

# Vote 8

## National Treasury

	2004/05 To be appropriated	2005/06	2006/07
MTEF allocations	R13 941 731 000	R14 587 408 000	R15 617 504 000
Statutory amounts	R210 403 402 000	R227 837 535 000	R244 336 726 000
Responsible Minister	Minister of Finance		
Administering Department	National Treasury		
Accounting Officer	Director-General of National Treasury		

### Aim

*The aim of National Treasury is to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable public finances.*

### Programme purpose and measurable objective

#### Programme 1: Administration

**Purpose:** Provide for the leadership and overall management of National Treasury.

#### Programme 2: Economic Planning and Budget Management

**Purpose:** Provide advice and analysis on macroeconomic, financial, fiscal and tax policies, co-ordinate the budget process, oversee intergovernmental fiscal relations and promote sound economic planning and budgetary management. Co-ordinate the implementation of the Municipal Finance Management Act (56 of 2003) (MFMA) and ensure that municipalities develop the skills to comply with the Act.

**Measurable objective:** Ensure sound economic, fiscal, financial and tax policies, an equitable division of revenue between the national, provincial and local spheres of government, and coherent and well-balanced departmental plans and budgets.

#### Programme 3: Asset and Liability Management

**Purpose:** Management of government's financial assets and liabilities, including the domestic and foreign debt portfolios.

**Measurable objective:** Manage government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring and financial management, and optimal management of government's domestic and foreign debt portfolio.

#### Programme 4: Financial Management and Systems

**Purpose:** Regulate and oversee public sector supply chain management through policy formulation, facilitating some supply contracts, and standardising the financial systems of national

and provincial government. Co-ordinate the implementation of the Public Finance Management Act (1 of 1999) (PFMA) and ensure that departments have the skills to comply with the Act.

**Measurable objective:** Ensure efficient and effective public sector supply chain management, the adoption of improved financial management systems and progressive implementation of the PFMA.

### **Programme 5: Financial Accounting and Reporting**

**Purpose:** Set government accounting policy and standards, prepare consolidated financial statements, and seek to improve and integrate financial management.

**Measurable objective:** Improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented.

### **Programme 6: Provincial and Local Government Transfers**

**Purpose:** Provide for the conditional grants for the provincial and local spheres of government that are directly administered by National Treasury.

**Measurable objective:** Reinforce the pace and quality of provincial infrastructure investment and maintenance of assets, and promote financial management reform and restructuring of service delivery by municipalities.

### **Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits**

**Purpose:** Provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits for retired members of the military.

**Measurable objective:** Ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

### **Programme 8: Fiscal Transfers**

**Purpose:** Provide for financial transfers to various authorities and institutions in terms of statutes and international agreements. These include the South African Revenue Service (SARS), the Development Bank of Southern Africa (DBSA), the Financial and Fiscal Commission (FFC) and some signatories of the Multilateral Monetary Agreement.

**Measurable objective:** Meet certain international and other statutory financial obligations. Meet the costs of effectively and efficiently raising revenue for the purpose of the state and to finance intelligence gathering and other secret services in the national interest.

## **Strategic overview and key policy developments: 2000/01 – 2006/07**

National Treasury manages its service delivery and implements its broad priorities through the activities of the department's eight programmes. Ongoing fiscal reform is aimed at promoting sustainable growth and development, poverty reduction, enhancing budgetary transparency and improving financial management. The Treasury continues to develop systems to improve the monitoring and reporting of public expenditure, enhancing transparency and accountability and thus contributing to improved service delivery over the medium term.

In relation to financial management priorities, the development of public sector accounting rules will help to enhance the quality, accuracy and usefulness of government's financial statements. National Treasury is assisting in the design and implementation of financial statements, which will be in line with the Generally Recognised Accounting Practice (GRAP) standards currently being set by the Accounting Standards Board.

#### *Macroeconomic policies*

Government's macroeconomic policies aim to meet the challenges of South Africa's social and economic development in the context of an increasingly inter-dependent global environment. This includes deepening South Africa's financial markets, gradually liberalising exchange controls, improving financial sector oversight and regulation, enhancing consumer protection and combating money laundering and terrorism financing. National Treasury is actively engaged in the development of the Southern African region through co-operation with neighbouring SADC countries on issues such as taxation, promoting investment and economic integration within the region.

#### *Stronger relationship with provincial and local government*

A key area where progress has been made is the development of National Treasury's relationship with other spheres of government. New frameworks for the allocation of grants to provinces and local government provide sharper definitions of the purpose and intended outputs for each grant. This enhances transparency and is expected to lead to further improvements in service delivery. The ongoing evolution of the system of intergovernmental fiscal relations will be achieved at the provincial and local levels by rationalising grants to ensure that there are fewer, but better administered, grants. With the turnaround in provincial infrastructure investment, the main focus over the medium term will be to use infrastructure delivery to accomplish other government objectives. More specifically, the priority will be to facilitate employment through labour-based and labour-intensive projects. In addition, future initiatives will focus on institutionalising good practices in relation to infrastructure planning, supply-chain management (procurement) and delivery.

At the local government level, the priority will be to reinforce budget reform and financial management. Building on the solid legal foundation that will have been laid by the Municipal Finance Management Act, targeted support will be provided to municipalities to improve their financial management capacity and to strengthen the link between policy, planning and budgets. These reforms have been piloted in selected municipalities and are being rolled out countrywide over the medium term. This will ensure even greater transparency in resource allocation and reporting, and will, over time, further enhance accountability and service delivery.

#### *Implementing the PFMA and MFMA*

Transforming public sector financial management is one of National Treasury's key objectives. To this end, the Treasury has been implementing the PFMA since 2000 and will begin implementing the MFMA in 2004 and providing and managing appropriate systems for monitoring and managing expenditure. Over the next few years the Treasury will be commissioning high quality, short courses for all government officials to build the necessary capacity to effectively implement the Acts. It is rolling out financial management systems, which will ensure not only the transparency of expenditure but also the effective and efficient use of scarce resources to achieve social transformation. These systems for enhancing the integrity and effectiveness of supply-chain and expenditure management are part of the PFMA implementation and have been among national Treasury's most important reforms.

### *Appropriate tax policies*

Reviewing the taxation of retirement savings, introducing a mining royalty tax, considering tax measures to support investment and enhancing revenue-estimation capacity form part of the development of appropriate tax policies for the country.

The South African Revenue Service, a public entity reporting to the Minister of Finance, has consistently exceeded its revenue targets and has been highly efficient and effective in its revenue collection. It has introduced electronic filing and payments, implemented a capital gains tax, changed taxation from source-based to residence-based, and also developed a risk management approach to compliance, with emphasis on measuring the tax gap and identifying high-yield strategies.

### *Managing national government debt*

Another priority for National Treasury is the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. Since 1999, the debt management strategy has evolved from strategic debt management, where the primary focus was on access to capital markets and the maintenance of a balanced maturity profile. The focus has shifted to active debt management, where government's borrowing requirement is financed at the lowest possible cost within acceptable levels of risk. Strategies are in place to meet government's borrowing requirement over the medium term. In addition, the Treasury is also improving its cash management processes, enabling it to use surplus cash from the provinces. This strategy has a positive impact on government's cost of financing.

### *Organisational environment*

The major restructuring of National Treasury was completed in 2003/04. Filling some of the vacant posts throughout the organisation is set to continue in a phased manner over the next three years, while the refinement and improvement of the structure is ongoing.

The next year will also see the refurbishment of the 240 Vermeulen Street building completed, revision of the internal arrangements in 40 Church Square to optimise accommodation arrangements for divisions, and refurbishment of the Cape Town office at 120 Plein Street. The extensive efforts put into improving accommodation have helped to create a far more favourable and productive working environment for National Treasury staff.

National Treasury's new organisational structure demands the re-evaluation of its IT requirements and the reshaping of its IT focus over the medium term. The Treasury is therefore busy restructuring the Information Technology unit over the next 18 months.

The implementation of the PFMA within National Treasury is ongoing and suggests a good record thus far. A risk management exercise has been completed and a fraud prevention plan developed. Internal controls and asset management procedures have been implemented.

A new position of Chief Operating Officer (COO) in the office of the Director-General has been created to co-ordinate overall management. The COO is charged with ensuring that the National Treasury strategic plan and priorities are being implemented, and with advising the Director-General on strategic issues in relation to National Treasury operations and business processes. The COO is also responsible for determining, advising, co-ordinating and managing external communications and media liaison strategies on behalf of the Treasury and the Ministry.

## Expenditure estimates

Table 8.1: National Treasury

Programme	Expenditure outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome			2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04				
1 Administration	103 663	62 164	106 896	111 890	104 663	101 879	104 728	111 179
2 Economic Planning and Budget Management	44 531	53 806	87 192	128 263	112 596	140 207	150 952	161 772
3 Asset and Liability Management	16 297	16 159	20 062	42 831	29 860	42 271	45 304	48 403
4 Financial Management and Systems	218 466	222 563	264 571	370 950	307 950	352 455	365 623	381 492
5 Financial Accounting and Reporting	95 868	25 212	43 268	63 323	48 297	66 182	74 300	81 620
6 Provincial and Local Government Transfers	1 170 000	2 114 250	2 255 230	3 284 318	3 284 318	3 889 260	4 279 513	4 666 776
7 Civil and Military Pensions, Contributions to Funds and Other Benefits	1 400 117	1 664 462	1 895 922	2 449 569	2 294 569	2 163 966	2 293 804	2 431 432
8 Fiscal Transfers	3 648 764	4 005 940	5 173 719	6 142 152	6 097 152	7 185 511	7 273 184	7 734 830
<b>Subtotal</b>	<b>6 697 706</b>	<b>8 164 556</b>	<b>9 846 860</b>	<b>12 593 296</b>	<b>12 279 405</b>	<b>13 941 731</b>	<b>14 587 408</b>	<b>15 617 504</b>
<b>Direct charge on the National Revenue Fund</b>	<b>144 718 722</b>	<b>155 041 085</b>	<b>170 264 573</b>	<b>191 939 572</b>	<b>192 068 572</b>	<b>210 403 402</b>	<b>227 837 535</b>	<b>244 336 726</b>
Provinces Equitable Share	98 397 841	107 460 337	123 456 849	144 742 572	144 742 572	159 971 402	173 851 535	186 391 726
State Debt Costs	46 320 881	47 580 748	46 807 724	47 197 000	47 326 000	50 432 000	53 986 000	57 945 000
<b>Total</b>	<b>151 416 428</b>	<b>163 205 641</b>	<b>180 111 433</b>	<b>204 532 868</b>	<b>204 347 977</b>	<b>224 345 133</b>	<b>242 424 943</b>	<b>259 954 230</b>
Change to 2003 Budget Estimate				(611 469)	(796 360)	2 537 375	5 961 725	

### Economic classification

<b>Current payments</b>	<b>47 624 341</b>	<b>48 917 861</b>	<b>48 526 054</b>	<b>49 281 023</b>	<b>49 301 132</b>	<b>52 606 158</b>	<b>56 287 156</b>	<b>60 383 066</b>
Compensation of employees	1 046 387	1 062 054	1 335 739	1 590 530	1 553 530	1 705 076	1 818 366	1 931 675
Goods and services	257 071	274 411	381 789	493 493	421 602	469 082	482 790	506 391
Interest and rent on land	46 320 881	47 580 748	46 807 724	47 197 000	47 326 000	50 432 000	53 986 000	57 945 000
Financial transactions in assets and liabilities	2	648	802	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>103 731 469</b>	<b>114 278 694</b>	<b>131 549 959</b>	<b>155 220 966</b>	<b>155 020 966</b>	<b>171 726 958</b>	<b>186 125 487</b>	<b>199 557 529</b>
Provinces and municipalities	99 643 089	109 574 846	125 712 399	148 027 479	148 027 479	163 861 143	178 131 549	191 059 048
Departmental agencies and accounts	3 438 906	3 864 757	4 889 821	5 634 064	5 634 064	6 775 489	6 886 983	7 314 010
Universities and technikons	-	-	-	-	-	-	-	-
Foreign governments & international organisations	222 421	152 659	299 629	491 943	446 943	391 590	368 694	404 316
Public corporations & private enterprises	-	-	-	40 374	40 374	40 001	40 001	40 000
Non-profit institutions	50	60	50	52	52	55	58	62
Households	427 003	686 372	648 060	1 027 054	872 054	658 680	698 202	740 093
<b>Payments for capital assets</b>	<b>60 618</b>	<b>9 086</b>	<b>35 420</b>	<b>30 879</b>	<b>25 879</b>	<b>12 017</b>	<b>12 300</b>	<b>13 635</b>
Buildings and other fixed structures	-	-	5 600	-	-	-	-	-
Machinery and equipment	26 013	9 086	29 820	30 879	25 879	12 017	12 300	13 635
Cultivated assets	-	-	-	-	-	-	-	-
Software and other intangible assets	154	-	-	-	-	-	-	-
Land and subsoil assets	34 451	-	-	-	-	-	-	-
<b>Total</b>	<b>151 416 428</b>	<b>163 205 641</b>	<b>180 111 433</b>	<b>204 532 868</b>	<b>204 347 977</b>	<b>224 345 133</b>	<b>242 424 943</b>	<b>259 954 230</b>

## Expenditure trends

The National Treasury vote is dominated by transfer payments in the *Provincial and Local Government Transfers, Fiscal Transfers, and Civil and Military Pensions, Contributions to Funds and Other Benefits* programmes. Over the medium term, these transfers make up on average 95,0 per cent of the total budget.

