.7	1 058.4	1 085.7	1 118.0
24	Justice and Constitutional Development	361.1	479.5	590.1	631.4	759.4	1 105.0	1 161.7
25	Police	732.5	991.2	1 070.1	1 118.2	1 235.3	1 544.6	1 629.5
Economic Services and Infrastructure								
26	Agriculture, Forestry and Fisheries	105.3	110.3	131.7	181.7	260.1	239.3	141.0
27	Communications	646.0	750.0	920.0	540.9	404.0	317.0	376.1
29	Energy	1 435.6	1 739.9	2 400.3	4 239.9	4 334.4	4 533.5	3 200.3
30	Environmental Affairs	603.7	405.4	477.5	637.7	647.8	149.7	187.5
31	Human Settlements	9 936.8	12 300.0	15 087.4	18 155.9	21 440.0	23 488.4	25 101.5
33	Rural Development and Land Reform	5.6	6.3	2.8	6.9	21.2	11.3	4.2
34	Science and Technology	272.0	408.0	699.3	236.9	254.2	473.1	595.2
36	Trade and Industry	911.0	967.5	1 407.3	1 224.4	827.4	839.6	629.9
37	Transport	10 889.1	13 915.3	16 955.1	19 747.4	23 128.1	25 592.1	27 901.4
38	Water Affairs	930.4	1 904.1	2 212.8	2 764.0	4 123.8	4 455.1	5 064.6
Total		49 206.1	56 185.0	64 530.2	74 837.7	86 457.1	96 781.5	104 206.1

1. Amounts include mega infrastructure projects and programmes (over R300 million per year for a minimum of three years, or R900 million total project cost), large projects and programmes (between R300 million and R50 million per year within a given MTEF period), small projects and programmes (less than R50 million per year). Infrastructure transfers to other spheres, agencies and entities, fixed installations transferred to households and maintenance and repair projects are also included. Details are provided in the additional tables in each vote.

Table 9 Personnel expenditure per vote 2007/08 to 2013/14

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimates			
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14	
Central Government and Administration									
1	The Presidency	117.1	141.7	181.9	209.5	209.5	237.4	251.4	275.6
2	Parliament	517.3	651.0	784.6	868.1	868.1	936.1	990.2	1 046.8
3	Cooperative Governance and Traditional Affairs	128.1	153.8	165.7	232.1	232.1	232.9	245.9	258.1
4	Home Affairs	1 087.0	1 296.0	1 637.1	1 971.1	1 971.1	2 206.6	2 317.5	2 443.5
5	International Relations and Cooperation	1 293.2	1 683.4	1 833.3	1 858.6	1 858.6	1 704.5	1 811.9	2 034.5
6	Performance Monitoring and Evaluation	1.6	2.6	3.4	22.5	22.5	50.9	84.0	102.7
7	Public Works	721.5	801.0	976.1	1 200.9	1 200.9	1 242.1	1 241.2	1 305.1
8	Women, Children and People with Disabilities	4.8	5.9	9.8	24.1	24.1	34.6	39.9	46.3
Financial and Administrative Services									
9	Government Communication and Information System	116.2	114.0	138.7	150.7	150.7	165.4	173.4	183.2
10	National Treasury	272.7	321.0	402.1	552.6	511.2	605.9	637.7	672.2
11	Public Enterprises	56.0	70.4	75.2	90.3	90.3	96.5	101.0	106.2
12	Public Service and Administration	115.8	129.1	156.8	183.6	183.6	208.8	229.5	250.5
13	Statistics South Africa	472.0	700.7	879.2	978.7	931.6	1 531.0	1 165.0	1 185.0
Social Services									
14	Arts and Culture	107.2	126.8	146.3	152.9	152.9	164.8	174.3	183.7
15	Basic Education	150.4	186.3	225.2	271.1	271.1	325.6	349.3	371.7
16	Health	258.6	292.5	333.0	385.0	385.0	424.0	465.0	492.0
17	Higher Education and Training	146.2	174.8	201.8	251.6	249.6	301.5	334.1	359.7
18	Labour	497.9	491.3	576.5	744.8	701.9	786.3	865.8	915.2
19	Social Development	133.6	184.1	220.1	254.9	254.9	267.8	285.1	300.4
20	Sport and Recreation South Africa	43.4	54.5	61.3	75.8	74.3	79.9	84.0	88.4
Justice, Crime Prevention and Security									
21	Correctional Services	6 799.2	8 077.8	9 065.5	10 247.5	10 247.5	10 964.9	11 522.8	12 191.7
22	Defence and Military Veterans	9 735.9	10 620.0	12 705.6	16 219.0	16 219.0	16 770.7	17 700.5	18 787.8
23	Independent Complaints Directorate	45.7	58.0	65.1	75.8	75.8	86.6	91.8	97.2
24	Justice and Constitutional Development	4 250.9	5 326.2	6 028.1	7 262.9	7 224.1	7 631.2	8 382.2	8 850.6
25	Police	25 610.6	29 147.4	33 771.5	38 416.1	38 416.1	41 070.3	43 643.2	47 181.7
Economic Services and Infrastructure									
26	Agriculture, Forestry and Fisheries	811.1	931.3	1 082.2	1 199.6	1 199.6	1 273.0	1 395.3	1 474.5
27	Communications	97.7	108.0	129.6	164.6	164.6	171.7	179.3	188.0
28	Economic Development	–	–	7.9	57.7	33.7	79.2	91.8	96.5
29	Energy	85.5	103.0	133.3	147.9	147.9	181.7	192.4	218.3
30	Environmental Affairs	182.5	197.7	254.0	333.1	333.1	405.2	426.6	451.1
31	Human Settlements	103.5	134.2	166.9	289.0	289.0	319.0	331.9	346.8
32	Mineral Resources	210.1	231.0	275.1	343.7	343.7	377.6	401.0	421.8
33	Rural Development and Land Reform	476.4	614.2	760.9	1 196.8	1 196.8	1 395.7	1 523.3	1 608.9
34	Science and Technology	102.1	141.6	167.5	223.7	223.7	225.3	237.6	259.6
35	Tourism	130.8	106.4	89.6	101.1	101.1	141.9	158.4	169.4
36	Trade and Industry	327.5	383.1	437.7	569.8	533.3	602.2	644.2	676.4
37	Transport	131.3	182.6	228.1	266.2	266.2	294.4	309.9	326.5
38	Water Affairs	880.5	875.6	899.8	1 147.3	964.8	1 195.4	1 272.4	1 348.8
Total		56 221.9	64 819.2	75 276.3	88 740.8	88 324.0	94 788.4	100 350.8	107 316.5

Table 10 Departmental receipts per vote 2007/08 to 2013/14¹

R million	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimates			
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14	
Central Government Administration									
1	The Presidency	0.3	0.2	0.6	0.5	0.5	0.3	0.3	0.3
2	Parliament	43.4	45.9	38.5	15.5	15.5	11.9	11.5	11.2
3	Cooperative Governance and Traditional Affairs	0.7	0.8	0.5	0.6	0.6	0.6	0.6	0.6
4	Home Affairs	421.1	355.7	442.2	455.3	455.3	482.6	506.7	557.4
5	International Relations and Cooperation	65.1	43.6	23.2	22.0	31.2	22.9	24.0	25.3
6.	Performance Monitoring and Evaluation	-	-	-	-	-	-	-	-
7	Public Works	95.8	28.5	39.6	30.9	30.9	38.7	40.6	42.6
8	Women, Children and People with Disabilities	-	-	-	-	-	-	-	-
Financial and Administrative Services									
9	Government Communication and Information System	3.1	3.3	2.9	3.0	2.7	2.5	2.6	2.6
10	National Treasury	5 095.8	5 270.4	2 543.6	3 204.2	2 842.2	1 233.2	2 391.4	2 746.0
11	Public Enterprises	0.1	0.8	1.2	1.2	1.2	0.1	0.1	0.1
12	Public Service and Administration	2.7	1.0	2.2	0.7	0.7	0.7	0.8	0.8
13	Statistics South Africa	17.7	2.8	8.5	2.2	2.2	2.4	2.5	2.7
Social Services									
14	Arts and Culture	0.4	3.6	1.1	0.8	0.8	0.8	0.9	1.1
15	Basic Education	1.9	1.5	0.7	1.2	1.5	1.0	1.1	1.2
16	Health	41.2	31.2	45.2	31.5	31.5	32.8	32.9	36.2
17	Higher Education and Training	6.9	6.7	6.7	7.9	7.9	7.9	8.0	8.0
18	Labour	8.4	28.9	12.9	16.1	16.1	22.4	24.3	25.5
19	Social Development	237.0	16.5	30.6	218.3	0.2	10.1	10.1	10.1
20	Sport and Recreation South Africa	0.0	0.3	0.2	0.3	0.3	0.4	0.4	0.4
Justice, Crime Prevention and Security									
21	Correctional Services	136.3	80.5	108.5	143.4	120.4	126.1	132.3	139.2
22	Defence and Military Veterans	551.9	629.4	699.9	902.5	902.5	803.5	843.7	885.9
23	Independent Complaints Directorate	0.4	0.1	0.2	0.2	0.1	0.1	0.2	0.2
24	Justice and Constitutional Development	317.0	356.8	382.9	377.6	377.6	399.8	422.5	443.7
25	Police	345.1	376.5	347.6	272.9	280.3	263.9	258.7	257.1
Economic Services and Infrastructure									
26	Agriculture, Forestry and Fisheries	121.1	254.0	250.5	119.3	119.3	121.5	118.2	123.6
27	Communications	3 007.4	3 520.1	1 344.8	1 398.7	898.9	913.4	928.0	943.4
28	Economic Development	229.3	244.4	456.0	230.0	366.3	243.8	250.0	263.8
29	Energy	1.2	3.3	4.4	3.7	3.7	3.9	4.1	4.2
30	Environmental Affairs	4.7	8.5	2.1	4.1	4.1	2.8	2.8	2.8
31	Human Settlements	0.7	2.4	0.7	1.2	1.2	0.5	0.6	0.6
32	Mineral Resources	267.1	261.3	212.7	99.0	99.0	27.6	28.0	28.3
33	Rural Development and Land Reform	176.4	64.2	44.0	41.7	41.7	69.0	64.5	68.3
34	Science and Technology	0.2	0.3	1.6	0.4	0.7	0.1	0.1	0.1
35	Tourism	-	-	0.7	1.5	1.5	-	-	-
36	Trade and Industry	94.2	64.9	52.6	108.3	90.3	115.0	120.3	121.5
37	Transport	362.5	215.8	106.1	266.7	266.7	137.4	144.3	151.5
38	Water Affairs	0.1	26.6	76.3	42.1	42.1	22.9	24.3	25.9
Total departmental receipts as per Estimates of National Expenditure									
Total departmental receipts as per Estimates of National Expenditure									
Less: Parliament (retained departmental receipts)									
Plus: Direct receipts into the National Revenue Fund (National Treasury) ²									
Plus: South African Revenue Service departmental receipts collection									
Total departmental receipts as per Budget Review									
Total departmental receipts as per Budget Review									

1. Departmental receipts exclude extraordinary receipts which are deposited into the National Revenue Fund. Extraordinary receipts are included in the Budget Review.

2. Direct receipts into the National Revenue Fund in this instance refer to Levy accounts/exchange control forfeits collected by the South African Reserve Bank.

Information contained in each chapter

The Estimates of National Expenditure publication describes in detail the planned spending of all national government departments for three years going forward: that is, the years of the medium term expenditure framework (MTEF). The Estimates of National Expenditure is tabled in Parliament by the Minister of Finance on the day the main Budget is tabled. It provides details about the allocation of expenditure to all national departments set out in the Appropriation Bill, which is tabled on the same day.

The main divisions of the Appropriation Bill are divided into votes. A vote generally specifies the total amount appropriated per department, but more than one department may be contained within a single vote. Each chapter in the Estimates of National Expenditure relates to a vote. By appropriating funds from the National Revenue Fund through the approval of the Appropriation Bill, Parliament authorises expenditure.

Votes are arranged into the following functional groupings to facilitate analysis of interdepartmental initiatives and service delivery.

- central government administration
- financial and administrative services
- social services
- justice, crime prevention and security
- economic services and infrastructure.

These functional groupings are informal and are not the same as either the government's cluster system groupings or the standard chart of accounts' more rigorous classification of government functions. In the functional budgeting approach linked to the outcomes approach which has been adopted, these groupings are disaggregated further.

More detailed information for each vote is available on www.treasury.gov.za. More comprehensive coverage of vote specific information, particularly about goods and services, transfers, donor funding, public entities and lower level institutional information is provided.

The chapter for each vote contains the following information:

Budget summary

This table shows the budgeted expenditure for the vote for the three-year MTEF period.

R million	2011/12					2012/13	2013/14
	Total to be Appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
MTEF allocation							
Programme name							
Programme name							
Programme name							
Subtotal							
Direct charge against the National Revenue Fund							
Item							
Item							
Total expenditure estimates							
Executive authority	Minister						
Accounting officer	Director-General / Chief Operating Officer						
Website address							

Due to rounding off, the figures do not necessarily add up to the total. Figures are mostly denoted in rand million unless otherwise indicated.

