

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 380

DATE OF PUBLICATION: 5 MAY 2006

DUE TO PARLIAMENT: 19 MAY 2006

MR E W TRENT (DA) TO ASK THE MINISTER OF FINANCE:

Whether, apart from the funds that have been allocated for the construction of stadiums and the Gautrain in preparation for the 2010 Soccer World Cup tournament, any funds (a) have been or (b) will be allocated from the national budget for the (i) construction, (ii) upgrading and (iii) maintenance of critical infrastructure; if so, (aa) what amounts (i) have been and (ii) will still be allocated, (bb) for which projects have funds been allocated and (cc) what procedures must be followed to access such allocated funds?

N409E

REPLY:

- (a) Yes, besides funds for the Gautrain and stadium construction, other funds for infrastructure have been allocated for the 2006/07 financial year, in the National Budget. These funds will be prioritised by departments and entities for (i) construction, (ii) upgrading and (iii) maintenance, of critical infrastructure. The allocated amounts are detailed below and departments are responsible for deciding how best to apply these funds to the three areas (construction, upgrading, and maintenance) in keeping with government's growth and development objectives.
 - (b) Yes, besides funds for the Gautrain and stadium construction, other funds for infrastructure will be allocated for the 2007/08 and 2008/09 years, in the National Budget. These funds will also be prioritised by departments and entities for (i) construction, (ii) upgrading and (iii) maintenance, of critical infrastructure. To be clear, indicative allocations are already on the books of departments as part of the forward baseline budgets. However, appropriation of the funds follows annually after the tabling of the budget in the Legislature.
- (aa)
- (i) For the 2006/07 year, a total of R8,75 billion has been allocated over the baseline for infrastructure in the National Budget. Excluding the Gautrain and the World Cup stadia, the total amount for this year is R5,11 billion.
 - (ii) For the 2007/08 and 2008/09 years, totals of R10,33 billion and R15,52 billion respectively have been committed over the baseline for infrastructure within the National Budget. Excluding the Gautrain and the World Cup stadia, the totals for these years are R7,18 billion and R12,19 billion, respectively.
- (bb) The 2006 National Budget thus (in total) sets aside R34,6 billion in additional funds over the baseline for infrastructure/capital over the MTEF. This includes R10,1 billion for the Gautrain and World Cup 2010 stadia. Table 1 outlines the vertical division of the infrastructure/capital additions between the different spheres of government, and the discussion that follows explains the infrastructure projects and programmes being funded.

Table 1: Vertical Division of Infrastructure/Capital Allocations R thousand	Medium-term expenditure estimate			Total MTEF
	2006/07	2007/08	2008/09	
National to local				
Municipal Infrastructure Grant	100,000	200,000	500,000	800,000
Neighbourhood Development Partnership Grant	50,000	950,000	1,500,000	2,500,000
Public Transport Infrastructure and Systems	519,000	624,000	1,790,000	2,933,000
Electrification programme	80,000	70,000	130,000	280,000
Total (Local)	749,000	1,844,000	3,920,000	6,513,000
National to provincial				
Hospital Revitalization Programme	100,000	300,000	500,000	900,000
Gautrain	3,241,000	2,151,000	1,736,000	7,128,000
Informal settlement upgrading	310,000	620,000	800,000	1,730,000
Forensic Pathology (Capital upgrading and Improvements)	198,725	177,661	66,158	442,544
Total (Provincial)	3,849,725	3,248,661	3,102,158	10,200,544
National infrastructure				
Foreign Affairs	118,000	225,000	171,000	514,000
Public Works	330,000	508,000	685,000	1,523,000
Arts and Culture	20,000	10,000	204,000	234,000
Correctional Services	0	40,000	70,000	110,000
Defence	50,000	140,000	430,000	620,000
Justice and Constitutional Development	0	100,000	400,000	500,000
Safety and Security	100,000	290,400	750,000	1,140,400
Communications	95,000	60,000	50,000	205,000
Environmental Affairs and Tourism	50,000	230,000	300,000	580,000
Science and Technology	953,000	400,000	600,000	1,953,000
Public Enterprises	580,000	0	0	580,000
Trade and Industry	300,000	500,000	700,000	1,500,000
Transport	856,000	1,536,000	1,870,000	4,262,000
Water Affairs and Forestry	300,000	200,000	670,000	1,170,000
Soccer World Cup (Unallocated)	400,000	1,000,000	1,600,000	3,000,000
Total (National)	4,152,000	5,239,400	8,500,000	17,891,400
Grand total Infrastructure/Capital	8,750,725	10,332,061	15,522,158	34,604,944