In 2003/04 National Treasury's budget increased by 27,9 per cent as a result of R419,3 million rolled over from 2002/03, mainly for the transfers to Lesotho and Namibia and to local government for restructuring, and an additional amount of R400 million for additional service benefits for retiring members of Parliament and members of provincial legislatures.

Whilst the Treasury's core budget, comprising programmes 1 to 5, only grows at an average annual rate of 3,0 per cent over the medium term, the remainder of Treasury's budget, which is dominated by transfers, grows by an average annual rate of 7,7 per cent over the medium term. The core budget of National Treasury is R717,3 million in 2003/04 – the expected outcome on this is R603,4 million. Over the next three years the core budget is R703,0 million, R740,9 million and R784,5 million.

## Direct charges from the National Revenue Fund

National Treasury is responsible for the main statutory transfers of funds to provincial governments. This is in terms of the constitutional requirement that they obtain an equitable share of revenue raised through national taxes. The equitable share transfers to the provinces will grow at an average annual rate of 8,8 per cent over the medium term. More information on these transfers can be found in chapter 7 and annexure E in the *2004 Budget Review* and the 2004 Division of Revenue Bill.

In addition, the National Treasury vote includes provision for servicing government's debt obligations, which are direct charges against the National Revenue Fund in terms of section 73 of the PFMA. The provision for state debt costs will increase at an average annual rate of 7,1 per cent over the medium term. The 2003/04 provision for state debt costs decreases by R3,7 billion in the Adjusted Estimates, mainly due to lower domestic interest rates and lower foreign interest payments because of the appreciation of the rand.

## Departmental receipts

Revenue received from sales of goods and services includes administrative fees arising from loans being covered by guarantees and costs associated with government's issuing of guarantees, sales of departmental publications and commission on insurance premiums deducted from employees' salaries. Departmental receipts also include interest on government deposits and dividends received from the South African Reserve Bank (SARB). The receipts from sale of capital assets include the funds received from Secret Services (a group of government agencies funded by a transfer from National Treasury) for the sale of land. Financial transactions include the repayment of loans by the Auditor-General and recovery of departmental debt from previous years. All revenue is transferred to the National Revenue Fund

Table 8.2: Departmental receipts

R thousand	Revenue outcome			Adjusted appropriation	Medium-term revenue estimate		
	Audited	Audited	Preliminary		2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03				
Tax receipts	-	-	-	-	-	-	-
Sales of goods and services produced by department (excl capital assets)	26 065	25 100	29 128	35 894	37 689	39 573	41 552
Sales of scrap, waste, arms and other used current goods (excl capital assets)	-	-	-	-	-	-	-
Transfers received	-	-	-	-	-	-	-
Fines, penalties and forfeits	7 021	2 500	237	583	612	642	675
Interest, dividends and rent on land	1 134 590	1 130 363	1 594 628	1 894 000	2 000 900	1 920 490	2 109 939
Sales of capital assets	4 346	-	1 296	-	-	-	-
Financial transactions in assets and liabilities	-	-	12 163	21 105	22 160	23 268	24 432
<b>Total departmental receipts</b>	<b>1 172 022</b>	<b>1 157 963</b>	<b>1 637 452</b>	<b>1 951 582</b>	<b>2 061 361</b>	<b>1 983 973</b>	<b>2 176 598</b>

## Programme 1: Administration

*Administration* provides strategic management and administrative support to National Treasury, and political and managerial leadership. In addition, the Corporate Services division contributes to the administration and smooth running of the department, which seeks to create a productive and creative working environment.

### Expenditure estimates

Table 8.3: Administration

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary		2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03				
R thousand							
Minister <sup>1</sup>	598	614	691	746	791	831	872
Deputy Minister <sup>2</sup>	442	454	511	552	585	614	645
Management	25 653	15 117	26 423	16 809	25 635	27 124	28 630
Corporate Services	76 970	45 979	79 271	93 783	74 868	76 159	81 032
<b>Total</b>	<b>103 663</b>	<b>62 164</b>	<b>106 896</b>	<b>111 890</b>	<b>101 879</b>	<b>104 728</b>	<b>111 179</b>
Change to 2003 Budget Estimate				9 508	3 281	(762)	

<sup>1</sup> Payable as from 1 April 2003. Salary: R597 228. Car allowance: R149 307.

<sup>2</sup> Payable as from 1 April 2003. Salary: R441 288. Car allowance: R110 322.

#### Economic classification

<b>Current payments</b>	<b>52 620</b>	<b>59 437</b>	<b>77 874</b>	<b>90 717</b>	<b>98 429</b>	<b>100 813</b>	<b>106 424</b>
Compensation of employees	23 079	27 111	28 912	43 449	46 577	48 951	51 882
Goods and services	29 539	31 698	48 932	47 268	51 852	51 862	54 542
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	2	628	30	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>65</b>	<b>278</b>	<b>180</b>	<b>246</b>	<b>287</b>	<b>289</b>	<b>319</b>
Provinces and municipalities	65	67	84	113	147	149	159
Departmental agencies and accounts	-	211	96	133	140	140	160
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
<b>Payments for capital assets</b>	<b>50 978</b>	<b>2 449</b>	<b>28 842</b>	<b>20 927</b>	<b>3 163</b>	<b>3 626</b>	<b>4 436</b>
Buildings and other fixed structures	–	–	5 600	–	–	–	–
Machinery and equipment	16 373	2 449	23 242	20 927	3 163	3 626	4 436
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	154	–	–	–	–	–	–
Land and subsoil assets	34 451	–	–	–	–	–	–
<i>Of which: capitalised compensation</i>	–	–	–	–	–	–	–
<b>Total</b>	<b>103 663</b>	<b>62 164</b>	<b>106 896</b>	<b>111 890</b>	<b>101 879</b>	<b>104 728</b>	<b>111 179</b>

**Details of transfer payments and subsidies:**

Provinces and municipalities							
<b>Municipalities</b>							
<b>Current</b>	<b>65</b>	<b>67</b>	<b>84</b>	<b>113</b>	<b>147</b>	<b>149</b>	<b>159</b>
Regional Services Council levies	65	67	84	113	147	149	159
<b>Departmental agencies and accounts (Entities)</b>							
<b>Current</b>	<b>-</b>	<b>211</b>	<b>96</b>	<b>133</b>	<b>140</b>	<b>140</b>	<b>160</b>
Finance, Accounting, Management, Consulting and other Financial Services (Fasset) Sector Education and Training Authority	-	211	96	133	140	140	160
<b>Total</b>	<b>65</b>	<b>278</b>	<b>180</b>	<b>246</b>	<b>287</b>	<b>289</b>	<b>319</b>

**Expenditure trends**

Expenditure in *Administration* increased by 72,0 per cent in 2002/03, mainly due to the enhanced structure of the Office of the Minister and Office of the Director-General, the rise in spending owing to the restructuring of National Treasury, as well as once-off costs for the occupation and renovation of the 240 Vermeulen Street building. In 2003/04 R9,0 million was rolled over from 2002/03 to finalise the refurbishment and renovation of 240 Vermeulen Street. *Administration* makes provision for a legal budget of R4,0 million per year to assist in the passage and implementation of significant pieces of legislation.

**Programme 2: Economic Planning and Budget Management**

*Economic Planning and Budget Management* provides for professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations, public finance development and management of the annual budget process.

These functions are organised into four separate subprogrammes:

- Public Finance is responsible for economic and financial advice on social, economic, administrative and protection services, and for the Treasury's relations with other national departments. A Technical Assistance Unit, co-funded by the European Union, supplements these activities through project management and capacity-building support for reconstruction and development projects.



- The Budget Office provides fiscal policy advice, oversees the national budget process, co-ordinates international technical assistance and donor finance, supports public-private partnerships (PPPs) and compiles the public finance statistics.
- Intergovernmental Relations co-ordinates fiscal relations between national, provincial and local government and promotes sound provincial and municipal financial management.
- Economic Policy is responsible for macroeconomic analysis and policy advice, managing international financial relations, tax policy analysis and financial sector policy advice. The division also co-ordinates its activities with the Reserve Bank on the supervision and regulations of banking and exchange control, the Financial Services Board in relation to non-banking financial services, and the Financial Intelligence Centre in relation to anti-money laundering measures and combating the financing of terrorism.

## Expenditure estimates

**Table 8.4: Economic Planning and Budget Management**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Public Finance	9 320	12 009	19 024	31 420	32 463	35 574	38 746
Budget Office	10 964	9 337	17 159	34 680	39 685	43 195	47 062
Intergovernmental Relations	7 739	10 286	14 357	21 920	25 825	27 691	29 310
Economic Policy	16 508	22 174	36 652	40 243	42 234	44 492	46 654
<b>Total</b>	<b>44 531</b>	<b>53 806</b>	<b>87 192</b>	<b>128 263</b>	<b>140 207</b>	<b>150 952</b>	<b>161 772</b>
Change to 2003 Budget Estimate				5 670	5 609	13 609	

### Economic classification

<b>Current payments</b>	<b>42 501</b>	<b>50 879</b>	<b>84 718</b>	<b>118 303</b>	<b>131 007</b>	<b>140 950</b>	<b>151 558</b>
Compensation of employees	29 491	35 293	43 372	74 914	87 113	96 199	103 636
Goods and services	13 010	15 581	41 346	43 389	43 894	44 751	47 922
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	–	5	–	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–
<b>Transfers and subsidies to:</b>	<b>92</b>	<b>103</b>	<b>130</b>	<b>6 712</b>	<b>6 168</b>	<b>6 181</b>	<b>6 205</b>
Provinces and municipalities	92	103	130	338	168	181	205
Departmental agencies and accounts	–	–	–	6 000	6 000	6 000	6 000
Universities and technikons	–	–	–	–	–	–	–
Foreign governments & international organisations	–	–	–	–	–	–	–
Public corporations & private enterprises	–	–	–	374	–	–	–
Non-profit institutions	–	–	–	–	–	–	–
Households	–	–	–	–	–	–	–
<b>Payments for capital assets</b>	<b>1 938</b>	<b>2 824</b>	<b>2 344</b>	<b>3 248</b>	<b>3 032</b>	<b>3 821</b>	<b>4 009</b>
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	1 938	2 824	2 344	3 248	3 032	3 821	4 009
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
<b>Total</b>	<b>44 531</b>	<b>53 806</b>	<b>87 192</b>	<b>128 263</b>	<b>140 207</b>	<b>150 952</b>	<b>161 772</b>

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
<b>Details of transfer payments and subsidies:</b>							
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Current</b>	<b>92</b>	<b>103</b>	<b>130</b>	<b>338</b>	<b>168</b>	<b>181</b>	<b>205</b>
Regional Services Council levies	92	103	130	338	168	181	205
<b>Departmental agencies and accounts (Entities)</b>							
<b>Current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>	<b>6 000</b>
Project Development Facility Trading Account	-	-	-	6 000	6 000	6 000	6 000
<b>Private enterprises (Other transfers)</b>							
<b>Current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>-</b>	<b>-</b>	<b>-</b>
Human Science Research Council (HSRC) project	-	-	-	174	-	-	-
Finmark Trust	-	-	-	200	-	-	-
<b>Total</b>	<b>92</b>	<b>103</b>	<b>130</b>	<b>6 712</b>	<b>6 168</b>	<b>6 181</b>	<b>6 205</b>

## Expenditure trends

The average annual increase in expenditure of 42,3 per cent between 2000/01 and 2003/04 is a result of strengthening capacity in the Treasury's policy analysis and advisory functions and for improved co-ordination with provinces and municipalities, other national departments and government agencies and international organisations. The increase in expenditure of 62,0 per cent in 2002/03 includes expenditure on the Commission of Inquiry into the Depreciation of the Rand chaired by Advocate Myburgh in 2002/03, and in 2003/04 includes the operational costs of the Amnesty Unit, chaired by Advocate Madlanga, established in June 2003 and expected to complete its work in 2004/05.