The **2011/12 total to be appropriated** shows the expenditure allocation per programme and the aggregated amount for 2011/12 and corresponds with the information in the 2011 Appropriation Bill.

The totals to be appropriated by Parliament are categorised by economic classification into **current payments, transfers and subsidies, payments for capital assets** and **payments for financial assets**.

Current payments are payments made by a department for its operational requirements.

Transfers and subsidies are payments made by a department for which the department does not directly receive anything in return.

Payments for capital assets are payments made by a department for an asset that can be used for more than one year and from which future economic benefits or service potential are expected to flow.

Payments for financial assets mainly consist of payments made by departments as loans to public corporations or as equity investments in public corporations. The reason for expensing the payments rather than treating them as financing is that, unlike other financial transactions, the purpose of the transaction is not profit oriented. This column is only shown in votes where such payments have been budgeted for. Payments for theft and losses are included in this category; however, these payments are not budgeted for and will thus only appear in the historical information, which can be seen in the expenditure estimates table.

Estimates for the two outer years of the expenditure framework, **2012/13** and **2013/14**, are also shown. These estimates are not included in the 2011 Appropriation Bill as they are still only indicative of actual expenditure levels in the outer years of the MTEF period. Parliament typically only appropriates or authorises expenditure for one financial year at a time. These forward estimates or indicative allocations do, however, form the basis for the planning of the 2012 Budget.

Direct charges against the National Revenue Fund are amounts spent in terms of statutes and do not require parliamentary approval and thus are not contained in the Appropriation Bill. They are not budgeted for under any programme on a particular vote and include, for example, state debt costs.

Total expenditure estimates are the sum of the expenditure on programmes and direct charges, classified into current payments, transfers and subsidies, payments for capital assets and payments for financial assets.

The last lines of the table provide accountability information: the vote's executive authority, accounting officer and website address.

Aim

The aim of the vote captures the department's mandate, strategic objectives or administrative functions, and corresponds with the aim stated in the Appropriation Bill.

Programme purposes

Each vote is comprised of several programmes. The activities and functions performed by a department are typically divided into these programmes. Programme 1 is the *Administration* programme, which houses the administrative activities and functions required to keep the department operating. Each vote programme is listed individually with its purpose, as stated in the Appropriation Bill. The programme purpose outlines the activities and functions of the particular programme as per the approved budget programme structure, in terms of the Public Finance Management Act (1999).

Strategic overview: 2007/08 – 2013/14

This section describes the department's strategic direction over the period under review. It includes policy and mandate developments, legislative changes, a discussion on how the department will contribute towards the achievement of outcomes that are attributed to it and the related outputs listed in the service delivery agreements, as well as a table of selected quantitative and trendable performance indicators.

Savings and cost effectiveness measures

In this section, departments discuss details of the reprioritisation of budgets and savings and cost reduction measures to be effected over the MTEF period.

These typically emanate from reduced expenditure on non-core goods and services, the rescheduling of expenditure over time in the case of delays, reduced transfers to certain public entities, improved financial management, reduced expenditure on administration in favour of frontline services and through seeking alternative sources of financing.

Selected performance indicators

Indicator	Programme	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14

The table presents only a selected set of a department or entity's performance information and is not intended to provide a comprehensive view of performance. It should, however, contain key performance indicators that form part of the service delivery agreements.

An **indicator** is a numerical measure that tracks a department's or entity's progress towards its goal. An indicator may measure inputs, activities, outputs, outcomes or in certain instances explanatory information relating to the internal or external environment.

The **programme** column links the indicator to the vote programme associated with it.

Expenditure estimates

This table shows expenditure outcomes and estimates over a seven-year period, by vote programme and by economic classification item.

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
R million								
1. Programme name								
2. Programme name								
3. Programme name								
Subtotal								
Direct charge against the National Revenue Fund								
Item								
Item								
Total								
Change to 2010 Budget estimate								

Economic classification

Current payments			
Economic classification item			
Economic classification item			
Transfers and subsidies			
Economic classification item			
Economic classification item			
Payments for capital assets			
Economic classification item			
Economic classification item			
Payments for financial assets			
Total			

Expenditure is set out first by **programme** and then by **economic classification** over a seven-year period.

For comparability, where programme structures have been changed in recent years, expenditure has, where possible, been reallocated to the new approved programme structure for all seven years.

Audited outcomes are presented as they appear in the department or entity's annual financial statements, with amounts reallocated for any subsequent approved budget programme structure changes.

Adjusted appropriation includes any changes made to the appropriation voted in the main 2010 Budget for the financial year, with amounts reallocated for any subsequent approved programme structure changes. Changes are generally made mid-year at the time of the adjustments budget. These adjustments can only be made in terms of the circumstances listed in section 30 of the Public Finance Management Act (1999). Adjustments were included in the Adjustments Appropriation Bill, which Parliament approved before expenditure could take place, and the details were published in the Adjusted Estimates of National Expenditure publication.

The **revised estimate** for 2010/11 represents National Treasury's current estimate, in consultation with the department, of expenditure outcomes. This does not imply a change in the amounts voted to departments in the 2010/11 adjusted appropriation; it is merely a more recent estimate of what the department is likely to spend in this financial year.

The **medium-term expenditure estimates** are shown for 2011/12, 2012/13 and 2013/14. The spending figures for 2011/12 constitute the proposed appropriation to be funded from the National Revenue Fund that is contained in the main Appropriation Bill, which has to be considered by Parliament after it has been tabled. The medium-term expenditure estimates for 2012/13 and 2013/14 are indicative allocations, and will form the basis for planning the 2012 Budget.

Direct charges against the National Revenue Fund are amounts spent in terms of statutes and do not require parliamentary approval and thus are not contained in the Appropriation Bill. They are not budgeted for in terms of a programme on a particular vote and include, for example, state debt costs.

The **totals**, which are the sum of the expenditure on programmes and direct charges, are also classified into current payments, transfers and subsidies, payments for capital assets and payments for financial assets.

Expenditure trends

The main expenditure trends and vote programme structure changes from 2007/08 to 2013/14 are described. Trends are generally represented over the MTEF period between 2010/11 and 2013/14, or over the entire period between 2007/08 and 2013/14.

An explanation of the spending focus over the MTEF period in relation to the strategic objectives and the performance targets that will be achieved over the period is given. Expenditure growth in the historical period is also typically compared to expenditure anticipated over the MTEF period. Reasons are given for trends that are identified, and the significant increases or decreases in expenditure are explained in terms of the underlying policies that inform the trends. A summary of the new (additional) allocations to the vote programme's baseline budget is given. The baseline is derived from the previous year's forward estimates after consideration of savings, cost reduction and reprioritisation opportunities.

Generally, unless otherwise indicated, average annual growth rates are reflected in nominal, not real, terms. Where inflationary growth has been excluded from the calculation and real growth estimates are provided, the consumer price index has been used to deflate the growth rate.

Personnel information

A brief summary of the personnel posts per programme by salary level is given.

Infrastructure spending

Expenditure on existing, new and mega infrastructure is discussed.

Departmental receipts

Departmental anticipated (non-tax) receipts for the MTEF period are described in relation to receipts for 2010/11.

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Departmental receipts								
Economic classification item								
Economic classification item								
Total								

Information on each programme

Each programme section (with the exception of the *Administration* programme) opens with the purposes and activities of the subprogrammes that form that programme. Key functions, activities and transfers are highlighted by subprogramme. The work carried out by the subprogramme is explained in relation to the personnel responsible, the spending allocation of the funding, and outputs achieved.

Programme 1 is always *Administration*, which includes spending on the ministry, the director-general's office and central corporate services. The Ministry subprogramme includes spending on the ministerial and deputy ministerial offices.

Objectives and measures

Objectives and measures are indicated for each programme. Objectives should include an explanation of strategic intent as well as specific interventions and progress measures. (Programme 1 (*Administration*) is generally exempt from providing objectives and measures.)

For example: Improve the provision of specified services and products to eligible citizens and residents (strategic intent/objective) by reducing the time taken to issue passports and travel documents (specific intervention) from 10 days in 2010/11 to 5 days in 2013/14 (progress measure).

Expenditure estimates (per programme)

Tables for each programme set out expenditure by subprogramme and economic classification over a seven-year period.

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R million							
Subprogramme name							
Subprogramme name							
Subprogramme name							
Total							
Change to 2010 Budget estimate							
Economic classification							
Current payments							
Economic classification item							
Economic classification item							
Transfers and subsidies							
Economic classification item							
Economic classification item							
Payments for capital assets							
Economic classification item							
Economic classification item							
Payments for financial assets							
Total							

Expenditure trends (per programme)

Important expenditure trends for each programme are explained. The scope of the information provided in this section is similar to what is provided for the entire vote.

Public entities and other agencies

The scope of information contained in the write-up on public entities is similar to what is reported for the department.

Information on each of the public entities generally consists of the following:

- key legislative mandates in terms of which the entity was established and within which it operates as well as the outcomes and related outputs as stated in service delivery agreements
- selected performance indicators relating to the entity's mandate
- planned deliverables for the next MTEF period
- key achievements during the previous reporting periods
- financial data tables for the entity, focusing on the sources of funding for the entity, key spending areas and expenditure trends, and, if applicable, an analysis of some of the more important items on the entity's balance sheet that relate to the key activities being carried out
- reprioritisation, savings and cost effectiveness measures implemented
- personnel expenditure by salary level
- a list of other entities for which more detail appears on www.treasury.gov.za appears at the end of each chapter together with a short description of what the entity does and its total budget.

Additional tables

Additional tables appear at the end of the vote. These include:

Summary of expenditure trends and estimates per programme and economic classification

This table shows the budgeted expenditure and the revised estimate for 2010/11 as well as the audited outcome for 2009/10.

Details of approved establishment and personnel numbers per salary level

Employment information is provided in respect of the department. The amount spent by a department on compensation of employees is shown.

Information is provided on the **number of personnel posts filled/planned for on funded establishment** in the department at different salary levels **per programme** as at 30 September 2010.

Number of posts on approved establishment refers to the number of departmental employment positions approved by the Department of Public Service and Administration.

Number of funded posts refers to the number of departmental employment positions which are provided for within the budget.

Number of posts additional to the establishment typically refers to additional employment positions that have been allocated on an ad hoc basis and that do not form part of the approved departmental establishment.

Summary of expenditure on training

Information is provided on the funds spent on training as a proportion of compensation of employees, and the number of people trained by the department.

Summary of conditional grants to provinces and municipalities

A conditional grant refers to an allocation made by the national government, from its nationally raised revenue, to a province, local government or municipality, on condition that certain requirements or services are met.

Summary of departmental public private partnerships projects

Disclosure notes with additional details are provided for the projects signed in terms of Treasury Regulation 16.

Public private partnerships refer to contractual arrangements in which a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee according to predefined performance criteria. A public private partnership may also be a project in which a private party uses state assets for its own commercial purposes, and government benefits from the profits generated by the enterprise.

A signed project is a public private partnership project which has reached financial close and is being implemented.

Projects in preparation are in some stage of inception, feasibility or procurement, but have not yet reached financial close.

Unitary charge or fee refers to the total payment made to the private party for the provision of the various services.

Advisory fees are costs related to the hiring of transaction advisors who assist government with feasibility studies and procurement in the public private partnership project process.

Project monitoring cost is associated with the ongoing evaluation and monitoring of public private partnerships in operation.

Summary of donor funding

Donor funding is funding received by departments over and above the allocations provided in the South African government's appropriation legislation.

Donor funding comprises official development assistance and other local and international donations.

Official development assistance is an official resource flow from the international donor community to the South African government in the form of grants, technical cooperation and financial cooperation.

The **programme** column links the donor funding to the vote programme that is associated with it.

The **spending focus** shows what the department aims to achieve by using the funding.

Summary of expenditure on infrastructure

The infrastructure table includes new and replacement assets, maintenance and repairs, upgrades and additions, and rehabilitation, renovation and refurbishment of assets.

Departmental infrastructure refers to direct spending by a department on infrastructure assets which the department will own.

Infrastructure transfers to other spheres, agencies and departments refers to transfers and grants to other government institutions for expenditure on infrastructure.

Fixed installations transferred to households shows the transfer of funds to individual South Africans to be used for the construction of fixed 'on-site' structures that enhance the welfare of households.

Maintenance refers to all maintenance, repairs and refurbishment expenditure on infrastructure that prolongs the life and retains the value of the infrastructure asset. This item does not include day-to-day maintenance.

In all expenditure and revenue tables a dash (-) indicates that information is unavailable or zero.

