



National Treasury
Republic of South Africa

2008

Estimates of National Expenditure Guidelines:

November 2007

The document is available on the Internet at: [www.treasury.gov.za /documents/guidelines](http://www.treasury.gov.za/documents/guidelines)

Introduction

These guidelines provide instructions to departments on how to complete their budget chapter for the *2008 Estimates of National Expenditure* (ENE). The chapter format is similar to previous years, however some new instructions are provided in the guideline and further illustrated in the template annexure. The instructions on public entities and agencies form an important component of the guidelines and must be followed closely to improve reporting in this category.

The ENE guide is complemented by the following Annexures:

- Information in more detail that will assist departments when completing their ENE chapter; and
- A template that should be used by departments when completing the chapter.

The provisional allocation letters to departments provide specific guidance and must be considered in following the instructions provided here. The due date for the Appropriation Bill submission is indicated in the table of critical dates below.

Departments and public entities must observe the following critical dates in order to return submissions on time:

Distribution of database - departments	16 November 2007
Distribution of public entities database and guidelines	16 November 2007
Information session for departments	29 November 2007 (morning)
Information session for entities	29 November 2007 (afternoon)
Provisional allocation letters to departments	30 November 2007
Submission of first draft database and Appropriation Bill inputs by departments	7 December 2007
Submission of completed data files for Public Entities	10 December 2007
Submission of first draft chapter - departments and entities (including measurable objectives and indicators)	14 December 2007
Feedback on selected objectives and indicators from NT	January 2008
Submission of second draft of database inputs	11 January 2008
Submission of second draft chapters – departments and entities (final indicators and objectives)	Mid January 2008
Submission of entities text – Social services	15 January 2008
Justice and protection services	16 January 2008
Central, Finance Administrative services	17 January 2008
Economic services and Infrastructure	18 January 2008
Final sign-off of chapters by departments	First week February 2008
Budget day	20 February 2008

Important features of the 2008 ENE

The information below refers to the main enhancements that are introduced this year for the 2008 ENE, which are further explained in the template annexure and highlighted in *red italic text* for easier identification.

1. Programme purposes and objectives

In an effort to improve the meaningfulness of measurable objectives, departments will explicitly itemise a concise listing of 1-5 measurable objectives for each programme that are aligned to the department's strategic priorities. Programme 1: Administration is exempt from this requirement. The bulleted format being used for presenting measurable objectives in the 2008 ENE must provide a snap-shot of the main objectives of a programme based on its major operational elements. Measurable objectives are defined as quantifiable results that can be achieved within a foreseeable period.

While the departments are responsible for this process in respect of measurable objectives, National Treasury may propose specific objectives for certain programmes in the allocation letters sent to departments at the end of November 2007. These will be reviewed and finalised in bilateral discussions between the budget examiners and departments as part of the chapter development process.

Example

The following provides an example of the measurable objectives format for the 2008 ENE for illustrative purposes:

<p><u>Vote XX</u> <u>Programme X</u></p> <p>Current format</p> <p>Measurable objective: To implement the national clean air development strategy 2006-2010</p> <p>2008 ENE format</p> <p>Measurable objectives:</p> <ul style="list-style-type: none">• Increase number of air quality control points from xxx in 2005 to yyy in 2010• Increase expenditure by the National Clean Air Agency from xxx in 2005/06 to xxx in 2010/11• Reach at least xxx SMMEs and BEE enterprises through Clean Air funded development programmes• Expand air quality assessments from xxx in 2006 to xxx by 2010• Conduct xyz enterprise or sectoral air pollution evaluations over the next three years
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2. Strategic overview 2004/05 – 2010/11

The *introduction* section must describe the department’s strategic direction including expected results to be achieved by the department and its entities over the period under review. The planned results must also reveal strategies to be implemented that will lead to the desired results.

Next, discuss *key policy developments* and legislative changes that frame departmental spending plans.

Finally, provide detail on *recent achievements* including performance for 2006/07 and year to date for 2007/08. The department may focus on achievements that are not presented in the key performance indicator table.

The narrative may not exceed 1000 words in length.

3. Key indicators

The manner in which indicators are presented in the 2008 ENE has been improved in an effort to increase focus on the most relevant indicators of departmental and public entity performance. In particular, indicators must be consolidated for the vote and presented in the front section of each vote chapter following the strategic overview section. An average of 10 indicators per vote is recommended. The following table will be used to report and monitor performance information in respect of departments over a seven year period. The 2007/08 data should reflect the estimated performance through to the end of year.

Table 1 Key performance indicators

Indicators	Performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
.....
.....
.....
.....

Departments must select indicators to be presented in this table. It may be helpful to consider the measurable objectives for each programme, subprogramme descriptions and current output indicators contained in the 2007 ENE as departments identify useful and relevant key indicators. The key indicators must also relate to strategic priorities and may reflect inputs, activities, outputs or outcomes. In addition, indicators that are useful for providing institutional or external information on the environment in which the department operates for contextual or explanatory purposes may also be identified. For this

reason, the term “projections” instead of targets is used in the table. Indicators are defined as specific numerical measurements that track progress towards achieving a goal. These indicators represent only a small subset of a department’s performance information all of which is subject to review by the Auditor-General.