Below, a more detailed account of infrastructure projects and programmes funded is presented by department.

Foreign Affairs and Public Works

The R514 million allocated for Foreign Affairs over the MTEF is for the acquisition of properties abroad for new missions and the Head office building, which is currently under PPP evaluation. Additional allocation of R1,5 billion over the MTEF was made to the Department of Public Works for the Tshwane Inner City Project and Border Control Improvement Programme (BCIP) ports of entry projects. Also included in the amount, is R843 million over the MTEF for the maintenance of government buildings.

Arts and Culture and Health

Arts and Culture was allocated R234 million over the MTEF for the National Archives, Freedom Park project and capital requirements for June 16 Commemorations. R1,3 billion over the MTEF was added to the Department of Health's existing programmes such as Hospital Revitalization Programme and Forensic Pathology labs and equipment. The step up is driven by additional hospitals that need to undergo revitalization and upgrading/improvement.

Defence, Justice, SAPS, and Correctional Services

An allocation of about R620 million over the MTEF was made available to the Department of Defence for ICT and upgrading of existing infrastructure

projects. The additional allocation for infrastructure projects include the extension of existing infrastructure and maintenance programmes.

As way of improving court access across the country, allocation of about R500 million over the MTEF was made to Department of Justice and Constitutional Development for the construction of new magistrates and branch courts and provision of additional accommodation. R1,1 billion over the MTEF was added for Safety and Security infrastructure projects. The addition will mainly be focused on constructing new police stations and upgrade various police stations across the country including additional accommodation for members. Correctional Services was allocated R110 million over the MTEF for information communication technology (ICT).

Communications, DEAT, Housing, DST, DTI, DoT & DWAF

The Department of Communications was allocated R205 million over the MTEF for Sentech mainly for upgrading of transmitters for signal distribution. Environmental Affairs and Tourism was allocated R580 million over the MTEF for infrastructure projects in the Kruger National Park for the upgrade and extension of existing infrastructure and infrastructure development within SANPARKS. These also include infrastructure development in the Greater St Lucia Wetland Park.

In the New Comprehensive Plan for Sustainable Human Settlements, the Department of Housing was allocated R1,7 billion over the MTEF for informal settlement upgrading. Science and Technology was allocated R1,4 billion over the MTEF for Research and Development (R&D) infrastructure. This includes the establishment of a Centre for High Performance Computing, Nanotechnology Centre, Space and Astronomy infrastructure and R133 million in 2006/07 for the construction and outright purchase of the new DST building within the CSIR complex.

The allocation for Trade and Industry amounts to R1,5 billion over the MTEF for the Coega IDZ, and R580 million to the DPE vote for infrastructure relating to the Pebble Bed Modular Reactor (PBMR).

Total allocation for transport infrastructure (excluding Gautrain) amounts to R4,3 billion over the 2006 MTEF. The allocations include amounts for Road infrastructure, Passenger Rail, Public Transport Infrastructure and Systems and Regional Indicative Strategic Development. The focus is on roads and improvements to passenger rail, including stations, signalling systems and coach refurbishment.

Water Affairs and Forestry was allocated about R1,2 billion over the 2006 MTEF for refurbishment of water schemes, dam rehabilitation and the construction of De Hoop dam (Phase 1).

