National Treasury

Republic of South Africa

2007

Estimates of National Expenditure Guidelines:

November 2006

The document is available on the Internet at: www.treasury.gov.za/document

Introduction

The aim of these guidelines is to assist departments in completing their budget chapter for the *2007 Estimates of National Expenditure* (ENE). The guide includes a description of the relevant expenditure tables, and also indicates how these should be aligned to the 2007 Appropriation Bill.

The ENE guide is complemented by the following Annexes:

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

Information that pertains to the Appropriation Bill will be distributed separately.

When working on the chapters of the ENE, departments are requested to note the following critical dates:

Distribution of database	14 November 2006
Information session	15 November 2006
Submission of draft database inputs and Appropriation Bill	8 – 13 December 2006
Submission of draft chapter	To be agreed between Treasury budget analysts and departments
Submission of second draft of database inputs	8-12 January 2007
Final sign-off of chapters by departments	First week February 2007
Budget day	21 February 2007

Important features of the 2007 ENE

The information below refers to the main enhancements that are introduced this year for the 2007 ENE, which is further explained in the template and shaded in grey for easier identification.

1. Strategic overview

New section on outcomes to be included in Strategic Overview
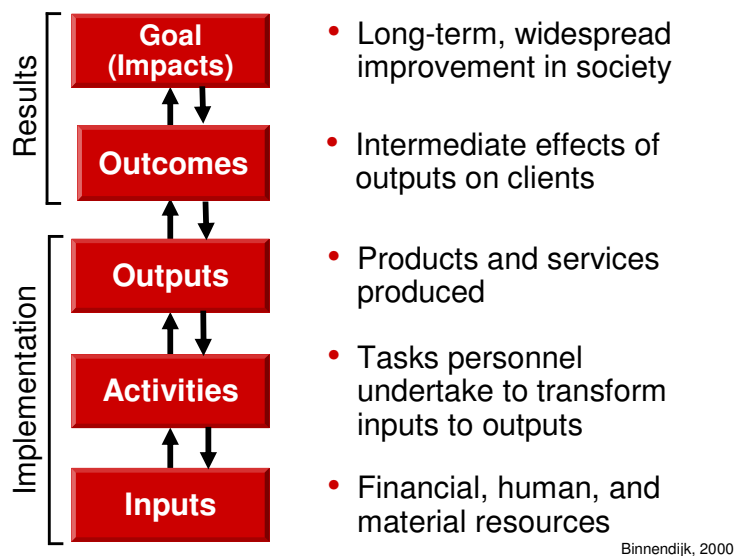
Outcomes refer to the impact or consequences that government programmes have on society. For the 2007 ENE, departments are required to include a description of outcomes in the strategic overview section that relates to the priority areas of government.

The discussion on outcomes should align the priorities identified in the strategic plan and provide a brief description on an outcome per strategic area or programme. It is important to distinguish outputs from outcomes. *Outcomes* represent the likely or achieved short-term and medium term effects of an intervention's outputs. *Outputs* represent the products, capital goods and services which may result from a development intervention. It may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
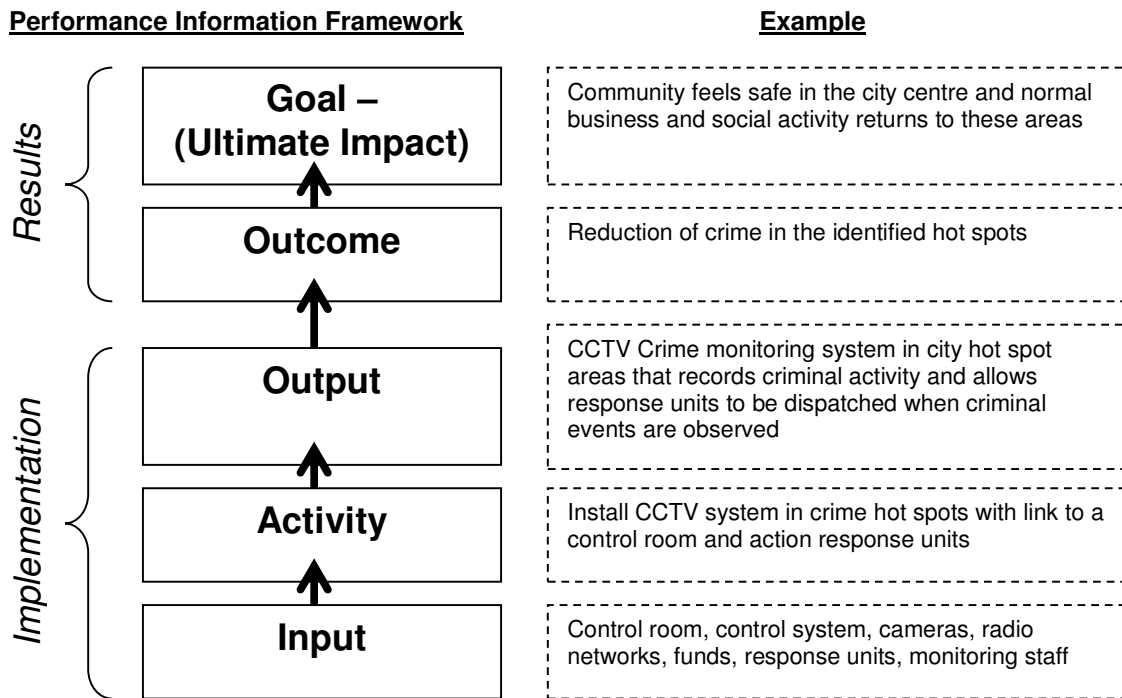
In order to assist departments in identifying outcomes, diagram 1 below illustrates the Performance Information Framework (PIF). It shows the relationship between inputs, activities, outputs, outcomes and impacts. Each of the five areas illustrated in the diagram is associated with performance indicators. The examples provide practical guidance on the terminology.