Indicators must be selected in terms of the guidelines provided in Chapter 3 of the Framework for Managing Programme Performance Information¹ including that they are:

- **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.
- **Verifiable:** it must be possible to validate the processes and systems that produce the indicator.
- **Cost-effective:** the usefulness of the indicator must justify the cost of collecting the data.
- **Appropriate:** the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.
- **Relevant:** the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

While the departments are responsible for this process, National Treasury may suggest certain indicators in the allocation letters sent to departments at the end of November 2007. These will be reviewed and finalised in bilateral discussions between the budget examiners and departments as part of the chapter development process.

Performance information included in this table must be quantitative in nature. Therefore only numerical values must be included in the columns. In general performance indicators must be reflected over each of the seven years provided in the table. However, in some limited cases such as short-term project-specific indicators past performance may not be applicable and projections may not be relevant beyond the 1st or 2nd year of the MTEF. A key performance indicator definition should be provided separately to National Treasury for each indicator including the title and a brief explanation of what the indicator is, with enough detail to give a general understanding of the indicator.

¹ Refer to (www.treasury.gov.za/documents/guidelines)

Percentage-based indicator example

Indicators must in general be constituted of numbers instead of percentages. The table below shows how such indicators should be reflected.

Table 2 Example of projections (numbers)

Indicators	Performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of houses built and registered in the owners name	4 000	4 500	4 500	5 000	5 000	7 000	10 000

Where departments opt to use percentages to express their indicators, these must be accompanied by numbers together with the percentage to enable more effective monitoring. The table below illustrates how this should be done.

Table 3 Example of projections (percentages)

Indicators	Performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Number of learners (1 000) to be taught higher grade mathematics	40 (4%)	40 (4%)	40 (4%)	50 (5%)	50 (5%)	100 (10%)	150 (15%)

Example

The table below provides over simplified examples of indicators for illustrative purposes only.

2008 Estimates of National Expenditure

Indicators)	Performance						
	Past			Current	Projected		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Average monthly headcount of police officers on active duty	80 000	90 000	100 000	110 000	120 000	130 000	130 000
Average monthly headcount of detectives on active duty	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Average monthly headcount of army recruits on active duty	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Number of universities operated in South Africa	23	23	25	25	26	26	26
Number of FET colleges operated in South Africa	23	23	25	25	26	26	26
Number of claims processed per month	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Average monthly headcount of inmates in prison	85 000	85 000	85 000	85 000	85 000	85 000	85 000
Number of engineering students graduating annually	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Number of taxis scrapped per year	-	-	10 000	10 000	10 000	10 000	10 000
Percentage of claims (1 000) processed within 30 days	500 (50%)	500 (50%)	500 (50%)	500 (50%)	500 (50%)	500 (50%)	500 (50%)
Value of textile exports per year	R1 000 000	R1 000 000	R1, 000 000	R1 000 000	R1 000 000	R1 000 000	R1 000 000
Number of fatal accidents on the roads per year	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Number of applicants per month	100 000	110 000	110 000	130 000	130 000	140 000	140 000
Number of claimants per month	2 000	2 000	2 000	2 000	2 000	2 000	2 000
Average number of buses on the roads per month	n/a	n/a	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000

4. Service delivery objectives and indicators

This section has been removed altogether (replaced by the instructions under programme purpose and objective as well as the section titled strategic overview).

5. Expenditure trends

The written content on expenditure trends must directly relate to the table content under the vote and for each programme. Please provide explanations on significant increases or decreases in expenditure as well as the underlying policies that inform the spending trends. The 2007 ENE guidelines provide examples on how to calculate and describe growth trends (www.treasury.gov.za/documents/guidelines).

6. Infrastructure spending

The section on expenditure trends must include a narrative discussion on spending on fixed assets and infrastructure. Refer to the ENE database for definitions of categories of infrastructure.

7. Customised text box per vote

Provision is made for departments to highlight significant service delivery achievements in a customised textbox or table. Examples of such customised information could include progress on key government policies and highlighting progress against targets.

8. Strategic plans

Accounting Officers must prepare strategic plans that are consistent with the period covered in the Medium Term Expenditure Framework for approval by the relevant executive authority as prescribed by chapter 5 of the Treasury Regulations.

When considering updates to strategic plans, progress in achieving stated targets must be taken into account. You are reminded that strategic plans and updated strategic plans must be submitted to Parliament at least 10 calendar days prior to the discussion of the department's budget vote in the relevant Portfolio Committee.