Public Enterprises

**National Treasury
Republic of South Africa**



Contents

Budget summary	1
Aim	1
Programme purposes	1
Strategic overview: 2007/08 – 2013/14	2
Savings and cost effective measures	3
Selected performance indicators	4
Expenditure estimates	4
Expenditure trends	5
Departmental receipts	6
Programme 1: Administration	7
Programme 2: Energy and Broadband Enterprises	9
Programme 3: Legal and Governance	11
Programme 4: Manufacturing Enterprises	13
Programme 5: Transport Enterprises	15
Programme 6: Joint Project Facility	17
Additional tables	25

Vote 11

Public Enterprises

Budget summary

R thousand	2011/12				2012/13	2013/14
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	106 734	104 581	753	1 400	112 968	118 820
Energy and Broadband Enterprises	58 652	18 652	40 000	-	20 246	21 669
Legal and Governance	12 163	12 163	-	-	13 455	14 321
Manufacturing Enterprises	13 072	13 072	-	-	13 408	14 275
Transport Enterprises	26 610	26 610	-	-	25 701	25 465
Joint Project Facility	13 000	13 000	-	-	13 873	15 862
Total expenditure estimates	230 231	188 078	40 753	1 400	199 651	210 412
Executive authority	Minister of Public Enterprises					
Accounting officer	Director General of Public Enterprises					
Website address	www.dpe.gov.za					

Aim

Provide effective shareholder management of state owned enterprises that report to the department. Support and promote economic efficiency and competitiveness for a better life for all South Africans.

Programme purposes

Programme 1: Administration

Purpose: Achieve the department's strategic objectives by providing management, supporting functions and processes.

Programme 2: Energy and Broadband Enterprises

Purpose: Align the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infracore with government's strategic intent and performance targets.

Programme 3: Legal and Governance

Purpose: Provide systems that align state owned enterprises with legal and corporate governance best practice and with government's strategic intent.

Programme 4: Manufacturing Enterprises

Purpose: Align the corporate strategies and performance of Denel and the South African Forestry Company Limited with government's strategic intent and performance targets. Develop proposals in terms of the state owned enterprises' role in developing an advanced manufacturing cluster.

Programme 5: Transport Enterprises

Purpose: Align the corporate strategies and performance of Transnet, South African Airways and South African Express Airways with government's strategic intent and performance targets.

Programme 6: Joint Project Facility

Purpose: Align the department and its portfolio of state owned enterprises to national economic strategies, such as the new growth path and associated objectives, through focused policy research and the development of catalytic projects.

Strategic overview: 2007/08 – 2013/14

The Department of Public Enterprises provides shareholder management of nine state owned enterprises: Alexkor, Broadband Infracore, Denel, Eskom, the Pebble Bed Modular Reactor, the South African Forestry Company, South African Airways, South African Express Airways and Transnet.

Revised mission statement and 2010–2014 strategic plan

The state owned enterprises are strategic instruments of industrial policy and core players in the new growth path. The department aims to provide decisive strategic direction to the state owned enterprises so that their businesses are aligned with the national growth strategies arising out of the new growth path. It will do this by ensuring that their planning and performance, and investments and activities, are in line with government's medium term strategic framework and the minister's service delivery agreement.

In relation to government's 12 outcomes, the Department of Public Enterprises is contributing directly to creating an efficient, competitive and responsive economic infrastructure network (outcome 6), which forms the basis of the minister's service delivery agreement, signed in October 2010. Over the medium term, the department will focus on achieving the outputs and sub-outputs that are linked to the outcome and contained in the agreement. These are: improving the delivery and maintenance of infrastructure and monitoring the rollout of the Transnet and Eskom build programmes; achieving policy and regulatory clarity in sectors in which the state owned enterprises operate; improving the operational efficiencies of the state owned enterprises, particularly in relation to the reliable delivery of rail and ports services and the reliable generation, distribution and transmission of electricity; and developing operational indicators for each of the required sub-outputs identified as part of the delivery agreement. (Where necessary, these will be included in the shareholder compacts concluded between the boards of the state owned enterprises and the minister.)

Strategic focus over the medium term

Providing decisive leadership and ensuring that the government shareholder management model is implemented

The department provides support to the minister in his interactions with the state owned enterprises. This involves preparing for structured meetings between the minister and the chairman of each board, as well as research and briefing on issues.

The department shareholder management model measures the state owned enterprises' performance against delivery targets. The model aims to achieve consistency in compliance in corporate governance practices as well as the synchronisation of outcomes based planning and performance reporting. The model is being continuously refined. Progress on the model to date includes: clarity on the strategic intent of each state owned enterprise and performance focused shareholder compacts; the development of a logical planning and monitoring and evaluation framework; the development of guidelines on board management and founding documents; and the tracking of trends in financial and operational performance through the department's performance measuring dashboard, the Isibuko dashboard. (The dashboard facilitates the quarterly reporting required from the state owned enterprises.)

Optimising capital investment and operational efficiencies in state owned enterprises

The provision of adequate and efficient infrastructure services can stimulate investment and increase productivity in state owned enterprises' customers. In 1976, public investment in infrastructure in South Africa peaked at 16 per cent of GDP. By 1994, it had declined to approximately 4 per cent of GDP where it remained until Eskom and Transnet announced the major build programmes in 2004 and government began a fixed asset investment programme in 2005.

Benchmarking actual public investment in infrastructure between 1994 and 2009 against a steady state of investment of at least 10 per cent of GDP per year over the same period suggests a shortfall of approximately R1.5 trillion. This illustrates a gap in infrastructure investment which needs to be addressed and funded.

A number of state owned enterprises are suffering from operational inefficiencies, which are negatively impacting on the economy. A key challenge for the department is to play a catalytic role in improving efficiencies through positively influencing the boards' execution of their oversight and operational management functions in relation to the enterprises. This will require a much higher level of analysis, benchmarking, target setting and remedial action than in previous years. The department will also continue to monitor progress on the expansion of the capacity of state owned enterprises, such as the capital programmes of Eskom and Transnet, through better funding and risk management.

Refining the policy and regulatory environment

The quality of the current policy and regulatory environment has been identified as a key risk to the state owned enterprises and their ability to play a developmental role in the economy. In particular, the regulation of infrastructure tariffs needs to enable both Eskom and Transnet to recover costs and attract investment to meet the needs of the economy. In addition, the department needs to monitor closely what additional investments will be required of Eskom in the integrated resource plan for energy, as this may require significant additional funding. Another key area relates to the establishment of a single buyer office to enable independent power producers' access to the grid. In relation to Transnet, the department will be engaging with the establishment of the rail and port regulator to ensure that the policy and regulatory regime provides an appropriate balance between encouraging additional investment and promoting competition. The department will continue to put considerable effort into working with policy departments, such as the departments of energy and transport, to create a more enabling environment for the enterprises to better serve the public interest.

Integrating key programmes into the broader industrial policy and economic cluster programme

Another area of strategic focus over the short to medium term is the systematic integration of key programmes in state owned enterprises into the new growth path and the industrial policy action plan 2. For example, both the industrial policy action plan and the new growth path have prioritised public procurement leveraging to develop manufacturing. The department will thus focus on driving the implementation of fleet procurement programmes in locomotives and renewable generation technologies. The integration of supplier development policies that will embed procurement leverage into the state owned enterprise procurement policy framework will also be closely monitored. The department is considering new governance mechanisms to enable better coordination across government departments (particularly with respect to the Department of Trade and Industry) and to provide more effective oversight of the rollout of these programmes. The role of the South African Forestry Company in supporting rural development is being considered.

Knowledge management

It is critical that the department optimise its internal learning processes. This involves collating and recording existing presentations and documents under relevant themes, developing training programmes in key areas and initiating processes that capture the practical experiential learning around shareholder management.

Savings and cost effective measures

Through a reprioritisation exercise, the department has identified savings of R788 000 in 2011/12, R557 000 in 2012/13 and R594 000 in 2013/14 in spending in the information management unit, and on goods and services. The department has reallocated the funds to its capital budget to purchase new equipment. In addition, Cabinet approved savings on the vote of R560 000 in 2011/12, R589 000 in 2012/13 and R621 000 in 2013/14. To realise these savings, the department reduced administrative spending and overhead costs in corporate services in the knowledge centre unit for printing, photocopier leases and related expenditure.

Selected performance indicators

Table 11.1 Public Enterprises

Indicator	Programme	Past			Current	Projections		
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of new shareholder compacts signed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	5	3	9	8	8	8	8
Number of new corporate plans reviewed	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	8	5	9	8	8	8	8
Number of quarterly financial reviews per year	Energy and Broadband Enterprises; Legal, Governance and Transactions; Manufacturing Enterprises; Transport Enterprises	32	15	36	32	32	32	32
Number of projects per year	Joint Project Facility	13	11	8	5	6	6	6

Expenditure estimates

Table 11.2 Public Enterprises

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
R thousand								
Administration	68 416	80 437	88 697	106 835	106 835	106 734	112 968	118 820
Energy and Broadband Enterprises	2 514 327	2 136 811	1 958 790	174 476	174 476	58 652	20 246	21 669
Legal and Governance	93 653	145 391	144 095	50 023	50 023	12 163	13 455	14 321
Manufacturing Enterprises	1 159 944	267 027	198 068	192 782	192 782	13 072	13 408	14 275
Transport Enterprises	752 128	604 930	1 568 656	21 257	21 257	26 610	25 701	25 465
Joint Project Facility	15 516	30 553	24 986	10 176	10 176	13 000	13 873	15 862
Total	4 603 984	3 265 149	3 983 292	555 549	555 549	230 231	199 651	210 412
Change to 2010 Budget estimate				204 959	204 959	43 440	3 411	3 379
Economic classification								
Current payments	126 539	163 683	164 995	178 240	178 240	188 078	197 660	208 305
Compensation of employees	55 998	70 445	75 220	90 315	90 315	96 539	101 017	106 169
Goods and services	70 541	93 238	89 775	87 925	87 925	91 539	96 643	102 136
<i>of which:</i>								
Administrative fees	652	199	628	49	49	41	44	46
Advertising	1 549	1 061	455	1 083	1 083	1 070	1 144	1 212
Assets less than the capitalisation threshold	580	299	325	459	459	780	829	878
Audit cost: External	956	1 089	1 979	1 208	1 208	1 176	1 258	1 334
Bursaries: Employees	439	611	674	770	770	1 000	1 070	1 134
Catering: Departmental activities	1 021	1 319	1 195	1 637	1 637	1 711	1 888	2 004
Communication	2 492	2 992	2 770	3 080	3 080	2 690	2 973	3 160
Computer services	2 406	2 469	2 957	3 288	3 288	3 037	3 093	3 278
Consultants and professional services: Business and advisory services	27 214	48 195	40 806	37 455	37 455	35 272	36 101	37 683
Consultants and professional services: Legal costs	4 676	2 724	5 116	4 061	4 061	5 820	6 729	7 178
Contractors	1	1 238	1 510	2 681	2 681	1 909	1 960	2 079
Agency and support / outsourced services	2 966	3 996	3 683	3 602	3 602	2 778	2 972	3 151
Entertainment	111	197	185	215	215	250	268	281
Fleet services (including government motor transport)	-	-	-	-	-	860	920	975
Inventory: Food and food supplies	-	-	-	180	180	216	231	245
Inventory: Learner and teacher support material	-	-	-	-	-	120	128	136

Table 11.2 Public Enterprises (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Current payments								
<i>Inventory: Materials and supplies</i>	-	-	3	14	14	-	-	-
<i>Inventory: Medical supplies</i>	-	2	18	-	-	-	-	-
<i>Inventory: Other consumables</i>	11	183	58	78	78	40	44	46
<i>Inventory: Stationery and printing</i>	2 314	2 694	1 520	2 270	2 270	2 502	2 688	2 852
<i>Lease payments</i>	1 991	2 338	2 458	1 890	1 890	1 317	1 409	1 495
<i>Property payments</i>	5 152	5 808	5 919	5 811	5 811	7 131	7 753	8 365
<i>Travel and subsistence</i>	10 423	11 296	14 227	12 575	12 575	16 064	16 981	18 061
<i>Training and development</i>	1 648	1 704	1 524	2 516	2 516	1 937	2 072	2 297
<i>Operating expenditure</i>	2 020	1 195	1 034	1 360	1 360	1 920	2 056	2 150
<i>Venues and facilities</i>	1 919	1 629	731	1 643	1 643	1 898	2 032	2 096
Transfers and subsidies	3 540 912	2 278 290	3 608 464	238 006	238 006	40 753	791	835
Public corporations and private enterprises	3 540 342	2 277 640	3 607 786	237 296	237 296	40 000	-	-
Households	570	650	678	710	710	753	791	835
Payments for capital assets	3 506	878	1 274	703	703	1 400	1 200	1 272
Machinery and equipment	2 377	844	1 258	703	703	1 400	1 200	1 272
Software and other intangible assets	1 129	34	16	-	-	-	-	-
Payments for financial assets	933 027	822 298	208 559	138 600	138 600	-	-	-
Total	4 603 984	3 265 149	3 983 292	555 549	555 549	230 231	199 651	210 412

Expenditure trends

Expenditure decreased from R4.6 billion in 2007/08 to R555.5 million in 2010/11, at an average annual rate of 50.6 per cent. The decrease was due to a reduction in transfer payments to state owned enterprises. Between 2007/08 and 2010/11, transfer payments to state owned enterprises of R11.8 billion were made as follows:

- R1.8 billion to Denel for capitalisation and claims under the indemnity agreement, which was approved through the Special Adjustments Appropriation Act (2007), the Adjustments Appropriation Act (2008), the Adjustments Appropriation Act (2009) and the Adjustments Appropriation Act (2010)
- R367.8 million to Alexkor for the implementation of the Richtersveld settlement, exploration, operating costs and township development costs
- R6 billion (including value added tax) to the Pebble Bed Modular Reactor for the development of the demonstration and fuel plants, operational costs and to provide for the statutory requirement for decommissioning and dismantling of the fuel development laboratory
- R2. 3 billion to South African Airways for the restructuring and turnaround strategies, and to improve the debt-equity ratio of the company
- R724.1 million to Broadband Infracore for establishment and operational costs
- R140 million to Transnet for the purchase and transfer to government of South African Express Airways
- R445 million to South African Express Airways for recapitalisation, of which R40 million was for working capital and R405 million for the purchase of aircraft.