Over the medium term, the budget grows at an average annual rate of 8,0 per cent, making provision for phasing in employment of interns as part of the Treasury's longer term training and capacity-building initiatives. The budget also includes provision for a new Project Development Facility Trading Account to contribute to the funding of advisory services on PPP projects.

## Service delivery objectives and indicators

### Recent outputs

The outputs of *Economic Planning and Budget Management* include the annual Budget, the Medium Term Budget Policy Statement (MTBPS), the *Intergovernmental Fiscal Review*, published public finance statistics, draft legislation relating to taxation, financial services and public sector financial management, and diverse consultative and advisory papers.

During 2003/04, notable activities included participating in the Growth and Development Summit, liaison with the private sector on the development of the Financial Sector Charter, development of legislation and regulations relating to the foreign exchange control amnesty, enactment of the Municipal Finance Management Act, initiating a comprehensive review of the governance of public entities, introducing a new economic classification format for the government accounts, finalising the Standardised PPP Provisions and publishing a draft Code of Good Practice for Black Economic Empowerment (BEE) in PPPs.

### *Accelerating growth and broadening economic empowerment*

Building on foundations laid in the Growth and Development Summit held in June 2003, the Treasury's work over the years ahead will include several initiatives aimed at strengthening the growth performance of the economy, broadening participation and extending job creation. Key elements in the summit agreement include:

- improving the regulatory environment and removing obstacles to small business development
- enhancing public infrastructure capacity and reinforcing investment in support of employment creation
- an expanded public works programme, extending job creation initiatives across a broad development front
- expanding education and training and accelerating enrolment in learnerships to underpin long-term job creation
- deepening social security programmes to provide income support to the most vulnerable
- a broad-based BEE strategy
- strengthening sectoral partnerships and local development initiatives.

The Financial Sector Charter, launched on 17 October 2003, takes several of these initiatives further, setting specific transformation targets for human resource development in the industry, extending access to financial services, broadening ownership and control and providing sustainable financing solutions for BEE programmes.

### *Strengthening governance and financial oversight*

Alongside the Treasury's role in overseeing implementation of the PFMA, the period ahead will see a deepening involvement in local government financial management and reforms to ensure effective and orderly implementation of the Municipal Finance Management Act. This Act gives emphasis to in-year monitoring and greater transparency in managing municipal financial affairs, and its requirements are closely aligned with the planning and organisational aspects dealt with in the Local Government Municipal Structures Act (117 of 1998) as amended, and the Local Government Municipal Systems Act (32 of 2000) as amended.

Together with the Department of Public Service and Administration, the Treasury has begun a review of the governance of public entities operating outside of the ambit of the Public Service Act (103 of 1994), with a view to improving co-ordination and addressing inconsistencies in governance, financial management, personnel policies and accountability arrangements. This project will in due course lead to legislative and institutional reforms.

### *Service delivery and public finance reform*

Improving the quality and efficiency of public service delivery is a central element in government's approach to broadening participation and promoting socio-economic development. Current initiatives in which the Treasury is integrally involved include:

- consolidation of social grants administration in a single national agency, with improved systems and oversight of the grants delivery process
- rollout of HIV and Aids treatment programmes, rehabilitation of hospitals, improved health sector administration and the review of options for reform of health financing and insurance arrangements
- reconfiguration of the ownership, administration and pricing of electricity and water distribution networks
- investment in transport infrastructure and the restructuring of commuter bus and rail services
- restructuring of the Post Office and Postbank

- modernisation of information systems in the integrated justice sector
- cost-effective construction and operation of prisons
- implementation and financing of the Home Affairs National Identification System (Hanis)
- oversight of the extension of labour-based public works programmes.

The role of broader economic and fiscal policy considerations in promoting sustainable growth and development is set out in more detail in the *2004 Budget Review*.

## Medium-term output targets

### Economic Planning and Budget Management

<b>Measurable objective:</b> Ensure sound economic, fiscal, financial and tax policies, an equitable division of revenue between the national, provincial and local spheres of government, and coherent and well-balanced departmental plans and budgets.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measures/Indicator</b>	<b>Target</b>
Public Finance	Sectoral and departmental policy advice and expenditure analysis and project management support	Timely and relevant analysis and advice  Quality of expenditure estimates  Improved project and financial management	Measurable indicators for all budget programmes  More effective and efficient public service delivery
Budget Office	Annual budget framework and division of revenue <i>Budget Review, Estimates of National Expenditure</i> , appropriation legislation and public finance statistics Public-private partnership agreements International cooperation agreements	Integrity of budget framework  Quality of budget documentation  Value for money and risk transfer in partnerships Contribution to RDP objectives	Broadening scope of budget and public finance statistics   Growth in PPPs and international co-operation
Intergovernmental Relations	Annual Division of Revenue Bill covering the fiscal framework and grants to provincial and local government grants <i>Intergovernmental Fiscal Review</i> to analyse trends in provincial and municipal budgets and expenditure on key functions such as education, health, welfare, water and electricity Intergovernmental financial and fiscal trends  Support for developing provincial and municipal financial management	Production of Division of Revenue Bill and <i>Intergovernmental Fiscal Review</i>  Improved intergovernmental relations and provincial and municipal financial management	Streamlined financial relations with provinces and municipalities  Sound and sustainable local and provincial finances
Economic Policy	Macroeconomic policy analysis and advice Financial sector policy advice, legislation and regulations Tax policy analysis and advice International financial relations advice and development	Coherence of economic policy  Deepening of financial markets  Tax reform and policy proposals International participation and agreements	Sustainable growth and development Stable financial sector  Robust tax performance Effective international representation of South Africa

## Programme 3: Asset and Liability Management

*Asset and Liability Management* is responsible for the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. There are five subprogrammes:

- Management refers to the office of the head of the division, where funds allocated to large spending items are included.

- Asset Management is committed to enhancing shareholder value through restructured state-owned entities, monitoring and enforcing compliance with corporate governance for government bodies and public entities in accordance with the PFMA, and co-ordinating borrowing activities of public entities in line with Treasury Regulations.
- Liability Management provides for government's liquidity needs and ensures prudent management of both domestic and foreign debt by issuing debt instruments at the lowest possible cost, subject to acceptable levels of risk, and contributes to the development of domestic capital markets and timeous servicing of debt.
- Financial Operations is responsible for managing government's liquidity requirements, ensuring that all government's debt transactions are recorded timeously and reported on in terms of the PFMA and all other multilateral institutions' reporting requirements. It also provides for the information system requirements of the different divisions.
- Strategy and Risk Management develops and maintains a risk management framework and ensures that the strategies adopted by the *Asset and Liability Management* programme are in line with the agreed framework.

## Expenditure estimates

**Table 8.5: Asset and Liability Management**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
Management	3 422	3 393	7 021	16 551	14 158	17 061	19 091
Asset Management	2 445	2 424	2 207	4 131	4 633	4 833	5 012
Liability Management	3 585	3 555	4 414	9 564	9 543	9 975	10 329
Financial Operations	3 096	3 070	3 812	8 561	8 965	8 236	8 568
Strategy and Risk Management	3 749	3 717	2 608	4 024	4 972	5 199	5 403
<b>Total</b>	<b>16 297</b>	<b>16 159</b>	<b>20 062</b>	<b>42 831</b>	<b>42 271</b>	<b>45 304</b>	<b>48 403</b>
Change to 2003 Budget Estimate				-	108	(255)	

### Economic classification

	11 407	15 335	19 447	41 256	40 436	44 457	47 506
<b>Current payments</b>							
Compensation of employees	7 366	7 910	11 186	18 466	22 907	23 568	24 335
Goods and services	4 041	7 425	8 261	22 790	17 529	20 889	23 171
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>22</b>	<b>24</b>	<b>33</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>40</b>
Provinces and municipalities	22	24	33	34	36	38	40
Departmental agencies and accounts	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Payments for capital assets</b>	<b>4 868</b>	<b>800</b>	<b>582</b>	<b>1 541</b>	<b>1 799</b>	<b>809</b>	<b>857</b>
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	4 868	800	582	1 541	1 799	809	857
Cultivated assets	–	–	–	–	–	–	–
Software and other intangible assets	–	–	–	–	–	–	–
Land and subsoil assets	–	–	–	–	–	–	–
<i>Of which: Capitalised compensation</i>	–	–	–	–	–	–	–
<b>Total</b>	<b>16 297</b>	<b>16 159</b>	<b>20 062</b>	<b>42 831</b>	<b>42 271</b>	<b>45 304</b>	<b>48 403</b>

**Details of transfer payments and subsidies:**

Provinces and municipalities							
Municipalities							
Current	22	24	33	34	36	38	40
Regional Services Council levies	22	24	33	34	36	38	40
<b>Total</b>	<b>22</b>	<b>24</b>	<b>33</b>	<b>34</b>	<b>36</b>	<b>38</b>	<b>40</b>

**Expenditure trends**

The budget for *Asset and Liability Management* increased by 113,5 per cent in 2003/04 making provision for the increase in the compensation of employees due to the restructuring of the division. Although the budget increases at a lower average annual rate of 4,2 per cent over the medium term, the increase will facilitate the expansion of the subprogrammes' functions and posts, the implementation of new risk management approaches, the focus on corporate governance, and the development and implementation of an integrated information system.

**Service delivery objectives and indicators****Recent outputs**

Government's net borrowing requirement was adjusted upwards from R30,2 billion to R37,9 billion. The division is on track with its financing programme for 2003/04. With regard to foreign funding, the government borrowed EUR1,3 billion from the global market at a coupon of 5,325 per cent, the lowest coupon since re-entering the international capital markets in 1994. Furthermore, the \$1,5 billion Syndicated Loan due by 2004/05 was prematurely redeemed. During 2003, the Net Open Forward Currency Position was entirely eliminated.

In terms of the Gold and Foreign Exchange Contingency Reserve Account Defrayal Act (4 of 2003), R14,0 billion of nil coupon bonds was issued to the South African Reserve Bank. In addition, National Treasury and the Reserve Bank agreed on a strategy which allows the bank to convert its current bond portfolio and future nil coupon bonds into short-term interest bearing bonds or cash, enabling the bank to improve management of liquidity in the market.

Good progress has been made in introducing a retail bond targeted at the general public. The objectives are to create general public awareness about the importance of saving, to diversify funding instruments and to target a different source of funding for government. It is envisaged that the first issuance will be during the first quarter of 2004/05.

During 2003/04, the Republic of South Africa was upgraded by Standard & Poors, Fitch Ratings, and Ratings & Investment Information (R&I) to BBB, BBB and BBB+, respectively. Further, Moody's Investor Services gave South Africa a positive rating.

Current intergovernmental cash co-ordination processes have been enhanced and provinces have opened Commission for Public Deposit bank accounts as part of their Provincial Revenue Fund accounts. The re-engineering of existing cash management processes has resulted in the Exchequer account balances being lowered from R500,0 million to R100,0 million resulting in additional interest earned of R35,0 million.