Neighbourhood Development Partnership Grant

This grant will be administered by the Treasury, and is aimed at the restructuring of dormitory townships, to enable commercial and recreational investment by the private sector. Municipalities are expected to apply for funding to build the necessary infrastructure that will enable the private sector investments. R2,5 billion is allocated over the MTEF for this programme.

(cc)

In general, there is no special 'procedure' for departments and entities to 'access' allocated funds, as they receive these directly. The normal procedure is that departments receive budget allocations following their engagement with the Medium Term Expenditure Committee and final approval by Cabinet. Thereafter, once Parliament has appropriated the funds, departments can draw down on their approved budgets through Government's accounting system. Only in the case of the following conditional grants would there be a different path to obtain infrastructure funds:

- In the case of the Municipal Infrastructure Grant (MIG) municipalities apply through the Department of Provincial and Local Government. The bulk of the funds are distributed via a formula based approach.
- In the case of the Neighbourhood Development Partnership Grant (NDP), procedures have been developed by the National Treasury, and municipalities have begun to apply for funds via the Treasury
- In the case of the Public Transport Infrastructure and Systems Grant, procedures were developed jointly by the Department of Transport and the National Treasury, and municipalities have already been applying for funds via the Department of Transport.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 513

DATE OF PUBLICATION: 26 MAY 2006

DUE TO PARLIAMENT: 9 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether there has been any engagement by the National Treasury regarding the budget reform programme, with specific reference to the constitutional requirements for money bill amendments; if not, why not; if so, (a) when and (b) with what committee?

N626E

REPLY:

At the Portfolio Committee on Finance hearing held on 23 May 2006, members were informed that draft legislation on constitutional requirements to amend money bills was tabled in Parliament in early 2000 by the National Treasury.

Since then, several engagements between Parliament and senior officials from the National Treasury have examined different ways in which the amendment powers could be accommodated. Having considered the inputs from National Treasury, the Legislature, in consultation with relevant parties, can take a view on how to proceed. I am aware that this matter is currently being considered in Parliament by the Task Force on Oversight and Accountability.

The National Treasury remains available and ready to engage further on the matter and in fact, senior officials made inputs to the Parliamentary Review Committee earlier this year.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 514

DATE OF PUBLICATION: 26 MAY 2006

DUE TO PARLIAMENT: 8 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

- (1) (a) How many projects does the Public/Private Partnerships Unit currently have under its auspices, (b) what (i) is the total value of such projects, (ii) are the projects in which it is involved and (iii) is value of private sector participation in each of the said projects, (c) (i) what is the total value of the support the unit currently gives to municipalities in the delivery of services, (ii) to which municipalities is such support given and (iii) what is the (aa) nature and (bb) value of such support and (d) what is the private sector participation in such support;
- (2) whether further support is currently being planned by the unit; if so, what is the (a) nature and (b) value of the support in each case? **N627E**

REPLY:

- (1) (a) There are currently 48 PPP projects registered with the PPP Unit as being in either feasibility study or procurement stage. In addition to this, twelve PPPs have been implemented to date under the auspices of the PPP Unit.

Further projects procured prior to the inception of the PPP Unit in May 2000, are the three National Toll roads PPPs procured by the South African National Roads Agency and the two prison PPPs procured by the Departments of Correctional Services and Public Works.

- (b) (i) The capital value of projects implemented to date is R6,546 billion. The projected capital value of PPP projects projected over the MTEF period 2006/07 to 2008/09 is R13,818 billion in nominal terms. These figures are derived for those projects for which the National Treasury has approved the feasibility study and are thus in procurement.