Over the same period, current payments increased from R126.5 million in to R178.2 million, at an average annual rate of 12.1 per cent. This was primarily attributable to an increase in expenditure on compensation of employees as a result of approved annual increments and an increase in the department's establishment, which was partly due to the creation of the office of the deputy minister for the first time in 2009/10. Strengthening capacity in priority sectors also increased spending by R34.3 million. Spending on goods and services between 2007/08 and 2010/11 increased by R17.4 million, due to inflation and an escalation in operational expenditure to support the increased personnel establishment.

Spending on consultants and professional services increases from R27.2 million in 2007/08 to R37.7 million in 2013/14, at an average annual rate of 5.6 per cent. Over the MTEF period, spending on consultants and professional services increases at an average annual rate of 0.2 per cent, due to the need to support critical skills and provide specialist technical expertise in the priority sectors in the department.

Transfers to state owned enterprises in 2009/10 and 2010/11 amount to R4.2 billion, allocated as follows:

- R1.8 billion to the Pebble Bed Modular Reactor in 2009/10 and 2010/11
- R1.6 billion to South African Airways in 2009/10
- R347.1 million to Broadband Infracore in 2009/10 and 2010/11
- R165.1 million to Alexkor in 2009/10 and 2010/11
- R373.2 million to Denel in 2009/10 and 2010/11.

R60 million (R20 million in 2010/11 and R40 million in 2011/12) has been allocated to the Pebble Bed Modular Reactor for the statutory requirement for decommissioning and dismantling the fuel development laboratory.

Over the medium term, expenditure is expected to decrease from R555.5 million to R211 million, at an average annual rate of 27.6 per cent as a result of a reduction in transfer payments to state owned enterprises. This decrease is marginally offset by an increase of R30.1 million in current payments over the same period. This increase is mainly due to increased spending on compensation of employees due to annual increments and an increase in the establishment from 138 in 2007/08 to 181 in 2013/14. Accordingly, expenditure on goods and services increases to provide support to the larger personnel establishment.

Personnel information

The total personnel establishment increased from 163 posts in 2007/08 to 175 posts in 2010/11. This increase was mainly driven by: the creation of the office of the chief investment portfolio manager, which includes the state owned entity risk management function within the office of the director general; and the establishment of the office of the deputy minister. There are 27 vacancies within the department, of which the majority are in salary levels 13-15 in the sector specific programmes as well as a number of support function posts in the *Administration* programme. These posts are vacant because of the scarce skills required and uncompetitive remuneration packages.

The ratio of support staff to line function staff is 2.6:1, with all staff in the *Administration* programme regarded as support staff.

Departmental receipts

Revenue is mainly generated from commissions on insurance premiums and parking revenue. In 2008/09, R435.5 million was received from the Diabo Share Trust, made up of funds that had not yet been disbursed to potential beneficiaries.

Table 11.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Departmental receipts	69	818	1 168	1 214	1 214	88	92	96
Sales of goods and services produced by department	34	37	36	42	42	44	46	48
Sales of scrap, waste, arms and other used current goods	-	1	-	2	2	2	2	2
Interest, dividends and rent on land	4	595	7	80	80	17	18	19
Sales of capital assets	-	-	19	5	5	-	-	-
Transactions in financial assets and liabilities	31	185	1 106	1 085	1 085	25	26	27
Extraordinary receipts	-	435 462	-	-	-	-	-	-
Diabo Trust	-	435 462	-	-	-	-	-	-
Total	69	436 280	1 168	1 214	1 214	88	92	96

Programme 1: Administration

- **Office of the Chief Investment and Portfolio Manager** (in the *Management* subprogramme) applies a portfolio approach to the management and shareholder investment of all state owned enterprises falling under the purview of the department, including conducting comprehensive cross cutting portfolio reviews on a quarterly basis. The office serves to enhance portfolio management through portfolio analysis to determine overall portfolio structure, highlight shifts in portfolio composition, determine potential impact to portfolio performance and identify measures to strengthen the portfolio. The office provides analysis of trends and strategic portfolio recommendations to the Minister of Public Enterprises to proactively manage any exposure that may arise.

Objectives and Measures

- Provide strategic leadership and effective oversight over the departmental activities by:
 - synchronising logical planning, monitoring and evaluation processes
 - performing performance monitoring and shareholder risk management to investments in state owned enterprises
 - developing the department's capital structure framework for state owned enterprises
 - managing the equity interest and contingent liability exposure of the department's investment portfolio
 - developing investment policy and identifying sources for capital funding
 - ensuring economic and regulatory cohesion for network infrastructure
 - providing specialist transaction input and advice
 - implementing the Richtersveld deed of settlement
 - redirecting Alexkor's commercial focus and sustainability.

Expenditure estimates

Table 11.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Ministry ¹	8 439	11 614	19 803	22 154	24 549	26 065	26 961
Management	7 266	12 768	12 929	22 052	16 489	17 552	18 589
Internal Audit	2 035	2 627	2 996	3 237	3 601	3 836	4 062
Corporate Services	16 990	23 803	22 709	26 703	27 425	29 095	30 502
Chief Financial Officer	18 364	14 839	16 190	17 098	17 456	18 242	19 305
Communications	10 938	9 325	8 151	9 825	10 456	10 824	11 459
Office Accommodation	4 384	5 461	5 919	5 766	6 758	7 354	7 942
Total	68 416	80 437	88 697	106 835	106 734	112 968	118 820
Change to 2010 Budget estimate				5 559	(998)	1 125	826

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown. Before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.

Economic classification

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Current payments	64 392	78 909	86 716	105 422	104 581	110 977	116 713
Compensation of employees	28 755	36 479	42 819	48 925	52 079	54 963	57 188
Goods and services	35 637	42 430	43 897	56 497	52 502	56 014	59 525
<i>of which:</i>							
Administrative fees	220	144	628	49	41	44	46
Advertising	1 257	1 061	446	1 083	1 070	1 144	1 212
Assets less than the capitalisation threshold	564	299	325	459	780	829	878
Audit cost: External	956	1 089	1 979	1 208	1 176	1 258	1 334
Bursaries: Employees	180	611	674	770	1 000	1 070	1 134
Catering: Departmental activities	803	1 165	1 052	1 433	1 514	1 679	1 780

Table 11.4 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Current payments							
Communication	2 045	2 669	2 427	2 561	1 879	2 105	2 233
Computer services	2 406	2 441	2 957	3 288	3 037	3 093	3 278
Consultants and professional services: Business and advisory services	8 345	7 282	5 426	16 218	8 585	9 186	9 742
Consultants and professional services: Legal costs	-	-	100	60	2 000	2 141	2 268
Contractors	-	1 236	1 510	2 681	1 909	1 960	2 079
Agency and support / outsourced services	-	3 519	3 683	3 552	2 758	2 951	3 128
Entertainment	91	168	170	159	187	201	212
Fleet services (including government motor transport)	-	-	-	-	860	920	975
Inventory: Food and food supplies	-	-	-	180	216	231	245
Inventory: Learner and teacher support material	-	-	-	-	120	128	136
Inventory: Materials and supplies	-	-	3	14	-	-	-
Inventory: Medical supplies	-	2	18	-	-	-	-
Inventory: Other consumables	11	183	58	78	40	44	46
Inventory: Stationery and printing	2 116	2 672	1 516	2 266	2 498	2 684	2 847
Lease payments	1 861	2 338	2 458	1 890	1 317	1 409	1 495
Property payments	5 152	5 808	5 919	5 811	7 131	7 753	8 365
Travel and subsistence	5 152	6 815	9 775	8 826	10 226	10 733	11 376
Training and development	1 473	1 178	1 396	1 833	1 836	1 965	2 182
Operating expenditure	1 714	1 121	951	1 244	1 451	1 554	1 615
Venues and facilities	1 291	629	426	834	871	932	919
Transfers and subsidies	570	650	678	710	753	791	835
Households	570	650	678	710	753	791	835
Payments for capital assets	3 427	878	1 274	703	1 400	1 200	1 272
Machinery and equipment	2 298	844	1 258	703	1 400	1 200	1 272
Software and other intangible assets	1 129	34	16	-	-	-	-
Payments for financial assets	27	-	29	-	-	-	-
Total	68 416	80 437	88 697	106 835	106 734	112 968	118 820

Details of transfers and subsidies

Households							
Households other transfers							
Current	100	100	100	100	100	100	100
Gifts and donations	100	100	100	100	100	100	100
Public corporations and private enterprises							
Private enterprises							
Other transfers to private enterprises							
Current	470	550	578	610	653	691	735
Gifts and donations	470	550	578	610	653	691	735

Expenditure trends

The spending focus will be on administrative costs as no transfers to state owned enterprises over the MTEF period are included in this programme.

Expenditure increased from R68.4 million in 2007/08 to R106.8 million in 2010/11, at an average annual rate of 16.0 per cent. The growth was driven by spending in the *Corporate Services and Management*

subprogrammes as the department centralised operational expenditure such as IT licences and services, photocopying equipment, and training and communication into this programme. Establishing the deputy minister's office in 2009/10 and shifting the risk component in the *Legal and Governance* programme to the chief investment portfolio manager's office to this programme also contributed to the increase. Spending on compensation of employees increased from R28.8 million in 2007/08 to R48.9 million in 2010/11, at an average annual rate of 19.4 per cent. The increase is attributable to annual salary increments and an increase in the number of personnel in this programme. Spending on goods and services increased from R35.6 million in 2007/08 to R56.5 million in 2010/11, at an average annual rate of 16.6 per cent. This increase in expenditure on goods and services was to provide support to the larger personnel establishment.

Expenditure is expected to grow from R106.8 million to R118.8 million over the MTEF period, at an average annual rate of 3.6 per cent. The growth is mainly due to inflation related adjustments to the baseline as adjusted to reflect savings from the centralisation of services.

Programme 2: Energy and Broadband Enterprises

- *Management* comprises the office of the deputy director general. 85.5 per cent of the budget is used for compensation of employees.
- *ICT Broadband Sector* provides shareholder oversight of Broadband Infraco. This includes overseeing agreements between parties, assessing the business plan, monitoring the national and international long distance networks, and providing overarching shareholder management. The unit has a staff complement of 7 and 70.2 per cent of the budget is used for compensation of employees.
- *Energy Sector* provides shareholder oversight of Eskom. This entails: generating, transmitting and distributing electricity with a particular emphasis on security of supply and optimising current operations; and carrying out oversight of the Pebble Bed Modular Reactor, which includes monitoring the progress of the implementation of the care and maintenance programme to preserve intellectual property and assets as approved by Cabinet. The unit has a staff complement of 11 and 81.9 per cent of this subprogramme's budget is used for the decommissioning and dismantling of the Pebble Bed Modular Reactor fuel laboratory, and related costs.
- *Legal and Risk (Energy and Broadband Enterprises)* deals with all legal, governance and risk work specifically related to the above mentioned state owned enterprises. The unit has a staff complement of 4 and 79.2 per cent of the budget is used for compensation of employees.

Objectives and measures

- Continuously ensure the alignment of shareholder strategic intent in relation to state owned enterprises' role in achieving government objectives in the energy and communication sectors.
- Evaluate corporate plans annually and advise boards about material deviations.
- Monitor and benchmark the implementation of corporate plans and shareholder compacts.
- Assess shareholder and enterprise risks at least quarterly, and advise boards on areas of concern.
- Support the security of electricity supply by:
 - examining Eskom's maintenance and operational practices, distribution efficiency and the reserve margin annually
 - receiving regular updates from and ongoing interaction with Eskom, and engaging with stakeholders in the energy sector.
- Reduce dependence on the fiscus by monitoring cost escalations for the build programme and developing innovative funding mechanisms.
- Monitor the implementation and evaluate quarterly reports of the competitive supplier development programme to leverage off Eskom's capital expenditure in the development of local supplier industries.
- Maintain state owned assets by monitoring progress against the implementation of the care and maintenance programme by the Pebble Bed Modular Reactor.