Regarding systems integration, the division has completed the business processes review, held system demonstrations, performed gap analysis, and is currently concluding the information management strategy outlining the next-generation applications that will enable sovereign debt management activities.

In addition to supporting the restructuring process of public entities, the division also focuses on the corporate governance of government bodies and public entities. Considerable progress has been made in normalising the dividend policies and tax status of all major business public enterprises.

### Medium-term output targets

#### Asset and Liability Management

**Measurable objective:** Manage government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring and financial management, and optimal management of government's domestic and foreign debt portfolio.

Subprogramme	Output	Measure/Indicator	Target
Asset Management	Compliance with PFMA	Section 52, section 54, section 66 of the PFMA : submission of annual reports; submission of corporate plan by schedule 2 and 3B entities	Enforcement of full compliance by all state-owned enterprises
	Protocol on Corporate Governance	Section 70: Issue of guarantees by Cabinet ministers with concurrence of the Minister of Finance	Serve as a secretariat to the Guarantee Certification Committee (GCC) every quarter
		Guidelines which, read with King II report, are applicable on schedule 2, 3B and 3D in particular to disclose the remuneration of directors (both executive and non-executive)	To ensure compliance with regulated Protocol on Corporate Governance
	Review Transnet's loan covenants Review of Treasury operations of state-owned enterprises	Review loan covenants Recommendation to Cabinet on the outcome	May 2004 March 2005
Liability Management	Financing the deficit	Meet government borrowing requirements	Net positive issuance of R27,5 billion
	Keep presence in foreign markets	Annual issuance in foreign markets	Issue equivalent of US\$1,0 billion
	Eliminate Gold and Foreign Exchange Contingency Reserve Account (GFECRA) losses within MTEF period	Annual reduction of GFECRA losses	Issue R7 billion nil coupon bonds
	Diversification of borrowing instruments	Introduction of new funding instruments	Retail bonds and possible new bullet bond
Financial Operations	Intergovernmental cash co-ordination	Phase 2: Full implementation of the project	Phase 2 completed by June 2004

Subprogramme	Output	Measure/Indicator	Target
	Information systems	Analysis, design and implementation of public debt management system	January 2005
		Accounting module	March 2005
		Implementation of daily cash flow management system	March 2005
	Sound internal controls and timeous reporting	Quality of controls measured by annual audits and deadlines met	Ongoing and annually
Strategy and Risk Management	Finalise the new risk management framework	Recommendation on new benchmark	Continuous review
	Produce a quarterly debt profile review to monitor risks arising out of debt portfolio	Quarterly debt profile review	Issue reviews quarterly
	Ensure that appropriate policies and guidelines dealing with the use of government guarantees for public entities are in place and adhered to	Approved government guarantee policy	Policy approved

## Programme 4: Financial Management and Systems

This programme manages and regulates government's supply-chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the PFMA and related capacity-building initiatives. There are three subprogrammes:

- Management refers to the office of the head of the division.
- Supply-Chain Management develops and regulates policy on the acquisition of goods and services in the public sector, monitors, trains and advises departments on supply-chain management, and helps to manage general supply contracts on behalf of national government.
- PFMA Implementation and Co-ordination provides for National Treasury's role in the implementation of the PFMA and related Treasury training initiatives.
- Financial Systems is responsible for maintaining and enhancing existing financial management systems, seeking to replace outdated systems with ones that will refine compliance with the PFMA and GRAP.

## Expenditure estimates

Table 8.6: Financial Management and Systems

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome					
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	
Management	511	837	947	1 123	1 165	1 237	1 342	
Supply Chain Management	18 738	13 594	13 621	26 616	29 364	31 448	33 336	
PFMA Implementation and Co-ordination	1 156	1 417	5 114	15 626	15 781	16 629	17 626	
Financial Systems	198 061	206 715	244 889	327 585	306 145	316 309	329 188	
<b>Total</b>	<b>218 466</b>	<b>222 563</b>	<b>264 571</b>	<b>370 950</b>	<b>352 455</b>	<b>365 623</b>	<b>381 492</b>	
Change to 2003 Budget Estimate				13 234	(35 018)	(49 568)		
<b>Economic classification</b>								
<b>Current payments</b>	<b>216 158</b>	<b>219 588</b>	<b>261 035</b>	<b>366 704</b>	<b>348 903</b>	<b>362 079</b>	<b>377 691</b>	
Compensation of employees	19 490	18 225	20 775	35 025	44 851	51 357	54 542	
Goods and services	196 668	201 356	240 260	331 679	304 052	310 722	323 149	
Interest and rent on land	–	–	–	–	–	–	–	
Financial transactions in assets and liabilities	–	7	–	–	–	–	–	
Unauthorised expenditure	–	–	–	–	–	–	–	



	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
<b>Transfers and subsidies to:</b>	<b>34</b>	<b>57</b>	<b>64</b>	<b>54</b>	<b>62</b>	<b>65</b>	<b>67</b>
Provinces and municipalities	34	57	64	54	62	65	67
Departmental agencies and accounts	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>2 274</b>	<b>2 918</b>	<b>3 472</b>	<b>4 192</b>	<b>3 490</b>	<b>3 479</b>	<b>3 734</b>
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	2 274	2 918	3 472	4 192	3 490	3 479	3 734
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
<b>Total</b>	<b>218 466</b>	<b>222 563</b>	<b>264 571</b>	<b>370 950</b>	<b>352 455</b>	<b>365 623</b>	<b>381 492</b>

**Details of transfer payments and subsidies:**

<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Current</b>	<b>34</b>	<b>57</b>	<b>64</b>	<b>54</b>	<b>62</b>	<b>65</b>	<b>67</b>
Regional Services Council levies	34	57	64	54	62	65	67
<b>Total</b>	<b>34</b>	<b>57</b>	<b>64</b>	<b>54</b>	<b>62</b>	<b>65</b>	<b>67</b>

**Expenditure trends**

The downward adjustment of the 2003 budget allocation for the first two years of the medium term is mainly due to the postponement of the development of new systems over that period. However, the increase in the budget for the Financial Systems subprogramme over the medium term makes provision for the ongoing rollout of the Basic Accounting System (BAS). PFMA Implementation and Coordination and Supply Chain Management will grow faster than the programme's budget as a whole, making provision for the rollout of training and capacity-building initiatives related to implementing the PFMA and to create a Supply Chain Management Office in order to align government procurement with the requirements of the PFMA.

**Service delivery objectives and indicators****Recent outputs***Supply Chain Management Framework*

In terms of section 76(4)(c) of the PFMA, a Supply Chain Management Framework was published for comment at the end of October 2002. During 2003, comments were received and the Regulations were promulgated on 5 December 2003. The purpose of the framework is to replace the outdated procurement and provisioning systems in government with an integrated supply chain management system, as well as an international best practice process for appointing consultants.

### *Appropriate training*

The Validation Board, established in November 2001 to accredit training material used in building capacity for implementing the PFMA, has already accredited 59 courses from 12 service providers. Such accreditations ensure that training materials are of sufficient quality for participating trainees to acquire the requisite skills and receive value for money. National Treasury has also entered into a service level agreement with the Institute for Public Finance and Auditing (IPFA) for the rollout of a large-scale training programme over the medium term. The course programme will include modules on government accounting, strategic planning and budgeting, supply chain management and finance for non-finance managers.

### *PFMA progress reports and master plan for integrating government's financial management system*

During June and July 2003, National Treasury submitted PFMA progress reports to the Standing Committee on Public Accounts (SCOPA) and to Cabinet. A further report detailing progress on PFMA implementation will be submitted in March 2004.

A project office was established on 1 February 2003 to develop a master plan for integrating government's financial management system. The master plan, which needs to be completed by the end of March 2004, will include options for replacing and enhancing government's current legacy systems, together with proposed budgets and implementation time frames relevant to the possible options. Since its inception in February 2003, the project office has largely completed its technical assessment of the current financial management systems. Current work focuses on the development of a user requirements statement that will conform to government's future requirements. A first draft of the new user requirements statement was made available in November 2003.

## **Medium-term output targets**

### **Financial Management and Systems**

<b>Measurable objective:</b> Ensure efficient and effective public sector supply chain management, the adoption of improved financial management systems and progressive implementation of the PFMA.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>
Supply Chain Management	Regulate and monitor supply chain management policy in government and manage general supply contracts on behalf of government	Implement consistent legislative and policy framework	Phased implementation strategy to be continued during 2004
		Repeal the State Tender Board Act and dismantle the State Tender Board	During 2004
		Issue practice notes and guideline for supply chain management	During 2004
PFMA Implementation and Co-ordination	Co-ordinate implementation and training initiatives of National Treasury in relation to the PFMA, and monitor implementation of the PFMA in other institutions	Report to Cabinet and SCOPA on progress made	30 September 2004 and 31 March 2005
		Percentage of training material evaluated for relevance	100%
		Number of courses presented that meet government training needs	20 courses
Financial Systems	Implementation, training, maintenance and enhancement of financial management systems	Percentage of availability and stability of financial systems within working hours	98% system availability Monday to Friday from 7h30 to 16h30

## **Programme 5: Financial Accounting and Reporting**

*Financial Accounting and Reporting* aims to develop new, and enhance existing, accounting policies and practices to ensure compliance with GRAP standards, which would enable a transition

from the cash basis of accounting, improve the timeliness, accuracy and efficiency of financial reporting, and provide mechanisms for improved financial accountability in the public sector. The programme consists of the following subprogrammes:

- Financial Reporting for National Accounts is responsible for the accounting of the National Revenue Fund and Reconstruction and Development Programme (RDP) Fund, banking services for national government, developing and implementing accounting policies, and preparing consolidated financial statements.
- Financial Management Improvement incorporates financial management improvement and training as well as internal audit services. It also assists the Institute for Public Finance and Auditing.
- Investment of Public Monies accommodates augmentation of the Public Investment Commissioners' bank account.
- Service Charges (Commercial Banks) provides for bank service charges for the deposit accounts of all departments.
- Audit Statutory Bodies provides for compensation for shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act (12 of 1995).
- Contingent Liabilities: Reinsurance Liabilities makes provision for reinsurance granted to insurers arising from loss or damage to property, funds payments or consequential loss as a result of riots, in terms of the reinsurance of Damages and Losses Act (56 of 1989), and loans and advances to such insurers in terms of the Act.