(ii)

National Departments	Project
Dept Communication	Emergency 112 Call Centre
Dept Communication	Regional language television services
Dept Correctional Services	Working Environment Service Delivery
Dept Correctional Services	Feasibility of 4 new prisons
Dept Defence South African Military Health Service	Purchase of Clinical Services in 7 districts
Dept Defence SA Navy	Sea Safety Training Centre for the SA Navy
Dept Education	Working Environment Service Delivery

Department of Environmental Affairs and Tourism	Replacement of SA Agulhas
Dept Foreign Affairs	Working Environment Service Delivery
Dept Justice	Management of Monies and Trust (MMT)
Dept Labour	Communication Technology
Dept Land Affairs	Working Environment Service Delivery
Dept Minerals & Energy	Independent power producer new generation – Peaking Plant.
Dept Transport	Fleet Management for National Departments
Dept Water Affairs & Forestry	Working for Water: secondary industries
Department of Arts and Culture	National Archives Electronic Content Management Solution for Electronic Archives.
Government Printing Works	Working environment Service Delivery
Provincial Departments	Project
Eastern Cape Dept Health	Revitalisation of Pharmaceutical Supply Chain
Eastern Cape Dept Health	Grahamstown & Port Alfred Co-location
Eastern Cape Dept Health	Lusikisiki Nurses Accommodation
Eastern Cape Mayibuye Transport Corporation	Bus company restructuring
Free State Dept Education	Schools Programme
Free State Dept Health	New build hospitals in Trompsburg and Lady Brand
Free State Dept of Public Works, Roads & Transport	Office Accommodation
Gauteng Dept of Health	Chris Hani Baragwanath hospital for reconstruction, revitalization and upgrading
Gauteng Dept Public Transport, Roads & Works in Conjunction with Gauteng Dept of Finance and Economic Affairs	Gauteng Kopanong Precinct Working Environment Service Delivery
Gauteng Dept Public Transport, Roads & Works	Gautrain Rapid Rail Link
Kwa-Zulu Natal Dept of Social Development	4 secured centres for Juveniles
Kwa-Zulu Natal Dept Transport	Vukuzakhe Plant Park Depot
Limpopo Dept of Health and Social Development	Polokwane hospital Renal Dialysis.
Limpopo Dept of Health and Social Development	Ellisras, Phalaborwa & Duiwelskloof Co-location
Limpopo Dept of Health and Social Development	Provincial Linen Management Services
Limpopo Dept of Health and Social Development	Completion of Thohoyandou Hospital
Limpopo Dept of Health and Social Development	Penge Hospital Revitalization
Mpumalanga Dept of Roads and Transport	Fleet Management
North West Dept of Transport	Fleet Management
Western Cape Dept Health	Hermanus hospital co-location project
Western Cape Dept Health	Swellendam hospital co-location project
Western Cape Dept Health	Western Cape Rehabilitation Centre
Public Entities	Project
Greater St Lucia Wetlands Park Authority	Eco-tourism: 14 business sites
Limpopo Tourism & Parks Board	Eco-tourism:20 nature reserves
National Housing Finance Corporation	Rental Housing
Western Cape Nature Conservation Board	Whale Trail
Western Cape Nature Conservation Board	De Hoop Nature Reserve
South African Revenue Services	IT-Container scanner inspection
Municipalities	Project
City of Tshwane	Client Centred Services Delivery Precinct & Munitoria Project
Madibeng Municipality	Water Services 78(3) investigation.
Hibiscus Coast Municipality	Property development.