- Create an enabling policy and regulatory environment for the state owned enterprises by engaging with the Department of Energy and the National Electricity Regulator of South Africa on new policies and regulations affecting Eskom as and when they arise over the MTEF period.
- Ensure that the West Coast submarine cable system is ready for service in 2011 by monitoring Broadband Infraco's participation in the West Coast submarine cable system consortium on a quarterly basis.
- Support increased access to broadband by:
 - monitoring Broadband Infraco's price reports annually
 - increasing the number of access points to broadband in major cities and under serviced areas through rolling out the national long distance infrastructure.

Expenditure estimates

Table 11.5 Energy and Broadband Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Management	2 112	1 495	4 020	2 878	2 409	2 558	2 713
ICT Broadband Sector	1 358	378 489	210 630	142 345	4 417	4 610	5 048
Energy Sector	2 510 857	1 756 827	1 744 140	29 253	48 837	9 902	10 538
Legal and Risk (Energy and Broadband Enterprises)	-	-	-	-	2 989	3 176	3 370
Total	2 514 327	2 136 811	1 958 790	174 476	58 652	20 246	21 669
Change to 2010 Budget estimate				24 112	44 133	5 368	5 973

Economic classification

	12 054	9 811	12 510	15 876	18 652	20 246	21 669
Current payments							
Compensation of employees	5 898	5 761	6 732	11 737	11 863	12 481	13 364
Goods and services	6 156	4 050	5 778	4 139	6 789	7 765	8 305
<i>of which:</i>							
Administrative fees	68	2	-	-	-	-	-
Advertising	115	-	-	-	-	-	-
Assets less than the capitalisation threshold	3	-	-	-	-	-	-
Bursaries: Employees	216	-	-	-	-	-	-
Catering: Departmental activities	15	54	39	101	21	22	23
Communication	107	83	74	177	199	213	227
Consultants and professional services: Business and advisory services	4 607	3 127	4 447	2 649	5 183	6 045	6 469
Consultants and professional services: Legal costs	-	-	-	-	300	321	345
Contractors	-	2	-	-	-	-	-
Agency and support / outsourced services	-	-	-	50	-	-	-
Entertainment	5	2	-	15	9	10	10
Inventory: Stationery and printing	6	9	-	-	-	-	-
Lease payments	6	-	-	-	-	-	-
Travel and subsistence	881	383	1 117	715	860	922	983
Training and development	83	48	14	374	90	96	103
Operating expenditure	14	40	60	22	62	66	70
Venues and facilities	30	300	27	36	65	70	75
Transfers and subsidies	2 502 273	1 750 000	1 737 750	20 000	40 000	-	-
Public corporations and private enterprises	2 502 273	1 750 000	1 737 750	20 000	40 000	-	-
Payments for financial assets	-	377 000	208 530	138 600	-	-	-
Total	2 514 327	2 136 811	1 958 790	174 476	58 652	20 246	21 669

Details of transfers and subsidies

Public corporations and private enterprises							
Public corporations							
Other transfers to public corporations							
Current	2 502 273	1 750 000	1 737 750	20 000	40 000	-	-
Pebble Bed Modular Reactor	2 502 273	1 750 000	1 737 750	20 000	40 000	-	-

Expenditure trends

Spending in this programme over the medium term will focus on making transfer payments to: the Pebble Bed Modular Reactor Company for the decommissioning and dismantling costs in 2010/11 and 2011/12, and Broadband Infraco for the final capitalisation transfer in 2010/11.

Expenditure decreased from R2.5 billion in 2007/08 to R174.5 million in 2010/11, at an average annual rate of 58.9 per cent. Over the medium term, expenditure is expected to decrease to R21.7 million, at an average annual rate of 50.1 per cent. The decrease in both periods is due to a reduction of transfer payments to state owned enterprises, particularly the Pebble Bed Modular Reactor project, as it has been placed into care and maintenance, and Broadband Infraco, as the entity will not be receiving further funding from the fiscus.

Programme 3: Legal and Governance

- *Management* comprises the office of the deputy director general. The subprogramme has a staff complement of 2 and 84.3 per cent of the budget is used for compensation of employees.
- *Legal* provides effective and sound legal advice to the department to ensure potential legal risks to the department are highlighted and accounted for. The subprogramme has a staff complement of 4 and 55.3 per cent of the budget is used on goods and services, including expert legal advice and normal operational expenditure.
- *Governance* develops frameworks to promote transparency and good corporate governance within state owned enterprises. The subprogramme has a staff complement of 2 and 69.6 per cent of the budget is used on goods and services, including expert legal advice and normal operational expenditure.

Objectives and measures

- Ensure effective shareholder oversight of all the state owned enterprises by:
 - addressing constraints on state owned enterprise contract negotiation and management to improve commercial competence and contribute to economic growth and development
 - providing assistance on developing and negotiating shareholder compacts, significance and materiality frameworks annually, and as and when necessary, borrowing power delegations
 - assisting in assessing applications for the approval of significant and material transactions
 - assisting in board appointments and shareholder preparations for annual general meetings
 - continuously updating the database on the department's dashboard on board appointments
 - annually reviewing the ownership policy, governance toolkit and guidelines, as well as appointments to, and remuneration and performance of the boards of the state owned enterprises.
- Ensure that state owned enterprises and the department comply with legal requirements by:
 - monitoring, quarterly, state owned enterprises' corporate governance indicators through the dashboard
 - monitoring and assessing legislative impacts on state owned enterprises and alerting the enterprises to changes and possible risks.

Expenditure estimates

Table 11.6 Legal and Governance

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
R thousand							
Management	2 208	2 062	1 725	2 012	2 013	2 133	2 262
Legal	83 934	140 798	141 291	45 261	5 914	6 810	7 257
Governance	7 511	2 531	1 079	2 750	4 236	4 512	4 802
Total	93 653	145 391	144 095	50 023	12 163	13 455	14 321
Change to 2010 Budget estimate				(4 375)	(7 407)	(6 921)	(7 176)

Table 11.6 Legal and Governance (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Economic classification							
Current payments	20 906	15 093	15 005	14 023	12 163	13 455	14 321
Compensation of employees	10 857	7 784	7 543	5 424	5 630	5 965	6 308
Goods and services	10 049	7 309	7 462	8 599	6 533	7 490	8 013
<i>of which:</i>							
Administrative fees	176	19	-	-	-	-	-
Advertising	29	-	9	-	-	-	-
Assets less than the capitalisation threshold	12	-	-	-	-	-	-
Bursaries: Employees	19	-	-	-	-	-	-
Catering: Departmental activities	50	35	28	28	60	65	68
Communication	168	87	100	106	112	119	128
Consultants and professional services: Business and advisory services	1 077	3 118	1 581	3 716	2 615	2 797	2 994
Consultants and professional services: Legal costs	4 676	2 724	4 800	4 001	2 920	3 625	3 878
Contractors	1	-	-	-	-	-	-
Agency and support / outsourced services	2 549	13	-	-	20	21	23
Entertainment	9	12	-	17	15	15	16
Inventory: Stationery and printing	123	2	-	-	-	-	-
Lease payments	33	-	-	-	-	-	-
Travel and subsistence	898	987	878	591	664	711	760
Training and development	59	249	35	40	-	-	-
Operating expenditure	97	25	19	55	88	95	101
Venues and facilities	73	38	12	45	39	42	45
Transfers and subsidies	72 700	130 000	129 090	36 000	-	-	-
Public corporations and private enterprises	72 700	130 000	129 090	36 000	-	-	-
Payments for capital assets	47	-	-	-	-	-	-
Machinery and equipment	47	-	-	-	-	-	-
Payments for financial assets	-	298	-	-	-	-	-
Total	93 653	145 391	144 095	50 023	12 163	13 455	14 321

Details of transfers and subsidies

Public corporations and private enterprises							
Public corporations							
Other transfers to public corporations							
Current	72 700	130 000	129 090	36 000	-	-	-
Alexkor	72 700	130 000	129 090	36 000	-	-	-

Expenditure trends

Expenditure decreased from R93.7 million in 2007/08 to R50.0 million in 2010/11, at an average annual rate of 18.9 per cent. Over the medium term, expenditure is expected to decrease to R14.3 million, at an average annual rate of 34.1 per cent. The decrease in both periods is driven by the reduction in transfers to Alexkor due to the finalisation of the Richtersveld community's land claim, which formed part of the court case settlement, and the final establishment of the township.

Programme 4: Manufacturing Enterprises

- *Management* comprises the office of the deputy director general. The subprogramme has a staff complement of 2 and 81.5 per cent of the budget over the MTEF period goes to compensation of employees.
- *Defence Sector* oversees Denel's financial and strategy implementation. The unit has a staff complement of 6 and 67.5 per cent of the budget over the MTEF period is used for compensation of employees.
- *Forestry Sector* monitors the activities of the South African Forestry Company. The unit has a staff complement of 3 and 53.9 per cent of the budget over the MTEF period is used for compensation of employees.
- *Legal and Risk (Manufacturing)* deals with all legal, governance and risk work specifically related to state owned enterprises. The unit has a staff complement of 2 and 83.9 per cent of the budget over the MTEF period is used for compensation of employees.

Objectives and measures

- Ensure alignment in shareholder strategic intent in relation to state owned enterprises' role in achieving objectives in the defence manufacturing and the forestry sectors by reviewing enterprise strategies and mandates in the context of political and sectoral policy shifts.
- Ensure that the corporate strategies and plans of state owned enterprises are aligned with government's strategic intent by reviewing and evaluating these strategies and plans annually, and alerting the boards and enterprises to material deviations.
- Facilitate the financial and operational sustainability of Denel by reviewing the Denel board to bring it to a full complement of members with the requisite skills, experience and expertise, as well as developing a turnaround plan that clearly indicates how the company will achieve commercial sustainability and reduce its dependence on the fiscus.
- Monitor Denel's turnaround by:
 - measuring ongoing performance against the turnaround plan
 - setting working capital management targets and conducting monthly performance reviews
 - providing support to ensure the effective restructuring of Denel Saab Aerostructures and Denel Dynamics to return to commercial viability
 - ensuring optimal alignment between Denel's restructuring plan and the strategic requirements of the Department of Defence and Military Veterans, particularly the alignment with the Department of Defence and Military Veterans' military strategy, once the Department of Defence has finalised their revision of the defence strategy.
- Facilitate the process of defining Denel's future role in the economy by regular interaction and discussions with various stakeholders.
- Facilitate financial sustainability to ensure commercial viability by assessing and monitoring the implementation of the South African Forestry Company turnaround plan, measured by improved financial performance on an ongoing basis.
- Provide clarity on the future role of the South African Forestry Company by:
 - developing an internal position paper for broader consultation between the South African Forestry Company Limited, and the departments of Agriculture, Forestry and Fisheries and Rural Development and Land Reform
 - ensuring that the mandate of South African Forestry Company is aligned with government's strategic objectives both domestically and internationally by assessing the company's quarterly reports.
- Facilitate the disposal of minority shares by engaging with the Department of Rural Development and Land Reform on its position on the optimal institutional vehicle to ensure the transfer of shares and developmental benefits to community beneficiaries.
- Monitor progress on resolving land claims over the 61 per cent of land owned by the South African Forestry Company.

Expenditure estimates

Table 11.7 Manufacturing Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Management	1 519	1 317	1 551	3 174	1 928	2 052	2 176
Defence Sector	1 157 560	264 317	195 608	187 375	5 249	5 080	5 427
Forestry Sector	865	1 393	909	2 233	3 840	4 089	4 351
Legal and Risk (Manufacturing)	-	-	-	-	2 055	2 187	2 321
Total	1 159 944	267 027	198 068	192 782	13 072	13 408	14 275
Change to 2010 Budget estimate				176 580	(2 574)	(3 252)	(3 301)
Economic classification							
Current payments	5 959	9 387	6 202	11 486	13 072	13 408	14 275
Compensation of employees	3 939	4 651	4 270	7 166	8 908	8 954	9 508
Goods and services	2 020	4 736	1 932	4 320	4 164	4 454	4 767
<i>of which:</i>							
Administrative fees	128	9	-	-	-	-	-
Bursaries: Employees	16	-	-	-	-	-	-
Catering: Departmental activities	17	32	29	20	21	22	24
Communication	62	33	46	76	214	229	244
Consultants and professional services: Business and advisory services	659	3 707	1 453	3 540	2 900	3 103	3 322
Agency and support / outsourced services	388	464	-	-	-	-	-
Entertainment	4	10	-	11	11	12	12
Inventory: Stationery and printing	4	2	-	4	-	-	-
Lease payments	42	-	-	-	-	-	-
Travel and subsistence	625	332	389	613	955	1 021	1 093
Training and development	12	63	-	3	-	-	-
Operating expenditure	58	-	-	11	-	-	-
Venues and facilities	5	84	15	42	63	67	72
Transfers and subsidies	220 969	257 640	191 866	181 296	-	-	-
Public corporations and private enterprises	220 969	257 640	191 866	181 296	-	-	-
Payments for capital assets	16	-	-	-	-	-	-
Machinery and equipment	16	-	-	-	-	-	-
Payments for financial assets	933 000	-	-	-	-	-	-
Total	1 159 944	267 027	198 068	192 782	13 072	13 408	14 275

Details of transfers and subsidies

Public corporations and private enterprises							
Public corporations							
Other transfers to public corporations							
Current	220 969	257 640	191 866	181 296	-	-	-
Denel	220 969	257 640	191 866	181 296	-	-	-

Expenditure trends

The spending focus of the programme will be primarily on administrative costs as no transfers will be made to state owned enterprises over the MTEF period.