## Expenditure estimates

**Table 8.7: Financial Accounting and Reporting**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Financial Reporting for National Accounts	4 416	6 122	25 090	34 964	40 956	46 796	52 482
Financial Management Improvement	78 292	9 114	667	10 297	16 601	18 362	19 447
Investment of Public Monies	–	–	–	1	1	1	1
Service Charges (Commercial Banks)	3 335	3 807	5 634	6 781	–	–	–
Audit Statutory Bodies	9 825	6 169	11 877	11 279	8 623	9 140	9 689
Contingent Liabilities: Reinsurance Liabilities	–	–	–	1	1	1	1
<b>Total</b>	<b>95 868</b>	<b>25 212</b>	<b>43 268</b>	<b>63 323</b>	<b>66 182</b>	<b>74 300</b>	<b>81 620</b>
Change to 2003 Budget Estimate				115	(3 582)	(684)	

### Economic classification

	8 518	16 309	31 010	47 322	53 058	60 393	66 875
<b>Current payments</b>							
Compensation of employees	3 391	5 020	3 032	11 491	14 591	19 912	24 198
Goods and services	5 127	11 285	27 978	35 831	38 467	40 481	42 677
Interest and rent on land	–	–	–	–	–	–	–
Financial transactions in assets and liabilities	–	4	–	–	–	–	–
Unauthorised expenditure	–	–	–	–	–	–	–

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Transfers and subsidies to:</b>	<b>86 790</b>	<b>8 808</b>	<b>12 078</b>	<b>15 030</b>	<b>12 591</b>	<b>13 342</b>	<b>14 146</b>
Provinces and municipalities	75 035	8	9	50	68	68	75
Departmental agencies and accounts	11 755	8 800	12 069	14 980	12 523	13 274	14 071
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>560</b>	<b>95</b>	<b>180</b>	<b>971</b>	<b>533</b>	<b>565</b>	<b>599</b>
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	560	95	180	971	533	565	599
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
<b>Total</b>	<b>95 868</b>	<b>25 212</b>	<b>43 268</b>	<b>63 323</b>	<b>66 182</b>	<b>74 300</b>	<b>81 620</b>

**Details of transfer payments and subsidies:**

<b>Provinces and municipalities</b>							
<b>Provincial Revenue Funds</b>							
<b>Current</b>	<b>75 000</b>	-	-	-	-	-	-
Financial and Personnel Systems	75 000	-	-	-	-	-	-
<b>Municipalities</b>							
<b>Current</b>	<b>35</b>	<b>8</b>	<b>9</b>	<b>50</b>	<b>68</b>	<b>68</b>	<b>75</b>
Regional Services Council levies	35	8	9	50	68	68	75
<b>Departmental agencies and accounts (Entities)</b>							
<b>Current</b>	<b>11 755</b>	<b>8 800</b>	<b>11 877</b>	<b>14 980</b>	<b>12 523</b>	<b>13 274</b>	<b>14 071</b>
Accounting Standards Board	-	-	-	3 700	3 900	4 134	4 382
Institute for Public Finance and Auditing	1 930	-	-	-	-	-	-
Audit (Auditor-General)	9 825	8 800	11 877	11 280	8 623	9 140	9 689
<b>Capital</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accounting Standards Board	-	-	192	-	-	-	-
<b>Total</b>	<b>86 790</b>	<b>8 808</b>	<b>12 078</b>	<b>15 030</b>	<b>12 591</b>	<b>13 342</b>	<b>14 146</b>

**Expenditure trends**

The phasing out of transfers for the improvement of financial management in 2001/02 is the reason why expenditure decreased at an average annual rate of 12,9 per cent between 2000/01 and 2003/04. The budget for the programme will however increase at an average annual rate of 8,8 per cent over the medium term due to the increase in the staff complement.

No provision for Service Charges was made over the medium term as departments will be responsible for the service charges of their bank accounts at the relevant commercial bank.

## Service delivery objectives and indicators

### Recent outputs

Formats and standards of annual financial statements for the year ended 31 March 2003 were completed timeously and successfully implemented. Furthermore, for the year ending 31 March 2004, the formats and standards were finalised during December 2003 and made available to departments.

Accrual accounting and the compilation of information within an asset register enable the identification of the ongoing costs, such as depreciation and maintenance, of ownership and operating assets. To provide guidance in this regard the Office of the Accountant-General distributed a detailed Asset Management Guideline to departments in January 2004.

National Treasury has embarked on several initiatives to enhance the successful implementation of effective audit committees and internal audit units. These include:

- the development of an internal audit (IA) framework that can guide heads of internal audit in the implementation and management of IA units
- the development of a learnership programme in conjunction with the Institute of Internal Auditors to standardise the training of internal auditors and to allow them to obtain an internationally recognised qualification
- the performance of quality assurance reviews at all the IA units in national and provincial departments over the next two years.

### Medium-term output targets

**Table 8.9 Financial Accounting and Reporting**

<b>Measurable objective:</b> Improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>
Financial Reporting for National Accounts	Monthly revenue and expenditure reports	Timely publishing of accurate reports	30 days after month end
	Annual consolidated financial statements for the national government	Timely publishing of statements	7 months after financial year end
	Completion of formats and guidelines for annual financial statements 2004/05	Completed formats and guidelines	August 2004
Financial Management Improvement	Framework for transition from cash to accrual basis of accounting	Timely development of framework	May 2004
	Development of accounting policies and practices to support the framework	Completed set of accounting policies	July 2004
	Quality assurance reviews on internal audit units at national and provincial departments	Number of quality reviews conducted and reports issued during 2004/05 financial year	70 reviews and reports issued in 2004/05

## Programme 6: Provincial and Local Government Transfers

This programme manages the three conditional grants to the provincial and local spheres of government for which National Treasury is directly responsible.

- The Provincial Infrastructure Grant supplements the provinces' infrastructure budgets, and is intended to help accelerate the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools and provincial roads. Over the next three years this grant will also provide for the funding of labour-intensive provincial infrastructure projects and

agricultural infrastructure. The component of the grant which funded the rehabilitation of infrastructure damaged by floods has been phased out.

- The Local Government Restructuring Grant provides for the transfer and monitoring of funds to local government to assist in restructuring initiatives for modernising service delivery and institutional and financial management in the larger municipalities.
- The Local Government Financial Management Grant provides for the transfer and monitoring of funds for local government financial management reforms and the implementation of the MFMA.

## Expenditure estimates

**Table 8.8: Provincial and Local Government Transfers**

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2003/04	2004/05	2005/06
R thousand	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Provincial Infrastructure Grant	895 000	1 824 000	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119
Local Government Financial Management and Restructuring Grants	275 000	290 250	305 230	749 830	540 898	548 740	548 657
<b>Total</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 255 230</b>	<b>3 284 318</b>	<b>3 889 260</b>	<b>4 279 513</b>	<b>4 666 776</b>
Change to 2003 Budget Estimate				222 915	470 749	652 062	

### Economic classification

<b>Current payments</b>	-	-	-	-	-	-	-
Compensation of employees	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 255 230</b>	<b>3 284 318</b>	<b>3 889 260</b>	<b>4 279 513</b>	<b>4 666 776</b>
Provinces and municipalities	1 170 000	2 114 250	2 255 230	3 284 318	3 889 260	4 279 513	4 666 776
Departmental agencies and accounts	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	-	-	-	-	-	-	-
Public corporations & private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
<b>Total</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 255 230</b>	<b>3 284 318</b>	<b>3 889 260</b>	<b>4 279 513</b>	<b>4 666 776</b>

### Details of transfer payments and subsidies:

<b>Provinces and municipalities</b>							
<b>Provincial Revenue Funds</b>							
<b>Current</b>	-	<b>424 000</b>	-	-	-	-	-
Supplementary allocation	-	124 000	-	-	-	-	-
Mpumalanga (sec100 (1)(a) of the Constitution)	-	300 000	-	-	-	-	-

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
<b>Capital</b>	<b>895 000</b>	<b>1 400 000</b>	<b>1 950 000</b>	<b>2 534 488</b>	<b>3 348 362</b>	<b>3 730 773</b>	<b>4 118 119</b>
Provincial Infrastructure	300 000	800 000	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119
Flood Rehabilitation	595 000	600 000	400 000	200 000	-	-	-
<b>Municipalities</b>							
<b>Current</b>	<b>275 000</b>	<b>290 250</b>	<b>305 230</b>	<b>749 830</b>	<b>540 898</b>	<b>548 740</b>	<b>548 657</b>
Local Government Restructuring	225 000	230 250	151 000	539 000	342 900	350 000	350 000
Financial Management: Municipalities	50 000	60 000	111 000	151 000	129 000	125 536	121 088
Financial Management: Development Bank of Southern Africa	-	-	43 230	59 830	68 998	73 204	77 569
<b>Total</b>	<b>1 170 000</b>	<b>2 114 250</b>	<b>2 255 230</b>	<b>3 284 318</b>	<b>3 889 260</b>	<b>4 279 513</b>	<b>4 666 776</b>

### Expenditure trends

The capital transfers for Provincial Infrastructure have been in existence since 2000/01. This allocation increases from a R300,0 million in 2000/01 to R2,3 billion in 2003/04 and is projected to rise to R4,1 billion in 2006/07.

The Local Government Financial Management and Restructuring Grants were introduced in 2000/01 to fund financial management reforms and restructuring initiatives in municipalities. The amount of R275,0 million transferred in 2000/01 will almost double to R548,7 million in 2006/07.

### Service delivery objectives and indicators

#### Recent outputs

##### *Improved provincial spending*

The rapid rise in the allocation of the Provincial Infrastructure Grant since 2000/01 has contributed to the strong growth in provincial capital expenditure over the same period. After experiencing some problems in the early years, mainly in the form of underspending, based on the new classification provincial spending on capital has doubled from under R4,0 billion in 2000/01 to a projected outcome of R10,0 billion in 2003/04. Work is also under way to develop and implement improved infrastructure planning and delivery systems to speed up the pace of project implementation.

##### *More municipalities eligible for Local Government Restructuring Grant*

The Local Government Restructuring Grant is a demand-driven grant with municipalities providing benchmarks and conditions against which they will be measured. Disbursements are based on achieving outputs. Many first-time applications from eligible municipalities were of a poor quality and standard. An extension of the deadline for submissions to 31 July 2003 resulted in vastly improved applications. After an intensive and lengthy evaluation and review process, three municipalities (Cacadu district municipality, and Msunduzi and Mangaung local municipalities) were allocated a combined total of R99,0 million during 2003. Further evaluation and assessments were conducted over a four-month period, which led to Buffalo City and Emfuleni local municipalities being granted multi-year allocations amounting to R260,0 million. Once-off allocations amounting to R50,0 million were awarded to Polokwane, uMhlatuze, Sol Plaatje and Matjhabeng local municipalities. Interim allocations amounting to R160,0 million were granted to

five metropolitan municipalities, and the previously withheld grant of R60,0 million for the City of Johannesburg was disbursed.

#### *Local Government Financial Management Grant*

The Local Government Financial Management Grant is provided to municipalities to support broad financial reform in the local government sphere as part of the implementation of the MFMA. In 2000 a pilot project was started, to develop the principles in selected municipalities. The number of participating municipalities grew from the initial seven in 2000 to 63 in 2003. National rollout began in 2003 and by the end of 2004 all municipalities will be participating in the programme. The programme provides for the gearing of international support and direct allocations to municipalities. This amounted to R50,0 million, R60,0 million, R154,2 million and R210,8 million in 2000/01, 2001/02, 2002/03 and 2003/04 respectively. The 2004 MTEF provides for R198,0 million, R198,7 million and R198,7 million. During 2003, 16 international financial advisors were placed in selected municipalities to support the implementation of the reforms. This is to expand over the medium term. Furthermore, to facilitate skills development in financial management municipalities have used the grant to appoint over 100 municipal finance management interns.

### **Medium-term output targets**

#### **Provincial and local government transfers**

**Measurable Objective:** Reinforce the pace and quality of provincial infrastructure investment and maintenance of assets, and promote financial management reform and restructuring of service delivery by municipalities.

<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>Target</b>
Provincial Infrastructure Grant	Framework for the grant	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments Grant framework to be submitted on the prescribed date and all payments made on schedule	A complete framework in full compliance with the requirements of the Division of Revenue Act Budget day 2005
	Reports on provincial capital expenditure	Accurate reports on actual expenditure for the relevant period	Four quarterly reports
Local Government Financial Management and Restructuring Grant	Restructuring grant: Assistance to restructure and modernise service delivery	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments	A complete framework in full compliance with the requirements of the Division of Revenue Act
	Financial management grant: Assistance in the implementation municipal finance management	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments	A complete framework in full compliance with the requirements of the Division of Revenue Act

### **Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits**

The key objectives of this programme are to provide for the payment of pension and other benefits in the public sector.

- Civil Pensions and Contributions to Funds provides for the payment of benefits out of pension and other funds to beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- Military Pensions and Other Benefits provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistive-devices, and other related expenses, in keeping with statutory commitments.