- (iii) The private sector investment in these projects is the capital value given in answer to question 1 (b) (i) above. The capital grants from the state for Gautrain to the amount of R7,128 over the MTEF period have been excluded from these figures.
- (c) (i) The PPP Unit has held responsibility for the projects previously undertaken by the Municipal Infrastructure Investment Unit (MIIU) in addition to the projects registered with the National Treasury in terms of the Municipal Finance Management Act. In so doing the PPP Unit has assumed funding responsibility for technical assistance grants in the amount of R1,950,000. In addition to this the PPP Unit has recruited staff from the MIIU and provides technical assistance in kind to Municipalities on PPPs.
 - (ii) The technical assistance grant has been provided to the Municipalities of Madibeng and KwaDukuza and the City of Cape Town. Technical assistance in kind is being provided to the City of Tshwane and the Municipalities of Potchefstroom, Hibiscus Coast and Maluti-a-Phofung.
 - (iii) (aa) The PPP Unit is responsible for the provision of technical assistance to local authorities in developing, procuring and implementing value-for-money PPPs. The support takes the form of both technical assistance grants and technical assistance in kind provided by members of the PPP Unit. This includes direct assistance to municipalities and in the development of guidelines for use by local authorities in the procurement of PPPs.
 - (bb) The value of technical assistance grants currently committed is R1,959,000. The technical assistance in kind is provided by five persons employed in or contracted by the PPP Unit of the National Treasury.
 - (d) The private sector participation in such support is through the provision of advisory services to local authorities paid for in full or in part by the technical assistance grants.
- (2) (a) In April 2006 the National Treasury extended the scope of its technical assistance grants through its Project Development Facility (PDF) so as to provide assistance to local authorities for the procurement of PPPs in accordance with Section 120 of the MFMA.
- The National Treasury is also examining, in conjunction with the Department of Provincial and Local Government, means by which the legislative and regulatory requirements for local authorities entering into PPP agreements can be streamlined.
- Comprehensive sector specific guidelines, similar to those available for provincial and national departments, will be prepared for local authorities by October 2006.
- (b) The rollout of this grant funding by the National Treasury PDF will include committing funding of up to R12 million in the current financial year. This is expected to increase over the MTEF period.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1063

DATE OF PUBLICATION: 1 SEPTEMBER 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

With reference to the R372 billion public sector investment rollout over the next three years, what has been the percentage rise in (a) the actual government capital spending over the first and second quarters of 2006 and (b) the actual capital spending in the broader public sector over the first and second quarters of 2006?

N1384E

REPLY:

- (a) National Treasury directly monitors the spending performance of the National and Provincial spheres of government. However, capital spending data for the second quarter of 2006 is not yet available. Moreover, the cyclical nature of capital project delivery makes such comparisons misleading and unhelpful. For example, based on the spending performance reported in the Section 32 reports for the final quarter of 2005/06 and the first quarter of 2006/07, total National and Provincial capital expenditure experienced a decline of 67 percent. This decline is fully expected due to significant variations in how capital is paid for, with the fourth quarter traditionally being of much higher value than the first.

A more appropriate way of analysing the quarterly data is to compare it on a year on year basis. Such a comparison shows capital expenditure by National and Provincial government 49 percent higher in the fourth quarter of 2005/06 than in 2004/05, and 18.3 percent higher in the first quarter of 2006/07 than the first quarter of 2005/06. This demonstrates the marked improvement in capacity to deliver although there remains some instances of capital under spending that must be addressed going forward.

- (b) National Treasury does not publish quarterly expenditure data for the other levels of government. However, the South African Reserve Bank Quarterly Bulletin does report quarterly data for general government and non-financial public enterprises, with the latest June Quarterly Bulletin including data until the fourth quarter of 2005/06.

For general government, capital expenditure increased by 60 percent in the fourth quarter compared with the third. Compared with the fourth quarter of 2004/05, general government capital expenditure increased by 38 percent in the fourth quarter of 2005/06. For the broader Public sector, capital expenditure in the fourth quarter increased by 23 per cent over the third quarter, and by 25.3 percent over the fourth quarter of the previous year. These trends also show progressive improvement in the capacity to deliver infrastructure and other projects of a capital nature.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1262

DATE OF PUBLICATION: 22 SEPTEMBER 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

- (1) With reference to his remark that the low savings rate cannot be left in the care of the market and that special measures must be considered, what (a) special fiscal measures will be considered and (b) will this entail;
- (2) will this boil down to further state interference in the economy; if not, what is the position in this regard; if so, what are the relevant details;
- (3) whether the measures will have an impact on all or merely some sources of gross national savings, for instance personal savings, company savings, current surplus of the state, provision for devaluation, fluctuations in gold and foreign reserves as well as the movement of foreign capital as reflected in the capital account of the balance of payments; if not, what is the position in this regard; if so, what are the relevant details;
- (4) whether a higher savings rate will lead to higher investment in job creation as opposed to the high level of consumer spending which also stimulates production for job creation; if not, why not; if so, what are the relevant details;
- (5) whether certain personal and corporate tax relief by way of ploughing back the tax surplus will stimulate the market in order to promote savings; if not, why not?