Expenditure decreased from R1.2 billion in 2007/08 to R192.8 million in 2010/11, at an average annual rate of 45 per cent. This is primarily due to the decrease in transfers to Denel. Denel received R1.2 billion in 2007/08, including R221 million to pay a claim for an indemnity granted to Denel and R933 million as a final capital

investment. Additional transfers of R257.6 million in 2008/09, R191.9 million in 2009/10 and R181.3 million in 2010/11 were made as further payments for indemnity claims.

Expenditure is expected to decrease from R192.8 million in 2010/11 to R14.3 million in 2013/14, at an average annual rate of 58 per cent. The decrease is due to the cessation of transfer payments to the state owned enterprises.

Programme 5: Transport Enterprises

- *Management* comprises the office of the deputy director general. The unit has a staff complement of 2 and 65.2 per cent of the budget over the MTEF period is used for compensation of employees.
- *Transport Sector* provides shareholder oversight of Transnet. The unit has a staff complement of 8 and 54.35 per cent of this subprogramme's budget over the MTEF period will be used for goods and services.
- *Aviation Sector* provides shareholder oversight of South African Airways and South African Express Airways. The unit has a staff complement of 6 and 59 per cent of the budget over the MTEF period is used for compensation of employees.
- *Legal and Risk (Transport)* deals with all legal, governance and risk work specifically related to Transnet, South African Airways and South African Express. The unit has a staff complement of 3 and 55.5 per cent of the budget over the MTEF period is used for compensation of employees.

Objectives and measures

- Promote the alignment of corporate strategies of state owned enterprises with government's objectives in relation to the transport and aviation sectors by undertaking a comprehensive review of corporate strategies, business plans, and annual and quarterly performance.
- Provide the boards of Transnet, South African Airways and South African Express Airways with strategic intent statements at their annual general meetings to highlight shareholder priority areas and guide the policy direction of the enterprises.
- Implement a long term strategy for improving the efficiency and performance of investments by state owned enterprises by annually monitoring the key performance indicators and concluding shareholder compacts with the boards of Transnet, South African Airways and South African Airways Express.
- Create an enabling environment for transport enterprises and ensure an appropriate balance between the enterprise interest and the consumer interest by:
 - engaging with the policy departments and relevant regulators on a regular basis as and when required
 - ensuring the compliance of transport enterprises with the Public Finance Management Act (1999) and other legislative prescripts.
- Ensure the contribution of Transnet to achieving an efficient, competitive and responsive infrastructure (output 3 of outcome 6) by:
 - increasing the market share of total freight to rail to an annualised 250mt from the current 177 by 2014 by undertaking a detailed diagnostic of challenges facing Transnet Freight Rail and developing an integrated government response to growing rail market share
 - facilitating the introduction of private sector investment in rail through public private partnerships to assist with the provision of requisite infrastructure where such investments are unaffordable on the Transnet balance sheet
 - overseeing the introduction of multiple private operators on the branch line network to revitalise the network as a feeder to the core network and to realise socioeconomic benefits
 - facilitating the introduction of competition for the management of container terminals through the establishment of the Ngqura container terminal as a transshipment terminal
 - pursuing incremental improvements in ports productivity and rail operational efficiencies by creating performance incentives via the Transnet shareholder compact.
- Ensure the global competitiveness of the South African freight logistics industry by implementing national corridor performance measurement tools and indicators over the MTEF period to quantify the operational efficiency of freight corridors.

- Improve investment in rail infrastructure by monitoring the rollout of Transnet's capital expenditure programme by annually assessing its impact for any significant deviations from corporate plans, including tracking cost overruns and time delays on major capital projects and taking the necessary action.
- Monitor the implementation of the competitive supplier development programme to leverage Transnet's capital expenditure for the development of local supplier industries by evaluating the quarterly Transnet reports.
- Provide support to South African Airways to achieve sustainable levels of profitability by:
 - overseeing the implementation of the initiatives relating to the R1.6 billion guarantee to South African Airways
 - encouraging consistent generation of bottom line profits in order to strengthen South African Airways' balance sheet.
- Monitor the alignment, strategy and mandate of South African Airways and South African Express Airways with the African aviation strategy by evaluating, quarterly, corporate plans and performance against targets.

Expenditure estimates

Table 11.8 Transport Enterprises

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand							
Management	761	6 353	3 030	2 801	3 409	3 632	3 864
Transport Sector	4 486	9 799	13 143	12 372	12 582	10 773	9 592
Aviation Sector	746 881	588 778	1 552 483	6 084	7 578	8 061	8 570
Legal and Risk (Transport)	-	-	-	-	3 041	3 235	3 439
Total	752 128	604 930	1 568 656	21 257	26 610	25 701	25 465
Change to 2010 Budget estimate				2 747	6 040	2 305	782

Economic classification

	7 712	19 930	19 576	21 257	26 610	25 701	25 465
Current payments	7 712	19 930	19 576	21 257	26 610	25 701	25 465
Compensation of employees	3 087	10 478	9 590	13 296	14 329	14 700	15 617
Goods and services	4 625	9 452	9 986	7 961	12 281	11 001	9 848
<i>of which:</i>							
Administrative fees	4	-	-	-	-	-	-
Bursaries: Employees	4	-	-	-	-	-	-
Catering: Departmental activities	120	14	21	30	68	71	78
Communication	32	33	52	90	175	189	201
Computer services	-	28	-	-	-	-	-
Consultants and professional services: Business and advisory services	3 627	8 525	8 591	6 702	8 290	6 731	5 276
Consultants and professional services: Legal costs	-	-	-	-	600	642	687
Agency and support / outsourced services	29	-	-	-	-	-	-
Entertainment	2	2	15	9	24	26	27
Inventory: Stationery and printing	6	6	-	-	4	4	5
Travel and subsistence	357	506	1 120	788	2 230	2 386	2 556
Training and development	21	166	74	228	11	11	12
Operating expenditure	50	9	4	28	319	341	364
Venues and facilities	373	163	109	86	560	600	642
Transfers and subsidies	744 400	140 000	1 549 080	-	-	-	-
Public corporations and private enterprises	744 400	140 000	1 549 080	-	-	-	-
Payments for capital assets	16	-	-	-	-	-	-
Machinery and equipment	16	-	-	-	-	-	-
Payments for financial assets	-	445 000	-	-	-	-	-
Total	752 128	604 930	1 568 656	21 257	26 610	25 701	25 465

Table 11.8 Transport Enterprises (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Details of transfers and subsidies							
Public corporations and private enterprises							
Public corporations							
Other transfers to public corporations							
Current	744 400	140 000	1549 080	-	-	-	-
South African Airways	744 400	-	1549 080	-	-	-	-
South African Express	-	140 000	-	-	-	-	-

Expenditure trends

The spending focus of the programme will be primarily on administrative costs as no transfers will be made to state owned enterprises over the MTEF period.

Expenditure decreased from R752.1 million in 2007/08 to R21.3 million in 2010/11, at an average annual rate of 69.5 per cent. The decrease was due to the cessation of transfers to state owned enterprises. Over the medium term, expenditure is expected to increase to R25.5 million, at an average annual rate of 6.2 per cent, mainly to provide adequate support to the entities managed in this programme.

Programme 6: Joint Project Facility

- *Management* comprises the office of the deputy director general. The unit has a staff complement of 1 and its entire budget is allocated to compensation of employees.
- *Joint Project Facility* provides programme management support for a number of catalytic projects that align the department and its portfolio of state owned enterprises to national economic strategies. 79.1 per cent of the subprogramme's budget over the MTEF period will be used for goods and services.

Achievements of Joint Project Facility projects

- The **procurement leverage/competitive supplier development programme** leverages off state owned enterprises' capital and operational procurements associated with Eskom and Transnet's build programmes to promote investments in plant, technologies and skills in state owned enterprises' suppliers. This supports the industrial policy action plan 2 and the new growth path. It includes both transactional and programmatic (fleet procurement) The South African renewables initiative aims to reduce the cost of capital for renewables and provide additional funding for the renewable energy feed-in tariff. In future, the procurement leverage programme aims to establish a centre of excellence. The infrastructure supplier benchmarking programme, which builds the competitiveness of the local supplier base and is focused on supplier profiling, benchmarking, capacity building and matchmaking, will be relocated to the Department of Trade and Industry.
- **Policy programmes** aim at establishing the role of state owned enterprises and the shareholder executive in the developmental state. They will also focus on the role of state owned enterprises in government's new growth path and develop a departmental position on macroeconomic policy.
- The **innovative infrastructure investment dialogue programme** aims at interrogating existing investment plan assumptions around unlocking growth and developing policies and funding strategies to increase the rate of investment in Eskom and Transnet. Better dialogue with key stakeholders is being contemplated to improve the performance of state owned enterprises.
- The **framework for Africa programme** aims at defining focus areas with acceptable risk parameters and clear developmental impacts for the involvement of South Africa's state owned enterprises in Africa and will also develop implementation policy for state owned enterprises.

- The human resource, capacity building and transformation programme has several subprogrammes:
 - The **skills development programme** leverages the skills development capacity of state owned enterprises and their core suppliers to ensure the optimum provision of scarce and critical skills (artisans, technicians and engineers) in support of the build programme. This includes: overseeing skills planning and implementation in state owned enterprises and their suppliers; facilitating partnerships between state owned enterprises, further education and training institutions and industry, in support of artisan development; ensuring that state owned enterprises support the national skills agenda; and monitoring scarce and critical skills in state owned enterprises and ensuring skills performance indicators are included in shareholder compacts.
 - The **management learning programme** develops a cadre of management leadership capability in state owned enterprises, agencies and regulators in South Africa and Africa. The University of Cape Town's Graduate School of Business launched this programme in May 2010.
 - The **parliamentary learning programme (Autumn School)** is an annual event to provide the parliamentary portfolio committee and National Council of Provinces select committees on public enterprises with an opportunity to engage in dialogue with industry experts around key issues facing government and the state owned enterprises.
- The **environmental issues project** balances environmental conservation with the need to develop infrastructure rapidly. The environmental impact assessment process for strategically important developments has been streamlined for the state owned enterprises' build programmes and a fund has been established to assist the process. The environmental impact assessments for strategically important developments are monitored, and where necessary ministerial intervention can be sought. The project also participates in broader engagements around air quality, water provision and climate change.
- The **property project** leverages off the non-core property portfolios of state owned enterprises to contribute to state priorities, such as land release for human settlement, property sector transformation, urban renewal and socioeconomic development.

Expenditure estimates

Table 11.9 Joint Project Facility

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
R thousand							
Management	2 503	348	362	752	1 278	1 359	1 440
Joint Project Facility	13 013	30 205	24 624	9 424	11 722	12 514	14 422
Total	15 516	30 553	24 986	10 176	13 000	13 873	15 862
Change to 2010 Budget estimate				336	4 246	4 786	6 275
Economic classification							
Current payments	15 516	30 553	24 986	10 176	13 000	13 873	15 862
Compensation of employees	3 462	5 292	4 266	3 767	3 730	3 954	4 184
Goods and services	12 054	25 261	20 720	6 409	9 270	9 919	11 678
of which:							
Administrative fees	56	25	-	-	-	-	-
Advertising	148	-	-	-	-	-	-
Assets less than the capitalisation threshold	1	-	-	-	-	-	-
Bursaries: Employees	4	-	-	-	-	-	-
Catering: Departmental activities	16	19	26	25	27	29	31
Communication	78	87	71	70	111	118	127
Consultants and professional services: Business and advisory services	8 899	22 436	19 308	4 630	7 699	8 239	9 880
Consultants and professional services: Legal costs	-	-	216	-	-	-	-
Entertainment	-	3	-	4	4	4	4
Inventory: Stationery and printing	59	3	4	-	-	-	-
Lease payments	49	-	-	-	-	-	-
Travel and subsistence	2 510	2 273	948	1 042	1 129	1 208	1 293
Training and development	-	-	5	38	-	-	-
Operating expenditure	87	-	-	-	-	-	-
Venues and facilities	147	415	142	600	300	321	343
Total	15 516	30 553	24 986	10 176	13 000	13 873	15 862

Expenditure trends

As a result of the realignment of the department's functions, the *Joint Project Facility* subprogramme was moved to this programme from the *Manufacturing Enterprises* programme in 2007/08. Historical expenditure has been adjusted accordingly.