## Expenditure estimates

Table 8.9: Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03			2004/05	2005/06	2006/07
R thousand								
Civil Pensions and Contributions to Funds	1 266 514	1 533 622	1 762 101	2 325 092	2 038 966	2 161 304	2 290 982	
Military Pensions and Other Benefits	133 603	130 840	133 821	124 477	125 000	132 500	140 450	
<b>Total</b>	<b>1 400 117</b>	<b>1 664 462</b>	<b>1 895 922</b>	<b>2 449 569</b>	<b>2 163 966</b>	<b>2 293 804</b>	<b>2 431 432</b>	
Change to 2003 Budget Estimate				420 000	-	-		
<b>Economic classification</b>								
<b>Current payments</b>	<b>972 256</b>	<b>975 565</b>	<b>1 244 246</b>	<b>1 419 721</b>	<b>1 502 325</b>	<b>1 592 464</b>	<b>1 688 012</b>	
Compensation of employees	963 570	968 495	1 228 462	1 407 185	1 489 037	1 578 379	1 673 082	
Goods and services	8 686	7 066	15 012	12 536	13 288	14 085	14 930	
Interest and rent on land	-	-	-	-	-	-	-	
Financial transactions in assets and liabilities	-	4	772	-	-	-	-	
Unauthorised expenditure	-	-	-	-	-	-	-	
<b>Transfers and subsidies to:</b>	<b>427 861</b>	<b>688 897</b>	<b>651 676</b>	<b>1 029 848</b>	<b>661 641</b>	<b>701 340</b>	<b>743 420</b>	
Provinces and municipalities	-	-	-	-	-	-	-	
Departmental agencies and accounts	-	-	-	-	-	-	-	
Universities and technikons	-	-	-	-	-	-	-	
Foreign governments & international organisations	808	2 465	3 566	2 742	2 906	3 080	3 265	
Public corporations & private enterprises	-	-	-	-	-	-	-	
Non-profit institutions	50	60	50	52	55	58	62	
Households	427 003	686 372	648 060	1 027 054	658 680	698 202	740 093	
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Buildings and other fixed structures	-	-	-	-	-	-	-	
Machinery and equipment	-	-	-	-	-	-	-	
Cultivated assets	-	-	-	-	-	-	-	
Software and other intangible assets	-	-	-	-	-	-	-	
Land and subsoil assets	-	-	-	-	-	-	-	
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-	
<b>Total</b>	<b>1 400 117</b>	<b>1 664 462</b>	<b>1 895 922</b>	<b>2 449 569</b>	<b>2 163 966</b>	<b>2 293 804</b>	<b>2 431 432</b>	
<b>Details of transfer payments and subsidies:</b>								
<b>Foreign governments and international organisations</b>								
<b>Current</b>	<b>808</b>	<b>2 465</b>	<b>3 566</b>	<b>2 742</b>	<b>2 906</b>	<b>3 080</b>	<b>3 265</b>	
United Kingdom Tax	808	2 465	3 566	2 742	2 906	3 080	3 265	
<b>Non-profit institutions</b>								
<b>Current</b>	<b>50</b>	<b>60</b>	<b>50</b>	<b>52</b>	<b>55</b>	<b>58</b>	<b>62</b>	
SA Legion	50	60	50	52	55	58	62	

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
<b>Households (Social benefits)</b>							
<b>Current</b>	<b>427 003</b>	<b>686 372</b>	<b>648 060</b>	<b>1 027 054</b>	<b>658 680</b>	<b>698 202</b>	<b>740 093</b>
Civil Pensions	302 136	556 604	515 947	903 901	535 638	567 777	601 843
<i>Of which:</i>							
Contributions to provident funds for associated institutions	503	474	469	727	771	817	866
Parliamentary awards	33	35	38	121	128	136	144
Other beneficiaries	40 316	43 960	41 668	45 700	48 443	51 350	54 431
Pension benefit: President of RSA	564	596	640	639	677	718	761
Political Office Bearers' Fund	12 578	13 288	14 019	416 750	17 755	18 820	19 949
Awards iro temporary, total or partial disablement or death as a result of injury on duty	119 262	153 717	179 232	155 380	164 703	174 585	185 060
Special pensions	128 880	344 534	279 881	284 583	303 160	321 350	340 631
Augmentation of civil pensions	-	-	-	1	1	1	1
Military Pensions	124 867	129 768	132 113	123 153	123 042	130 425	138 250
<i>Of which:</i>							
Ex-servicemen	52 062	50 352	48 457	44 090	42 175	44 706	47 388
SA Citizen Force	64 103	67 276	71 428	69 031	70 833	75 083	79 588
Civil Protection	28	19	19	32	34	36	38
Other Benefits for Ex-servicemen	8 674	12 121	12 209	10 000	10 000	10 600	11 236
<b>Total</b>	<b>427 861</b>	<b>688 897</b>	<b>651 676</b>	<b>1 029 848</b>	<b>661 641</b>	<b>701 340</b>	<b>743 420</b>

## Expenditure trends

The government contribution to medical schemes for retired civil servants carries the largest expenditure burden in this programme, growing from R1,2 billion in 2002/03 to R1,6 billion in 2006/07 as reflected in compensation of employees. Special pensions payments increased after 2001/02 as the acceleration of the adjudication of applications rose due to the Minister of Finance's appointment of a full-time Special Pensions Board and a Special Pensions Review Board.

Over the entire period between 2000/01 and 2006/07, the budget for this programme will have grown at a rate significantly below the rate of growth of National Treasury's budget as a whole.

An additional R400,0 million was allocated to the Civil Pensions and Contributions to Funds subprogramme during the 2003 Adjusted Estimates for the additional service benefits for retiring members of Parliament and members of provincial legislatures.

## Service delivery and output indicators

### Recent outputs

Through ongoing review, maintenance and enhancement in relation to administrative systems, it became clear that applications for the payment and administration of civil and military pensions and contributions to medical schemes needed to be re-engineered. Business analysts have compiled draft functional specifications related to workflow processes in the administration of special pensions, military pensions and ad hoc medical expense claims, and these are being reviewed.

## Medium-term output targets

### Civil and Military Pensions, Contributions to Funds and Other Benefits

**Measurable objective:** Ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

Subprogramme	Output	Measure/Indicator	Target
Civil Pensions and Contribution to Funds	Payment of pension benefits and contributions to funds (including Special Pensions)	17 614 beneficiaries paid monthly	On the first working day of each month
	Payment of contributions to medical aid schemes	82 256 members paid monthly	By the end of the month following the month in which the expenses were incurred
	Payment of risk and administration fees to the Political Office Bearer's Pension fund	959 members paid monthly	By the 7th working day of each month
Military Pensions and Other Benefits	Payment of military pension benefits	7 667 beneficiaries paid monthly	On the 1st working day of each month
	Payment to service providers for medical expenses	4 944 beneficiaries paid monthly	Payment of claims on receipt of claims by the service providers

## Programme 8: Fiscal Transfers

*Fiscal Transfers* makes funds available to public authorities and other institutions in terms of various legal provisions governing the financial relations between government and the particular authority or institution, including international development institutions of which government is a member.

Domestic transfers are made to:

- the Development Fund of the Development Bank of Southern Africa for the micro credit initiative
- the South African Revenue Service, which is responsible for collection of revenue in terms of the South African Revenue Service Act (34 of 1997)
- the Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue
- the Secret Services Account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service
- the Financial Intelligence Centre, charged with assisting in combating money laundering and strengthening financial regulation capacity.

Foreign transfer payments, made in terms of government's international obligations, are made to:

- Lesotho and Namibia in terms of the Common Monetary Area Agreement
- World Bank Group
- the Highly Indebted Poor Countries Initiative (HIPC) of the International Monetary Fund
- the African Development Bank
- Commonwealth Fund for Technical Assistance.

## Expenditure estimates

Table 8.10: Fiscal Transfers

Subprogramme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
Lesotho and Namibia	145 277	448	128 925	304 633	176 367	199 037	224 627
Development Bank of Southern Africa	-	-	-	40 000	40 001	40 001	40 000
World Bank Group	-	-	-	1	1	1	1
Highly Indebted Poor Countries Initiative	44 242	49 388	54 400	55 000	55 000	-	-
African Development Bank	32 094	100 358	112 738	129 567	154 316	163 576	173 423
South African Revenue Service	2 529 114	2 863 181	3 501 950	3 792 007	4 602 509	4 748 312	5 033 210
Financial and Fiscal Commission	7 994	9 258	12 038	12 679	15 394	15 577	16 073
Secret Services	890 043	983 307	1 328 668	1 771 265	2 117 057	2 080 063	2 223 086
Financial Intelligence Centre	-	-	35 000	37 000	21 866	23 617	21 410
Commonwealth Fund for Technical Cooperation	-	-	-	-	3 000	3 000	3 000
<b>Total</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 173 719</b>	<b>6 142 152</b>	<b>7 185 511</b>	<b>7 273 184</b>	<b>7 734 830</b>
Change to 2003 Budget Estimate				149 547	84 922	136 230	

## Economic classification

<b>Current payments</b>	-	-	-	-	-	-	-
Compensation of employees	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-
Interest and rent on land	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 173 719</b>	<b>6 142 152</b>	<b>7 185 511</b>	<b>7 273 184</b>	<b>7 734 830</b>
Provinces and municipalities	-	-	-	-	-	-	-
Departmental agencies and accounts	3 427 151	3 855 746	4 877 656	5 612 951	6 756 826	6 867 569	7 293 779
Universities and technikons	-	-	-	-	-	-	-
Foreign governments & international organisations	221 613	150 194	296 063	489 201	388 684	365 614	401 051
Public corporations & private enterprises	-	-	-	40 000	40 001	40 001	40 000
Non-profit institutions	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-
Cultivated assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-
<b>Total</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 173 719</b>	<b>6 142 152</b>	<b>7 185 511</b>	<b>7 273 184</b>	<b>7 734 830</b>

## Details of transfer payments and subsidies:

Departmental agencies and accounts (Entities)							
<b>Current</b>	<b>3 157 720</b>	<b>3 460 850</b>	<b>4 303 114</b>	<b>4 858 730</b>	<b>5 716 327</b>	<b>6 048 243</b>	<b>6 409 916</b>
South African Revenue Services	2 259 683	2 468 285	2 952 408	3 450 959	4 113 559	4 297 878	4 555 750
Secret Services	890 043	983 307	1 328 668	1 370 092	1 569 324	1 715 216	1 822 068
Financial Intelligence Centre	-	-	10 000	25 000	18 050	19 572	16 025
Financial and Fiscal Commission	7 994	9 258	12 038	12 679	15 394	15 577	16 073
<b>Capital</b>	<b>269 431</b>	<b>394 896</b>	<b>574 542</b>	<b>754 221</b>	<b>1 040 499</b>	<b>819 326</b>	<b>883 863</b>
South African Revenue Services	269 431	394 896	549 542	341 048	488 950	450 434	477 460
Secret Services	-	-	-	401 173	547 733	364 847	401 018
Financial Intelligence Centre	-	-	25 000	12 000	3 816	4 045	5 385

	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited 2000/01	Audited 2001/02	Preliminary outcome 2002/03		2004/05	2005/06	2006/07
R thousand							
<b>Foreign governments and international organisations</b>							
<b>Current</b>	<b>189 519</b>	<b>49 836</b>	<b>183 325</b>	<b>359 633</b>	<b>234 367</b>	<b>202 037</b>	<b>227 627</b>
Lesotho & Namibia	145 277	448	128 925	304 633	176 367	199 037	224 627
Highly Indebted Poor Countries Initiative (HIPC)	44 242	49 388	54 400	55 000	55 000	-	-
Commonwealth Fund for Technical Cooperation	-	-	-	-	3 000	3 000	3 000
<b>Capital</b>	<b>32 094</b>	<b>100 358</b>	<b>112 738</b>	<b>129 568</b>	<b>154 317</b>	<b>163 577</b>	<b>173 424</b>
African Development Bank	32 094	100 358	112 738	129 567	154 316	163 576	173 423
World Bank	-	-	-	1	1	1	1
<b>Public corporations (Other transfers)</b>							
<b>Current</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 000</b>	<b>40 001</b>	<b>40 001</b>	<b>40 000</b>
Development Bank of Southern Africa	-	-	-	40 000	40 001	40 001	40 000
<b>Total</b>	<b>3 648 764</b>	<b>4 005 940</b>	<b>5 173 719</b>	<b>6 142 152</b>	<b>7 185 511</b>	<b>7 273 184</b>	<b>7 734 830</b>

## Expenditure trends

*Fiscal Transfers* makes up on average 50,3 per cent of the departmental budget over the medium term, with the bulk of the allocation made to the South African Revenue Service and the Secret Services. Expenditure grew at an annual average rate of 19,0 per cent between 2000/01 and 2003/04 as a result of additional allocations to the Secret Services and SARS. Programme expenditure is expected to grow at an annual average rate of 8,0 per cent over the medium term.