Diagram 1: How to identify outcomes

Performance Information

Results	**Goal (Impacts)** — • Long-term, widespread improvement in society
	Outcomes — • Intermediate effects of outputs on clients
Implementation	**Outputs** — • Products and services produced
	Activities — • Tasks personnel undertake to transform inputs to outputs
	Inputs — • Financial, human, and material resources

Binnendijk, 2000

Example of PIF: Safety and Security

Performance Information Framework	Example
Goal – (Ultimate Impact)	Community feels safe in the city centre and normal business and social activity returns to these areas
Outcome	Reduction of crime in the identified hot spots
Output	CCTV Crime monitoring system in city hot spot areas that records criminal activity and allows response units to be dispatched when criminal events are observed
Activity	Install CCTV system in crime hot spots with link to a control room and action response units
Input	Control room, control system, cameras, radio networks, funds, response units, monitoring staff

Results brackets Goal and Outcome. *Implementation* brackets Output, Activity and Input.

PIF: Example of multiple outputs contributing to single outcome Department of Health

Goal (Impact): Ensure Healthier Children in Rural Communities

Outcome: Children morbidity rates decrease in local community

Output: Fewer children are going to hospital to be treated for diarrhoea diseases

Output: Increased numbers of babies drink formula that has been made from sterilised water

Output: Knowledge among parents grows about importance of boiling water before making infant formula

Activity: Information is made available for parents about the importance of sterilising water before making formula

Input: New funds available to introduce information campaign on sterilising water in making baby formula

The above examples illustrate how programmes of the departments of Safety and Security and Health relate to the Performance Information Framework. Departments must be guided by these examples to identify outcomes related to the broad strategic aims of departments. It is important to note in the second example that a single goal may have several outputs which contribute to a single outcome.

2. Budgeting for training offered by South African Management Development Institute (SAMDI)

Improving the performance of the public sector is a key objective of government over the next three years. Appropriate training will improve the capacity of the public service to deliver on government's mandate; hence departments are requested to plan and budget adequately for all their training needs. The Minister of Public Service and Administration has prioritised improving the content of departmental induction programmes and managerial training for middle and junior level managers. National Treasury endorses both these priorities and requests that departments consult with the SAMDI on the content and design of their induction programmes as well as on their programmes aimed at raising the competence of mid-and junior-level managers. SAMDI operates within a cost recovery framework and departments are requested to reprioritise their budgets to meet their obligations in terms of this framework.

Departments are advised to use Project level 5-training when recording expenditure for training in order to facilitate consolidation. Further communication in this regards will be provided by the SCOA committee.

3. Service delivery objectives and indicators

The section in the ENE chapter on *recent outputs* should feature outputs for 2005/06 and outputs achieved-to-date for 2006/07. The table on *selected medium term output targets* must refer to the indicators provided in the previous ENE aligned to strategic plans. The template contains relevant examples which may further assist in providing the quality of outputs.

4. Expenditure trends

The content on expenditure trends should directly relate to the table. Explanations on significant increases or decreases in expenditure as well as the underlying policies that inform the spending trends must be provided. The ENE notes and template provides further guidance.

5. Infrastructure spending

The section on expenditure trends must include a narrative discussion on spending of fixed assets and infrastructure as explained in the template.

6. Customised text box per vote

Provision is made this year for departments to highlight significant service delivery achievements in a customised textbox or table. Examples of such customised information could include a table on the total spending by government on science and technology or a textbox on progress in resolving restitution claims. Further guidance will be provided by the budget analysts.

7. Summary of personnel numbers and compensation of employees table

The annexure table that details personnel numbers and expenditure on compensation of employees has been revised to allow departments to provide additional information that disaggregates personnel budgets into:

- Personnel numbers and expenditure outcomes for 2003/04 to 2005/06, the adjusted estimates for the current financial year, and the MTEF period ahead; and
- Total social contributions[1] shown separately for the seven-year period. Social contributions would refer to medical aid and pension fund contributions.

For each year in the period ahead, personnel numbers and estimates should provide an accurate and realistic projection of the number of employees that departments estimate will be employed as at 31 March. This projection should not be a simple calculation of existing numbers plus vacant staff that make up the approved establishment. A realistic projection should include the current number of filled posts on the establishment and the vacant posts to be advertised and filled over the MTEF. This calculation should be informed by the actual posts filled in the previous financial year, growth projections (assumptions) for the period ahead on the posts to be filled and the available personnel budget. In order to budget realistically for personnel spending, departments should also take cognisance of the size of their personnel under-spending realised the previous financial year and factor it in their projections for vacant posts to be filled.

It is important that the template provided in the Annexure be followed carefully to improve the quality and content of the ENE. The content of the 2007 Appropriation Bill will be distributed separately.

---

[1] SAPS, Defence and Correctional Services should exclude post-retirement medical as these are shown as a transfer to the National Treasury.