Expenditure decreased from R15.5 million in 2007/08 to R10.2 million in 2010/11, at an average annual rate of 13.1 per cent. This was due to the completion of some of the research projects. In 2010/11, the programme's projects increased from four to five as a result of the South African renewables initiative project being launched.

Over the MTEF period, expenditure is expected to increase from R10.2 million to R15.9 million, at an average annual rate of 15.9 per cent. This is mainly due to the expansion over the MTEF period of some of the projects and programmes, and two new projects to be launched from 2011/12.

Public entities and other agencies

Alexkor

Since November 1992, Alexkor has been run as a public company with the state as sole shareholder. Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining.

In 2003, the Constitutional Court ruled that the Richtersveld community had a legitimate claim to its ancestral land from which it was forcibly removed after diamonds were discovered there in the early 1920s. The court found that the community had been evicted under discriminatory apartheid laws and was entitled to have both the land and mineral rights returned. Alexkor has been subject to a number of business constraints, including the land claim. These constraints have resulted in decreasing diamond recoveries over the years. The deed of settlement for the land claim was signed in April 2007, and the Department of Public Enterprises has mandated Alexkor to explore options to reposition the company as a state owned mining and minerals company. This new strategy will enable Alexkor to respond to new mining and mineral opportunities and ensure the company's long term viability, enabling it to effectively address its environmental rehabilitation and other liabilities while contributing to the socioeconomic development of the region.

While continuing with mining activities in the current constrained economic context, Alexkor is focusing on implementing the Richtersveld land restitution order imposed on it by the land claims court. The court order obliges it to transfer land and mineral rights to the Richtersveld community, establish Alexander Bay as a formal township, undertake environmental rehabilitation, and establish a pool and share joint venture with the Richtersveld Mining Company for future mining activities.

Significant progress has been made in the implementation of the settlement signed with the Richtersveld community. All Alexkor, state and Northern Cape provincial land has been transferred, except for the township erven. The subdivision and zoning of the township has been conducted and the general plan has been approved. Transfer of the township will be made soon. The upgrade of the township civil and electrical engineering services to municipal standards has begun and is expected to be completed in July 2011. Alexkor's agricultural and maricultural assets have been transferred to the community. Transfer of the land mining rights to the community is also imminent, and this paves the way for the development of a more viable mining venture and a redirection of Alexkor's strategy.

This will entail, among other things, seeking opportunities to procure new mining ventures to secure new revenue streams and ensure its future growth. It will also involve exploring opportunities for downstream beneficiation to contribute to the creation of new jobs, the development of the requisite skills, investment in research and development, economic growth, sustainable development and cost effective support for the broader policies of government.

The company showed some improvements in its financial performance in 2009/10, driven by improvements in carat production and the carat price, coupled with reductions in expenses and provisions for the post-retirement medical aid. Alexkor achieved revenue of R163.9 million in 2009/10, a 28.5 per cent increase from the R127.5 million achieved in the previous year. It recorded a net operating profit of R27 million (2008/09: R77.6 million loss) and R36.1 million profit for the year (2008/09: R65.7 million loss). Comprehensive income

for the year was R48.8 million, after taking into account the revaluation reserve of R12.7 million. As a result of the profit of R36.1 million, coupled with the revaluation of R12.7 million, Alexkor's capital and reserves improved, although remaining in a net negative R67.3 million equity position (2008/09: negative R103.4 million equity position).

Broadband Infraco

South Africa lags behind its international counterparts in terms of ICT penetration and the rate at which new technology is adopted. Broadband services in South Africa are more expensive and the penetration is much lower than international benchmarks. Broadband Infraco was established in 2007 in terms of the Broadband Infraco Act (2007) as a state led intervention to introduce competition in the telecommunications market and to contribute to increasing access to broadband services, including underserved areas. It has invested in a national long distance fibre optic network based on the fibre optic assets deployed by Eskom on power transmission lines and Transtel on railway lines, which will form the backbone of the second national operator. By March 2010, Broadband Infraco had deployed and commissioned 12 250 km of the network. Broadband Infraco launched its services to the market in October 2010 after obtaining an electronic communications networks services licence in October 2009.

In addition to national connectivity, international connectivity is also a major cost component. Since its inception, Broadband Infraco's strategy has focused on reducing the cost of this key element. The construction and maintenance agreement was signed in April 2009. Once completed and fully commissioned, the system will reduce broadband costs and increase bandwidth capacity for all South Africans.

The West Coast submarine cable system is expected to be ready for service by the last quarter of 2011/12. All targets set in the previous MTEF cycle, such as the marine environmental survey, the manufacturing of the marine cable and the deployment of the optical line terminal equipment have been completed. It is anticipated that the marine cable installation will be completed in March 2011.

In 2006/07, a capital transfer of R1.3 billion was made to Broadband Infraco for establishment and operational costs, which comprised: R627 million in 2006/07, R377 million in 2008/09, R208.5 million in 2009/10, and a final transfer of R138.6 million in 2010/11.

Denel

Denel was incorporated as a private company in April 1992, when it separated from the Armaments Corporation of South Africa. At the time, the industrial and manufacturing activities of the corporation were integrated into Denel. Denel's mandate is to supply South Africa's armed forces with strategic and sovereign capabilities. Denel also plays a major role in contributing to the development of South Africa's advanced manufacturing capability. The Denel group of companies currently delivers products ranging from ammunition to missiles, and also carries out systems design and integration for land and air capabilities for the Department of Defence and Military Veterans.

In 2005, a turnaround strategy for Denel was initiated, which provided for a shift from major systems development towards the manufacture of sub-systems and components for local and global markets. The strategy was driven by the need for Denel to be commercially viable and reduce its dependence on the fiscus. A key part of the strategy was for Denel to enter into equity partnerships that could provide it with access to international markets, technical expertise and capital. Equity partnerships have thus far been secured in four of Denel's businesses: engine manufacturing, munitions, optronics and aero structures.

Although Denel has made some progress since 2005, its solvency position continues to pose serious challenges. While the trading losses in all the trading entities (apart from the aerostructures business) have been brought down and net equity is in the black, Denel is overloaded with debt and is not generating enough gross profit to secure its survival. The business has largely been relying on debt financing with the help of government guarantees, but this is not sustainable. More sustainable support mechanisms are currently being assessed, and they will be developed, based on a robust turnaround plan. The plan is aiming for financial recovery and stability through improvements in its operational and financial performance to secure its long term viability.

A key focus is the restructuring of Denel Saab Aerostructures and ensuring optimal alignment between its business with the strategic requirements of the Department of Defence and Military Veterans, particularly in

relation to its military strategy. Coupled with this will be the need to define Denel's future role in the economy to ensure the strengthening of advanced manufacturing technologies in support of government's industrial policy objectives.

Denel recorded a net loss of R246 million, which is an improvement of R287 million compared to the net loss of R533 million incurred in 2008/09. This improvement is due to lower operating costs, the closing of certain legacy contracts, cost cutting and better financial performance by associated companies.

The net loss for the year is mainly ascribed to: Denel Saab Aerostructures (which posted a net loss of R328 million before interest and taxes); Denel Dynamics Missiles (which posted a net loss of R51 million after impairment charges, before interest and taxes); and interest expenses of R139 million on external loans. Revenue has also been negatively impacted by the delays in the A400M programme. Revenue decreased by 8 per cent from R3.9 billion to R3.6 billion in 2009/10.

Eskom

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. Eskom's reserve margin has been steadily declining since 1999 as a result of increasing demand and not enough additional capacity being commissioned. This was particularly acute in January 2008, when the reserve margin dropped to alarmingly low levels (3.6 per cent commercially available), resulting in extensive load shedding. Low coal stockpile levels (12 days compared to the 20 days which is acceptable in the industry) also contributed to the low reserve margin in 2007/08. Eskom has since introduced a recovery plan, which has seen the average stockpile level increase to 37 days as at the end of March 2010. However, this is still less than the company target of 42 days.

Since 2004, Eskom has been undertaking a capacity expansion (build) programme to increase capacity and ensure the secure supply of electricity. Completed projects between 2005/06 and 2008/09 include the return to service and construction of three power stations. As a result, Eskom delivered 4 9064MW of additional generating capacity into the system between 2005/06 and 2009/10. The focus for 2010/11 includes finalising the funding model to ensure the completion of the capital expansion programme and improving operational performance to ensure security of supply.

Over the five-year period from 2008/09 to 2012/13, Eskom's revised build programme is estimated at R385 billion. Other major projects include the return to service of two power stations and the construction of three new power stations and transmission projects. Eskom plans to deliver another 625MW of capacity into the system in 2010/11, and additional generating capacity of 2 025MW between 2010/11 and 2012/13.

Pebble Bed Modular Reactor

The Pebble Bed Modular Reactor project was initially set up as a nuclear architect engineering company that was focused on the design and licensing of a standardised nuclear heat supply system and pebble fuel. It was established in 1999 to develop and market small scale, high temperature reactors locally and internationally. The company has not been able to acquire additional investment into the Pebble Bed Modular Reactor project, nor has it been able to acquire a customer despite revising its business model in 2008/09, since government's last funding allocation in 2007, of which the last transfer was made in 2009/10. The company's business model has subsequently been revised in May 2009 and the company's main focus will be the preservation and maintenance of intellectual property and assets.

In light of the participation in the United States Department of Energy's next generation nuclear programme, in which the Pebble Bed Modular Reactor Company was part of a consortium, not materialising, Cabinet approved that the company be placed into care and maintenance to protect its intellectual property and assets while ensuring that no additional funding will be required from government. The Department of Public Enterprises will therefore be monitoring the implementation of this transition.

No further funds have been committed by government, except for R20 million, which was provided in the adjustments budget and which will be disbursed in 2010/11, and a further R40 million for disbursement in 2011/12. These funds have been allocated to ensure that the necessary provision for the statutory requirement for decommissioning and dismantling the fuel development laboratory is met by the company.

South African Forestry Company

The South African Forestry Company manages and develops commercial forests. The company's activities include forestry management and timber harvesting and processing. The company's main subsidiary, Komatiland Forests, operates in Mpumalanga, Limpopo, KwaZulu-Natal and Mozambique. Softwood saw timber is sold in South Africa and soft and hardwood saw timber and pulp wood in Mozambique. Komatiland Forests has an 80 per cent shareholding in the Mozambican forestry company, *Indústrias Florestais de Manica*, while the remaining 20 per cent is held by the Mozambican government through its *Instituto de Gestão das Participações do Estado*. The company plays an important role in rural development and various enterprise development projects have been initiated to contribute to poverty alleviation in the rural areas in which it operates.

Government is currently re-examining the privatisation of Komatiland Forests and the future role of the South African Forestry Company, in the context of the developmental state. While the Department of Public Enterprises is carrying out its own review, the Presidency is conducting a broader review of state owned enterprises across all spheres of government. The department will be engaging closely with the presidential review committee on the implications for the company as well as other key stakeholders such as the Department of Agriculture, Forestry and Fisheries and the Department of Rural Development and Land Reform. Thereafter, a joint proposal will be submitted to Cabinet for consideration.

In 2007, the Minister of Public Enterprises extended the disposal of the company by five years to 2011/12 to allow for the resolution of the land claims lodged with the Department of Rural Development and Land Reform since 61 per cent of South African Forestry Company land is subject to land claims, with the understanding that shareholder value would be preserved in the interim. However, the economic downturn has had a severe impact on the company's operations and revenue. The company reported a net loss of R468.9 million in 2009/10.

South African Airways

South African Airways is South Africa's national air carrier. Owned by government, it is a full service network operating international, regional and domestic scheduled services, from its head office at OR Tambo International Airport. Its main business units include passenger and mail air services, cargo, South African Airways Technical and a Voyager loyalty programme.

The airline's governance structure has recently been strengthened with the appointment of a new board of directors and a new chief executive officer, who continue to build on the successes achieved. Chief among these is the continued rollout of the cost saving measures that were implemented as part of the restructuring plan that was implemented in 2007. These measures achieved savings of R2.5 billion over an 18-month period until March 2009. The department and National Treasury are jointly monitoring what the airline is doing to meet the conditions for approval of a R1.6 billion going concern guarantee provided in 2008. The company did not make use of this guarantee in 2009/10, although R615 million was used to provide for consumer protection guarantees to the domestic and international licensing councils in 2010/11.

In 2009/10, the legacy agreement for the purchase of Airbus A320 aircraft was satisfactorily resolved by rescheduling the delivery dates of the aircraft from 2010 to 2013 and reducing unit pricing by increasing the number of aircraft contractually committed from 15 to 20. This provided South African Airways with a temporary reprieve to allow it to strengthen its balance sheet.