## Service delivery and output indicators

### Recent outputs

#### *Lesotho and Namibia*

South Africa makes rand-denominated fiscal transfers to Lesotho and Namibia under the Common Monetary Area (CMA). The CMA is a decentralised monetary union in which monetary policy is effectively set by South Africa but where the smaller members have the right to issue their own currencies. There are no restrictions on transfers of funds within the CMA, and while the smaller countries' currencies are convertible into rands at a one-to-one rate, they are not legal tender in South Africa. As the dominant member, South Africa has agreed to share seigniorage on the basis of an estimate of the rand currency circulating in the other two member countries. The fiscal transfers to Lesotho and Namibia over the 2004 MTEF period are therefore made in respect of the sharing of seigniorage collections.

#### *Development Bank of Southern Africa*

National Treasury has been working closely with the Development Bank of Southern Africa and the Department of Trade and Industry in the design of a pilot Apex Fund for micro credit. The Apex Fund will extend micro credit via Micro Finance Intermediaries (MFIs) to poor and low-income households and ensure that they receive sufficient guidance and support to use the loan to improve their livelihoods. The fund will be a pilot fund that will run for four years. It will look into different lending methodologies and monitor the impact of grants and loans. It also aims to build the capacity of MFIs and rural micro enterprises to enable them to reach the very poor with basic

financial services, and to empower them to use the funding to overcome their poverty. The fund is also an initiative by government to introduce an enabling environment that would directly focus on eradicating extreme poverty and enable the poor to access basic financial services. National Treasury has set aside R160,0 million between 2003/04 and 2006/07 towards this endeavour.

#### *World Bank Group*

The Minister of Finance represents South Africa on the Board of Governors or political executive of the World Bank Group, as South Africa is a shareholder or member country of the group. Over the past two years, the Minister has served as the chairman of the Development Committee. The committee's mandate is to advise the World Bank Group's Board of Governors and the International Monetary Fund on critical international development issues and on the financial resources required to promote economic development in developing countries. Towards the end of 2003, the Minister was requested to serve another two-year term as chairman. A further two-year term enables the Minister to consolidate progress made and to advance issues critical to African development. In particular these include enhancing the voice and representation of developing countries in the decision-making processes of the bank and the fund, and the NEPAD development agenda.

#### *Highly Indebted Poor Country (HIPC) initiative*

As part of its international development commitments, South Africa contributes to the Highly Indebted Poor Country initiative. The initiative provides debt relief to the poorest countries which are only eligible for highly concessional assistance from the World Bank and International Monetary Fund. In turn, HIPC countries have to ensure the sustained implementation of integrated poverty reduction and economic reform programmes. Recent reviews of HIPC show that only eight countries have reached the HIPC completion point, namely Benin, Bolivia, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania and Uganda. In nominal terms, debt relief provided to these eight countries amounts to US\$14,6 billion. A further 27 countries, or 71,1 per cent of the 38 countries that qualify for assistance under HIPC, are receiving partial debt relief, depending on progress made in poverty reduction and the implementation of economic reforms. Debt relief provided to these countries amounts to approximately US\$36,4 billion in nominal terms. (The Democratic Republic of Congo (DRC) became eligible for debt relief in July 2003 and will receive debt relief to the approximate nominal amount of US\$ 10,3 billion.) Eleven countries (or 28,9 per cent) are not yet considered eligible for debt relief as they have not implemented the appropriate reform programmes.

#### *African Development Bank*

South Africa is a shareholder of the African Development Fund (ADF) of the African Development Bank (ADB). In 2004/05 South Africa will participate in the Tenth Replenishment of the ADF. In addition, government monitors progress in the ADB regarding the provision of loans to parastatals on the basis of the strength of their balance sheets and without the backing of a sovereign guarantee.

#### *Secret Services*

The Secret Services have been established to gather, collate and analyse domestic, foreign and crime intelligence in order to identify any threat or potential threat to the security of South Africa or its people.

In 2002/03 the South African National Academy of Intelligence was established to develop a corps of competent intelligence professionals. The successful implementation of the Regulation of Interception of Communication and Provision of Communication-related Information Act (70 of

2002) will be a priority of the National Intelligence Agency and the Intelligence division of the South African Police Service in 2004/05.

The Secret Service will be strengthening its foreign representation by opening new offices and increasing the number of members abroad. The Secret Services has a presence in 55 countries in 2003/04 and also participates in peacekeeping and conflict resolution initiatives.

One of the core functions of the Intelligence division of the South African Police Service is to investigate and expose individuals who are involved in organised criminal activities, by using undercover methodology. In 2003/04 the highlight was the successful infiltration and arrest of the perpetrators in the Boeremag right wing extremist movement. This division also focuses on criminal organisations involved in crimes relating to drugs, the trafficking of firearms and vehicles, corruption, commercial crime, cyber crime and child abuse.

### Secret Services

Programme	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R thousand	2000/01	2001/02	2002/03	2003/04			
National Intelligence Agency	577 307	643 598	883 735	1 211 975	1 463 008	1 378 511	1 477 467
South African Secret Services	261 736	278 435	368 852	450 042	515 639	554 937	588 227
Intelligence Division of SAPS	51 000	61 274	76 081	109 248	138 410	146 615	157 392
<b>Total</b>	<b>890 043</b>	<b>983 307</b>	<b>1 328 668</b>	<b>1 768 718</b>	<b>2 117 057</b>	<b>2 080 063</b>	<b>2 223 086</b>

### Commonwealth Fund for Technical Co-operation

South Africa has been a regular contributor to the Commonwealth Fund for Technical Cooperation (CFTC) since 1994 through the Department of Foreign Affairs. The fund's primary function is to serve as the development finance arm of the Commonwealth. As of 2003/04, transfers to the fund will be made from National Treasury's vote.

### Medium-term output targets

#### Fiscal Transfers

**Measurable objective:** Meet certain international and other statutory financial obligations. Meet the costs of effectively and efficiently raising revenue for the purpose of the state and to finance intelligence gathering and other secret services in the national interest.

Subprogramme	Output	Measure/Indicator	Target
All subprogrammes	Transfer of funds	Timely and accurate transfer to the relevant public entity or institution	Monthly or annual transfers made timeously according to pre-set or prescribed dates.
South African Revenue Service	Process management entrenched and controlled	Process maps and process measures	Process maps and process measures in place by March 2005
	Risk areas profiled and risk management plan detailed	Risk areas profiled and risk plan implementation	Risk areas profiled and risk plan implemented by March 2006
	Taxpayer Charter agreed	Taxpayer Charter published	By March 2005
	Alternative dispute resolution process detailed	Alternative dispute resolution implemented	By March 2005

Subprogramme	Output	Measure/Indicator	Target
	A new debt management system detailed	A new debt management system implemented.	By March 2005
	Audit processes and procedures standardised	Standardised audit processes and procedures implemented.	March 2005
	Risk of internal and external VAT fraud identified	Internal and external VAT fraud addressed	March 2005
	Anti-smuggling activities enhanced	Anti-smuggling activities enhanced	March 2006
	Transformation	Western Cape outlying offices transformation plan implemented and Gauteng offices transformation plan implemented	Western Cape: September 2004 Gauteng: March 2006
	Skills, capacity and structure	Transformation support and project management capability built	September 2004
		Leadership development programmes undertaken	March 2005
	Comprehensive risk management	SARS risk management system identified	March 2006
		IT security system implemented	March 2006
Financial Intelligence Centre	Ensure compliance measures are adhered to within accountable institutions	Appointment of compliance officers and introduction of compliance measures	Reporting of suspicious and unusual transactions Expanded capacity to ensure ongoing monitoring of compliance
	Provide guidance and create awareness to combat money laundering activities	Awareness programmes and training seminars	Ongoing awareness and rollout of training
	Monitor and analyse financial transactions for evidence of laundering activities	Analysis of transaction activities revealing patterns of laundering activity	5 000 suspicious transactions reports from accountable institutions
	Scope, design and install IT systems	Design, acquisition and implementation of the IT systems	75% implementation of the IT systems by 2005

## Public entities reporting to the Minister

### South African Revenue Service

Within the context of government's priorities, the South African Revenue Service is mindful of its broader role and is fully committed to ensuring adequate revenue collection to support these priorities. 2002/03 has been another year of enhanced revenue collection and enforcement performance for SARS. Total gross tax revenue collected amounted to R281,6 billion, exceeding the revised estimate by R1,5 billion and the printed estimate by R1,3 billion.

Due to the current macroeconomic conditions, SARS will be challenged to sustain revenue performance, reduce the tax gap and deliver exemplary service. Furthermore, its transformational programme Siyakha ('we are building') will be implemented in Gauteng, building on the successes achieved in KwaZulu-Natal and the Western Cape.

SARS has made significant strides since it has been granted administrative autonomy, specifically in terms of enhancing processing efficiency and implementing a more focused and coherent compliance approach. SARS will continue modernising and customising its frontline delivery for better service delivery to the South African taxpaying population and trading community. In seeking to optimise the compliance landscape in South Africa, SARS interventions will reflect the optimal balance between encouraging compliance and enforcing compliance by embedding the compliance strategy into business processing, work methodologies and organisational culture. From a customs perspective, much effort will go into developing a new customs solution:



rewriting the customs code in addition to enhancing overall capability, entrenching risk proofing, and improving supply chain management and customs security initiative conformance.

Over the medium term, total business solutions that provide SARS with a comparative advantage to deliver its mandate and strategic intent will provide the frame of reference. Value-added technology investments will be leveraged to successfully position SARS as an electronic revenue administration. This will entail offering multichannel interactions, migrating to an electronic transacting environment with virtual workflow capabilities and electronic document management, as well as introducing an electronic revenue accounting and financial system

**Table 8.11: Summary of revenue and expenses for the South African Revenue Services**

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07
R Thousand	2000/01	2001/02	2002/03	2003/04			
<b>Revenue</b>							
<b>Tax revenue</b>	–	–	–	–	–	–	–
<b>Non-tax revenue</b>	<b>83 316</b>	<b>112 134</b>	<b>224 752</b>	<b>219 569</b>	<b>233 537</b>	<b>236 147</b>	<b>245 958</b>
Sale of goods and services other than capital assets	83 316	112 134	224 752	219 569	233 537	236 147	245 958
<i>Of which:</i>							
Admin fees	59 366	50 813	104 325	137 281	148 537	160 147	172 958
Interest	23 950	61 321	120 427	82 288	85 000	76 000	73 000
Other non-tax revenue	–	–	–	–	–	–	–
<b>Transfers received</b>	<b>2 259 683</b>	<b>2 471 816</b>	<b>2 953 882</b>	<b>3 450 959</b>	<b>4 113 559</b>	<b>4 297 878</b>	<b>4 555 750</b>
<b>Sale of capital assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total revenue</b>	<b>2 342 999</b>	<b>2 583 950</b>	<b>3 178 634</b>	<b>3 670 528</b>	<b>4 347 096</b>	<b>4 534 025</b>	<b>4 801 708</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>1 922 542</b>	<b>2 332 625</b>	<b>2 878 484</b>	<b>3 726 903</b>	<b>4 101 026</b>	<b>4 366 369</b>	<b>4 660 838</b>
Compensation of employees	1 129 966	1 455 283	1 658 413	2 416 135	2 501 163	2 717 183	2 952 325
Use of goods and services	660 409	807 190	1 105 746	1 144 768	1 391 863	1 397 186	1 410 513
Depreciation	129 337	70 108	114 301	166 000	208 000	252 000	298 000
Interest, dividends and rent on land	2 830	44	24	–	–	–	–
Interest	2 830	44	24	–	–	–	–
Rent on land	–	–	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>187 791</b>	<b>(43 277)</b>	<b>(119 478)</b>	<b>124 637</b>	<b>76 270</b>	<b>132 692</b>	<b>140 653</b>
<b>Total expenses</b>	<b>2 110 333</b>	<b>2 289 348</b>	<b>2 759 006</b>	<b>3 851 540</b>	<b>4 177 296</b>	<b>4 499 061</b>	<b>4 801 491</b>
<b>Surplus / (Deficit)</b>	<b>232 666</b>	<b>294 602</b>	<b>419 628</b>	<b>(181 012)</b>	<b>169 800</b>	<b>34 964</b>	<b>217</b>
<b>Cash flow summary</b>							
Adjust surplus / (deficit) for accrual transactions	129 337	71 013	114 316	166 000	208 000	252 000	298 000
<b>Operating surplus / (deficit) before changes in working capital</b>	<b>362 003</b>	<b>365 615</b>	<b>533 944</b>	<b>(15 012)</b>	<b>377 800</b>	<b>286 964</b>	<b>298 217</b>
Changes in working capital	158 193	(73 653)	83 231	–	–	–	–
<b>Cash flow from operating activities</b>	<b>520 196</b>	<b>291 962</b>	<b>617 175</b>	<b>(15 012)</b>	<b>377 800</b>	<b>286 964</b>	<b>298 217</b>
<i>Of which: Transfers from government</i>	<i>2 529 114</i>	<i>2 863 181</i>	<i>3 501 950</i>	<i>3 792 007</i>	<i>4 602 509</i>	<i>4 748 312</i>	<i>5 033 210</i>
<b>Cash flow from investing activities</b>	<b>(48 008)</b>	<b>(129 552)</b>	<b>(204 901)</b>	<b>(699 232)</b>	<b>(292 800)</b>	<b>(210 964)</b>	<b>(147 717)</b>
<b>Cash flow from financing activities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>472 188</b>	<b>162 410</b>	<b>412 274</b>	<b>(714 244)</b>	<b>85 000</b>	<b>76 000</b>	<b>150 500</b>