9. Efficiency savings

Government departments and public entities must identify explicit efficiency savings and cost-containment initiatives in their strategic plans. Targeted expenditure includes unnecessary travel and subsistence costs,

entertainment, poorly managed consultancy services, outdated administrative systems, misplaced marketing and communication initiatives, and weaknesses in supply-chain management. A separate sheet is included in the ENE database where the amount of the efficiency savings should be indicated per programme and economic classification. A summary of the total efficiency savings per vote must be discussed under the expenditure trends section following the expenditure estimates table. Significant savings per programme may be discussed here; however there is no need to discuss savings realized under each programme. Although the database sheets may be used for this purpose, the sheets will not be published as part of the ENE.

10. Reporting on Scientific and Technological Activities (STA)

Cabinet approved a framework for the strategic management of South Africa's Science and Technology (S&T) programme in terms of the White Paper on Science and Technology (1996).

A significant number of national departments and provinces support or fund S&T activities in a variety of ways, including direct transfers to public research and development (R&D) entities, agencies and outsourcing to consultants and researchers. In recognition of the significance of determining economic activity relating to science and technology expenditure, departments and public entities are required to supply information on science and technology activities, for the compilation of comprehensive statistics to inform S&T policy making. Refer to appropriate reporting sheet in the database for definitions and reporting formats.

Include a short description in the table and provide historical expenditure trends, detail on capacity to implement STAs, funding of sector-specific R&D strategies, and provide a summary of departmental expenditure trends. For further guidance on the identification and reporting on S&T expenditure, please contact Ilse Karg on (012) 315 5642 or email ilse.karg@treasury.gov.za.

11. Transfers to public entities and trading entities

Where a departmental programme consists of a transfer to a public entity or trading entity, the department should indicate the transfer to the entity under the applicable programme, while specific performance indicators must be provided in the discussion of entities. In other words the information should not be duplicated under the programme and in the entities section. In addition, measurable objectives are not applicable for public entities and trading entities.

12. Public entities and agencies

This year (2008), the National Treasury will further advance the process to improve and refine the collection and presentation of general government financial data. This is a continuation of an ongoing reform which aims to produce consolidated budgets for departments and their associated entities. For many departments, the activities of their entities are focused solely on service provision and hence, it would be misleading to ignore the impact of these entities on the efficiency and effectiveness of services provided to the community. It is thus important to report on the projected use of resources to provide a comprehensive perspective on the magnitude of resources committed towards fulfilling a particular government mandate.

The information presented in the ENE on such entities is dependant on the type of service rendered, the financial position and the impacts on fiscal policy. In general, more emphasis is placed on entities that are primarily funded by tax revenue. These entities would either be funded through direct transfers from the National Revenue Fund via a department (for example the Independent Electoral Commission) or where the entity has the legislative authority to impose taxes or services charges directly, such as the Road Accident Fund (RAF) and Unemployment Insurance Fund (UIF).

The 2008 ENE preparation process requires National departments to provide detailed financial information for all public entities associated with the governance framework of the department. The inclusion of financial information of entities that was presented in the 2007 ENE chapter is mandatory for publication in the 2008 ENE. As part of the 2008 Budget, the National Treasury intends to extend the coverage of reporting by all public entities to comprehensively account for resources allocated to the delivery of services. Please refer to the template in Annexure 1 for detailed guidance on how to complete this section.

Process and timelines

This process is facilitated by three key stakeholders; the governing departments, the entities and the National Treasury. The National Treasury intends to facilitate workshops to assist public entities with completing the required schedules and departments are requested to co-ordinate participation by their respective entities. Entities are requested to start completing their schedules as soon as they receive these guidelines and contact the relevant officials in the National Treasury if they experience any difficulties.

Please note the requirement to submit the written text on entities which must comply with the instructions in the template, from 15-18 January 2008. This deadline will allow sufficient time to provide feedback on first drafts and improvement of final content. Please note that the submission date for the data files is 10 December 2007. Entities are encouraged to

submit their input earlier than the due dates to allow sufficient time for editing and verification of information.

Further details

Departments and Public Entities should note that for budgetary matters, the appropriate National Treasury budget examiner should be contacted via the relevant national department. For technical assistance on the data file, entities should contact the relevant person referred to in the database.

Amendments to the 2007 reporting format and key features of the new format are outlined and explained in Annexure A of the entity tables guideline attached to the format CD. Annexure B contains the instructions on how to complete the data file and in Annexure C the item definitions are provided.

Any queries on completing the data file may be directed to Ms. Sheila Thipe:

Telephone : 012 – 315 5991

Fax : 012 – 325 1620

Email: Sheila.Thipe@treasury.gov.za

13. Number formatting style

Numbers should be presented in the following way:

- a fullstop must be used to separate a number from the decimal numbers denoting the fraction of the number
- a space must be used to separate thousands
- for example R75 000 (75 thousand rand) and R10.2 billion (10 billion and 200 million rand)

14. Conclusion

It is important that the template provided in the Annexure be followed carefully to improve the quality and content of the ENE and to ensure consistency.