The stringent focus on operational efficiency following the successful restructuring programme has enabled the airline to record profits over the past three years. These include a profit of R123 million before restructuring costs in 2007/08, a bottom line profit of R11 million in 2008/09, and a bottom line profit of R323 million in 2009/10. The major drawback in the past has been huge hedging losses, of which R1.6 billion was recorded in 2008/09 but reduced to R601 million in 2009/10. The reduction in hedging losses was achieved through the implementation of a new financial risk management policy.

The focus over the MTEF period will be to ensure the implementation of the initiatives relating to the R1.6 billion guarantee and to encourage consistent generation of bottom line profits to strengthen the airline's balance sheet. This is necessary for ensuring that the airline is able to fund the aircraft replacement transaction without government support.

South African Express Airways

South African Express Airways operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and Africa. The airline was established in 1994. The airline's African operation includes services to Botswana, Namibia, the Democratic Republic of the Congo and Mozambique. It also provides a feeder air service that connects with the South African Airways network. The company was transferred from Transnet to the Department of Public Enterprises in 2008/09.

The airline's joint venture with a local partner in the Democratic Republic of Congo, Congo Express, began in February 2010 as part of the implementation of the African hub strategy. However, these operations have not performed as anticipated, although the board and management are addressing the financial and operational aspects to improve the joint venture's prospects.

The load factors of the airline reduced from 71 per cent in 2008/09 to 63 per cent in 2009/10 due to the slowdown in both the domestic economy and regional markets. This affected other key performance indicators, which were mostly below the target. Passenger numbers at 1.56 million in 2009/10 were below the previous year's passenger numbers of 1.61 million, as well as the target of 1.65 million for 2009/10.

Daily flight hours increased from 6 hours per day in 2008/09 to 7 hours per day in 2009/10, but were below the target of 8 hours per day. It is anticipated that conditions for most regions' air travel will improve in 2010/11. The slowdown in domestic and regional air travel experienced during the 2010 FIFA World Cup is expected to reverse. In addition, the recent appointment of a new chief executive officer is expected to bring stability to the airline.

The airline continues to generate profits, a trend which has been maintained over the last six years. The net profit for 2009/10 was R251 million, a 6 per cent growth compared to 2008/09. This was slightly above the corporate plan target for the year. Net profit increased by 10 per cent from R228 million to R251 million compared to last year. The revenue declined by 10 per cent to R1.7 billion compared to the previous year, and was 21 per cent below target. This was due to falling passenger numbers as a result of the global economic downturn.

Total capital and reserves in 2009/10 amounted to R1.2 billion, 27 per cent above the equity of R943 million in 2008/09.

Transnet

Transnet has been transformed into a focused freight transport company whose mission is to lower the cost of doing business through providing port, rail, and pipeline infrastructure and cost effective, efficient operations within acceptable benchmark standards. Transnet's key role is to assist in lowering the cost of doing business in South Africa and to enable economic growth.

The company made good progress in significant areas of the business for the first six months of 2010/11. The key drivers of the business that reflected improvement were volume growth and productivity, which, together with cost reduction initiatives, contributed to improved profitability. The capital expenditure programme continued despite the global economic downturn, resulting in the creation of capacity ahead of demand.

Capacity on the iron export line increased from 47Mt to 61Mt. Specific interventions to create capacity on the coal line through improved operational procedures and efficiencies are currently in place. This will support the planned R15.4 billion investment on the coal line to create the targeted capacity of 81Mt by 2014, subject to the coal industry entering into long term take or pay contracts which are still being negotiated. Transnet Freight Rail's business plan quantum leap focuses on customer service delivery and operational efficiencies. In the first six months of 2010/11, containers on rail increased by 9 per cent in line with quantum leap targets. Other interventions include investment in rolling stock to address ageing infrastructure, and branch line revitalisation, aimed at contributing to moving more cargo on rail and off the roads.

Gross crane moves per hour at the Durban container terminal and pier 1 continue to be below benchmark levels, reported at 21 and 22 gross crane moves per hour for the first half of 2010/11. But substantial improvements were realised in the first few weeks of September 2010, where 24 gross crane hours at the Durban container terminal and 30 in pier 1 were reported. Iron ore loading rates for the same period were

above the set target despite the derailments on the line, assisted by dual and staggered loading at the Saldanha bulk terminal.

The new multi-product pipeline is a strategic investment to secure the supply of petroleum products to the inland market over the long term. This line will replace the old Durban-Johannesburg pipeline, which is running at full capacity and nearing the end of its design life. Some of the benefits of the new multi-product pipeline include (when fully operational) the reduction in the number of tankers on the road by at least 60 per cent, a reduction in congestion on the roads and a reduction in carbon emissions from road transportation of petroleum products.

In terms of the revised schedule, the 24-inch new multi-product pipeline trunk line is to be completed by December 2011. However, the remaining construction activities to supporting infrastructure are now scheduled to be complete and ready for operation by December 2013. Some delays were experienced following the decision to relocate the construction of the coastal terminal from the old Durban International Airport to Island View in the port of Durban, as well as delays in obtaining the required statutory approvals. The move to Island View resulted in an 11km increase in the length of the pipeline affecting the hydraulics and the need for a change of design. These changes and other matters will have an impact on the new multi-product pipeline's total costs. Transnet will make an announcement once the cost review exercise is completed.

Net profit from continuing operations for the period ending 30 September 2010 was R1.7 billion, which represents an increase of 34.7 per cent compared to R1.3 billion up to 30 September 2009. Revenue increased by 76 per cent to R18.7 billion (30 September 2009: R17.3 billion) despite the impact of the organised labour strike that negatively impacted on operations for 17 days. The growth in revenue reflects the increase in volumes of all commodities transported compared to the previous period, except for iron ore, which was negatively impacted by derailments.

Cash generated from operations increased by 13.5 per cent to R8.7 billion, which shows the company's ability to generate stable and strong cash flows. The cash interest cover ratio has decreased to 3.7 times from 4.2 times compared to the same period in 2008/09, due to an increase in net finance costs, which is a consequence of the capital expenditure programme. This ratio, however, remains significantly above the target of a minimum of 3 times.

Transnet is planning to borrow approximately R35 billion over the next three years to partly fund the execution of the capital expenditure programme. Funding raised by the 30 September 2010 was R7.6 billion, with an estimated funding requirement for the remainder of the year of approximately R9.6 billion. Despite the recent economic downturn, Transnet's investment in infrastructure is still on track. The capital expenditure for the six months ended 30 September 2010 (excluding capitalised borrowing costs) was R10.2 billion, compared to R8.7 billion spent in the previous six-month period.

Additional tables

Table 11.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2009/10		2009/10	2010/11			2010/11
Administration	78 797	90 502	86 999	101 276	5 559	106 835	106 835
Energy and Broadband Enterprises	1 957 646	1 959 192	1 958 790	150 364	24 112	174 476	174 476
Legal and Governance	152 754	147 379	145 793	54 398	(4 375)	50 023	50 023
Manufacturing Enterprises	8 467	199 335	198 068	16 202	176 580	192 782	192 782
Transport Enterprises	1 566 004	1 568 730	1 568 656	18 510	2 747	21 257	21 257
Joint Project Facility	33 678	26 022	24 986	9 840	336	10 176	10 176
Total	3 797 346	3 991 160	3 983 292	350 590	204 959	555 549	555 549

Economic classification

Current payments	170 963	172 911	164 995	174 680	3 560	178 240	178 240
Compensation of employees	79 476	81 424	75 220	88 015	2 300	90 315	90 315
Goods and services	91 487	91 487	89 775	86 665	1 260	87 925	87 925
Transfers and subsidies	1 867 520	2 059 386	3 608 464	36 710	201 296	238 006	238 006
Public corporations and private enterprises	1 866 840	2 058 706	3 607 786	36 000	201 296	237 296	237 296
Households	680	680	678	710	–	710	710
Payments for capital assets	1 253	1 253	1 274	600	103	703	703
Machinery and equipment	1 253	1 253	1 258	600	103	703	703
Software and other intangible assets	–	–	16	–	–	–	–
Payments for financial assets	1 757 610	1 757 610	208 559	138 600	–	138 600	138 600
Total	3 797 346	3 991 160	3 983 292	350 590	204 959	555 549	555 549

Table 11.B Detail of approved establishment and personnel numbers according to salary level¹

	Personnel post status as at 30 September 2010			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved	Number of funded posts establishment	Number of posts additional to the establishment	Actual			Mid-year ²	Medium-term estimate		
				2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Department	175	175	–	138	137	140	148	181	181	181
Salary level 1 – 6	16	16	–	11	11	11	15	16	16	16
Salary level 7 – 10	66	66	–	57	63	59	61	66	66	66
Salary level 11 – 12	29	29	–	25	23	25	22	34	34	34
Salary level 13 – 16	64	64	–	45	40	45	50	65	65	65
Administration	106	106	–	87	88	88	90	112	112	112
Salary level 1 – 6	16	16	–	11	11	11	15	16	16	16
Salary level 7 – 10	45	45	–	40	44	39	40	45	45	45
Salary level 11 – 12	19	19	–	17	17	18	15	24	24	24
Salary level 13 – 16	26	26	–	19	16	20	20	27	27	27
Energy and Broadband Enterprises	23	23	–	13	15	15	19	23	23	23
Salary level 7 – 10	8	8	–	5	6	7	8	8	8	8
Salary level 11 – 12	5	5	–	1	1	2	2	5	5	5
Salary level 13 – 16	10	10	–	7	8	6	9	10	10	10
Legal and Governance	8	8	–	19	11	7	7	8	8	8
Salary level 7 – 10	2	2	–	5	3	2	2	2	2	2
Salary level 11 – 12	1	1	–	3	1	1	1	1	1	1
Salary level 13 – 16	5	5	–	11	7	4	4	5	5	5
Manufacturing Enterprises	13	13	–	7	6	8	10	13	13	13
Salary level 7 – 10	3	3	–	3	2	3	3	3	3	3
Salary level 11 – 12	2	2	–	1	2	2	2	2	2	2
Salary level 13 – 16	8	8	–	3	2	3	5	8	8	8

Table 11.B Detail of approved establishment and personnel numbers according to salary level¹ (continued)

	Personnel post status as at 30 September 2010			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid-year ² 2010/11	Medium-term estimate		
				2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Transport Enterprises	19	19	-	6	11	16	16	19	19	19
Salary level 7 – 10	6	6	-	2	5	6	6	6	6	6
Salary level 11 – 12	1	1	-	1	1	1	1	1	1	1
Salary level 13 – 16	12	12	-	3	5	9	9	12	12	12
Joint Project Facility	6	6	-	6	6	6	6	6	6	6
Salary level 7 – 10	2	2	-	2	3	2	2	2	2	2
Salary level 11 – 12	1	1	-	2	1	1	1	1	1	1
Salary level 13 – 16	3	3	-	2	2	3	3	3	3	3

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. As at 30 September 2010.

Table 11.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation 2010/11	Medium-term expenditure estimate		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Compensation of employees (R thousand)	55 998	70 445	75 220	90 734	97 169	103 597	108 714
Training expenditure (R thousand)	1 343	2 315	2 198	3 286	2 937	3 142	3 431
Training as percentage of compensation of employees	2.4%	3.3%	2.9%	3.6%	3.0%	3.0%	3.2%
Total number trained in department (head count)	165	173	252	256			
<i>of which:</i>							
Employees receiving bursaries (head count)	34	36	36	31			
Internships trained (head count)	20	22	22	18			
Households receiving bursaries (head count)	-	4	-	3			

Table 11.D Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R thousand												
Foreign In cash												
Department for International Development (DFID)	South African growth strategic programme	Joint Project Facility	2 136	Goods and services	Renewable and Industrial Policy Studies being developed	-	-	-	2 136	-	-	-
Department for International Development	South African growth strategic programme	Joint Project Facility	5 600	Goods and services	Procurement Development Programme being developed	-	-	-	5 600	-	-	-
In kind												
United Kingdom - Department for International Development	Capacity building and technical skills transferred to the department	Joint Project Facility	12 945	Goods and services	Increased levels of technical skills in the Department of Public Enterprises and ability to perform oversight function	12 945	-	-	-	-	-	-
United Kingdom - Department for International Development	Support on electricity capacity building and technical skills transfer to energy sector	Energy and Broadband Enterprises	1 775	Goods and services	Increased levels of technical skills in the Department of Public Enterprises and ability to perform oversight function	1 775	-	-	-	-	-	-
United Kingdom - Department for International Development	Support on non-core (including forestry), capacity building and technical skills transferred to forestry sector	Manufacturing Enterprises	1 577	Goods and services	Increased levels of technical skills in the Department of Public Enterprises and ability to perform oversight function	1 577	-	-	-	-	-	-
United Kingdom - Department for International Development	Support on ports, capacity building and technical skills transfer to transport sector	Transport Enterprises	655	Goods and services	Increased levels of technical skills in the Department of Public Enterprises and ability to perform oversight function	655	-	-	-	-	-	-
Total			24 688			16 952	-	-	7 736	-	-	-



**ESTIMATES
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