N1665E

REPLY:

- (1) Fiscal policy can have an effect on the saving behaviour of households and the corporate sector, primarily via marginal tax rates. Improved economic growth rates and stronger tax revenues have enabled government to lower marginal rates in a prudent manner and contributing to higher post-tax income of households, better investment rates by firms, and indirectly supporting employment. Higher income contributes to higher saving so long as the marginal propensity to consume does not rise. Over the past few years government has given significant tax relief to

households. In the last two years, government has also provided meaningful tax relief to the corporate sector through a one per cent reduction in the marginal rate, and the abolishment of the RSC Levy. In addition, Government has sought to encourage and promote savings through reductions in taxes on interest earned on savings and retirement.

Government has also introduced the RSA Government Retail Bond as a direct saving instrument to provide households with a risk and cost-free saving instrument. Interest earned is higher than that earned on money market and investment accounts offered by any of the major banks. These rates are locked in at the date of purchase and therefore provide a stable interest income for individuals. To date the number of investors has grown to 19 000, with 33 000 investments made, at a value of R1,7 billion.

Government is able to influence economy wide aggregate savings through its own saving position. In the 1990s Government's negative savings worsened dramatically, to a low of R31,4 billion in 1997. Since then Government has improved its overall level of savings and recorded negative savings in 2005 of only R13,3 billion.

- (2) No, the intention is to develop an appropriate set of measures to promote higher levels of savings and to address market failures, i.e. where costs are exorbitant. Putting in place incentives for people to save does not amount to market interference.
- (3) Public saving is regarded as a powerful instrument to increase the level of national saving. Although there is no clear consensus in the literature, the aggregate savings rate seems more responsive to fiscal than to monetary policy measures and within fiscal policy, to the expenditure, rather than to incentives on the taxation side.

Intuitively, an increase in the real interest rate would provide an incentive to save more and borrow less, but in the literature there is some ambiguity as to the overall net effect. The impact of interest rate changes on savings depend largely on the interest rate sensitivity of a country's savings rate. This sensitivity will tend to be low where a country is characterised by low income levels and where spending on necessities constitutes a high proportion of overall household expenditure.

Measures already in place to encourage household savings, both short and long term, includes the income tax exemption of domestic interest income (up to R16 500 for taxpayers under the age of 65, and up to R24 500 for taxpayers age 65 and over) and the deductibility (for income tax purposes) of contributions towards pension funds and retirement annuities.

The fiscal policy method usually employed is to partially exempt investment income from income tax in an attempt to influence the marginal rate of return on accumulated saving. However, due to offsetting income and distribution effects, the net impact on overall saving is uncertain. Thus, even though there is evidence of portfolio shifting in response to savings incentives, empirical studies find little evidence of large savings effects from tax incentives. It is also important to note that tax concessions could give rise to a budget deficit due to a loss of tax revenue. Tax incentives are thus more likely to influence the structure of overall saving than its rate.

- (4) Although there is no hard evidence that an increase in savings by itself places a country on a higher growth path, it is part of a larger set of conditions strongly associated with sustained growth. Economic theory argues that high saving rates, coupled with high levels of capital formation¹ are prerequisites for long term economic growth. High levels of savings are said to be necessary to finance high levels of capital formation, which lead to increased productivity and ultimately long term economic growth.

Although researchers have disagreed about the direction of causality between savings and economic growth, there is evidence of a positive and robust relationship between the two. These observations must be qualified by the fact that some savings are not economically productive and thus not conducive for higher investment and overall growth.

- (5) The question posed is vague. It is not evident to which market the Honourable Member is referring to.

¹ Expansion of capital or capital goods through savings/ capital formation occurs when a nation's capital stock increases as a result of new investments in physical capital.