Data provided by the South African Revenue Service

### **The Development Bank of Southern Africa**

The Development Bank of Southern Africa, a Schedule 2 major public entity, is governed by the Development Bank of Southern Africa Act (13 of 1997). Its mandate is to promote sustainable development through funding physical, social and economic infrastructure. Since its inception, the bank has approved loans and equity amounting to R28,8 billion as a result of commitments amounting to R25,7 billion.

In terms of the bank's credit ratings, Fitch reaffirmed the bank's domestic premier ratings of AAA. Moody's also upgraded DBSA's international credit ratings in May 2002, from Baa3 to Baa2, giving it a positive rating. Standard & Poor upgraded the Bank from BBB- to BBB, with a stable rating.

The bank's key achievement on targets set for 2002/03 was the record-breaking disbursement of R3,7 billion, which was R0,9 billion in excess of its budget of R2,8 billion. The bank had assets amounting to R20,9 billion at the end of March 2003. Its budgeted disbursements for 2003/04 amount to R3,3 billion and the bank is committed to ensure that they meet the set target for 2003/04.

### **Accounting Standards Board**

The Accounting Standards Board (ASB) was established in the latter part of 2002 and is mainly responsible for the implementation of Generally Recognised Accounting Practice (GRAP) in government.

During 2003/04 progress was made in developing a Framework for Preparation and Presentation of Financial Statements. The draft standards for the following were issued for public comment: Presentation of Financial Statements; Cash Flow Statements; Accounting Policies; Changes in Accounting Estimates; and Errors and Impairment of Assets.

The following draft standards for municipalities were also issued for public comment: The Effects of Changes in Foreign Exchange Rates; Consolidated Financial Statements and Accounting for Controlled Entities; Accounting for Investments in Associates; Financial Reporting of Interests in Joint Ventures, Revenue, Inventories, Property, Plant and Equipment; Segment Reporting; and Provisions, Contingent Liabilities and Contingent Assets.

The ASB received transfers amounting to R3,4 million during 2002/03. The ASB's expenditure was R0,5 million, resulting in the surplus amounting to R2,9 million reflected at the end of 2002/03.

Over the medium term the board aims to develop and issue a core set of GRAP that would be available for implementation by all spheres of government. This would be in line with the planned conversion to accrual accounting by national and provincial governments and the implementation of the master systems plan for transversal systems. A core set of standards will enable a co-ordinated approach to GRAP training to be undertaken and contribute to transparency and accountability in financial reporting.

### **Financial Services Board**

The Financial Services Board (FSB) supervises control over the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. The board is financed by the financial services industry, with no contribution from government. The board supervises those institutions and services in terms of 16 parliamentary Acts which entrust regulatory functions to the registrar of long- and short-term insurance, friendly societies, pension funds, unit trust companies, stock exchanges and financial markets. Functions include regulatory control over insider trading and the participation bonds industry, certain trust and depository institutions, and

central security depositories responsible for the safe custody of securities. The board is also responsible for the financial supervision of the Road Accident Fund.

During 2002/03 the FSB's gross income was R95,8 million, of which R90,0 million was total revenue for the year. Total expenditure was R98,7 million, resulting in the deficit of R2,9 million reflected at the end of 2002/03.

In designing the FSB's new overall strategic framework, expectations and needs of external stakeholders, the dynamics of the financial services environment and the resources available to the organisation have all been taken into account. A balanced scorecard approach was followed which identified key strategic goals that need to be met to modernise regulation, but which include complying with international standards.

The FSB also wishes to embrace South Africa's principles of development and an African renaissance as envisaged locally and internationally. An evaluation of the FSB's past performance, shortcomings and strong points, goals and objectives was done, in the context of its mission to be a world-class regulator within the local context.

### **Public Investment Commissioners**

The Public Investment Commissioners (PIC) invests and manages surplus funds on behalf of various public sector bodies. Previously the PIC was restricted to the role of a government administrative agency, investing all deposits in gilts and semi-gilts. In 1995 this was extended to include equities and property.

During 2002/03, the PIC generated revenue amounting to R31,5 million. Its total expenditure amounted to R24,2 million, resulting in the surplus of R7,3 million reflected at the end of 2003/04.

The PIC's strategic direction over the medium term is to become a world class, commercially-driven provider of asset management services to public entities. A new Bill called the Public Investment Corporation Bill, which will repeal the current PIC legislation, will be introduced in 2004/05 to corporatise the PIC and bring it within the ambit of the Financial Services Board's regulations.

### **Financial Intelligence Centre**

The Financial Intelligence Centre (FIC) aims to track irregular financial practices, especially the laundering of the proceeds of crime.

The FIC Act (38 of 2001) and the regulations dealing with the duties of identification, record-keeping and implementing internal rules took effect on 30 June 2003. In summary, this legislation places an obligation on financial and other institutions to verify that they know who their clients are and to keep proper records of their clients' identities. These provisions are aimed at, among others, establishing control measures within these institutions to protect them from abuse by criminals who wish to conceal or disguise their proceeds of crime. These measures form part of a broader objective to combat money laundering and large-scale criminality. The FIC is taking active steps to create awareness and provide guidance to accountable institutions, supervisory bodies and law-enforcement authorities.

Considerable progress continues to be made in implementing the FIC Act, which envisages the development of an anti-money laundering environment in South Africa, largely in accordance with international standards set by the Financial Action Task Force (FATF). South Africa became a member of the FATF in June 2003. South Africa is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and will actively participate in its programmes during the year. In addition, the FIC became a member of the Egmont Group of Financial Intelligence Units in July 2003 after an assessment of the FIC was conducted.

The total revenue generated by the FIC during the 2002/03 financial year amounted to R35,0 million. The total expenditure was R2,8 million, hence a surplus of R32,2 million was reflected at the end of 2002/03.

## **Trading accounts**

### **Project Development Facility**

The Project Development Facility (PDF) is a newly established trading entity within the Public Private Partnership Unit of the National Treasury. Its role is to pay monies for services provided by consultants (transaction advisors) under the terms of the contract between a department or public entity bound by the PFMA and the transaction advisor. After the financial close of the PPP procured by the institution using the services of the transaction advisors, the disbursed funds are recovered from the successful private party bidder.

The purpose of the PDF is to increase the quality and quantity of 'bankable deals' that are processed through the PPP Unit's project pipeline.

The PDF will fund a range of small, medium and large projects across all sectors, although priority will be given to projects in the social sectors. Small projects are deemed to have an annual expenditure of R750 000, medium projects R2,0 million and large projects R4,0 million and above. Source of revenue to the trading account include recovery of transaction adviser costs from successfully closed PPP projects, transfer payments and donor funding. PDF priorities are established by a PDF policy board on an annual basis. The actions of both the policy board and the evaluation committee are set out in the PDF's comprehensive governance document.

## **Annexure**

### **Vote 8: National Treasury**

Table 8.12: Summary of expenditure trends and estimates per programme

Table 8.13: Summary of expenditure trends and estimates per economic classification

Table 8.14: Summary of Summary of personnel numbers and compensation of employees

Table 8.15: Summary of on training

Table 8.16: Summary of information and communications technology

Table 8.17: Summary of conditional grants to provinces

Table 8.18: Summary of conditional grants to local government (municipalities)

Table 8.19: Summary of official development assistance expenditure

Table 8.20: Summary of expenditure on infrastructure

Table 8.12: Summary of expenditure trends and estimates per programme

	Expenditure outcome					Medium-term expenditure estimate					
	Audited		Preliminary outcome		Revised estimate	Adjusted appropriation	Main appropriation	Additional appropriation	2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03	2003/04							
R thousand	2000/01	2001/02	2002/03						2004/05	2005/06	2006/07
1 Administration	103 663	62 164	106 896		9 508	111 890	102 382	104 663	101 879	104 728	111 179
2 Economic Planning and Budget Management	44 531	53 806	87 192		5 670	128 263	122 593	112 596	140 207	150 952	161 772
3 Asset and Liability Management	16 297	16 159	20 062		-	42 831	42 831	29 860	42 271	45 304	48 403
4 Financial Management and Systems	218 466	222 563	264 571		13 234	370 950	357 716	307 950	352 455	365 623	381 492
5 Financial Accounting and Reporting	95 868	25 212	43 268		115	63 323	63 208	48 297	66 182	74 300	81 620
6 Provincial and Local Government Transfers	1 170 000	2 114 250	2 255 230		222 915	3 284 318	3 061 403	3 284 318	3 889 260	4 279 513	4 666 776
7 Civil and Military Pensions, Contributions to Funds and Other Benefits	1 400 117	1 664 462	1 895 922		420 000	2 449 569	2 029 569	2 294 569	2 163 966	2 293 804	2 431 432
8 Fiscal Transfers	3 648 764	4 005 940	5 173 719		149 547	6 142 152	5 992 605	6 097 152	7 185 511	7 273 184	7 734 830
<b>Subtotal</b>	<b>6 697 706</b>	<b>8 164 556</b>	<b>9 846 860</b>		<b>820 989</b>	<b>12 593 296</b>	<b>11 772 307</b>	<b>12 279 405</b>	<b>13 941 731</b>	<b>14 587 408</b>	<b>15 617 504</b>
<b>Direct charge on the National Revenue Fund</b>	<b>144 718 722</b>	<b>155 041 085</b>	<b>170 264 573</b>		<b>(1 432 458)</b>	<b>191 939 572</b>	<b>193 372 030</b>	<b>192 068 572</b>	<b>210 403 402</b>	<b>227 837 535</b>	<b>244 336 726</b>
Provinces Equitable Share	98 397 841	107 460 337	123 456 849		2 356 542	144 742 572	142 386 030	144 742 572	159 971 402	173 851 535	186 391 726
State Debt Costs	46 320 881	47 580 748	46 807 724		(3 789 000)	47 197 000	50 986 000	47 326 000	50 432 000	53 986 000	57 945 000
<b>Total</b>	<b>151 416 428</b>	<b>163 205 641</b>	<b>180 111 433</b>		<b>(611 469)</b>	<b>204 532 868</b>	<b>205 144 337</b>	<b>204 347 977</b>	<b>224 345 133</b>	<b>242 424 943</b>	<b>259 954 230</b>
Change to 2003 Budget Estimate					(611 469)	(796 360)			2 537 375	5 961 725	

**Table 8.13: Summary of expenditure trends and estimates per economic classification**

	Expenditure outcome				2003/04			2004/05			2005/06			2006/07			
	Audited		Audited	Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate								
	2000/01	2001/02	2001/02	2002/03	2003/04	2003/04	2003/04	2003/04	2004/05	2005/06	2006/07						
<b>Current payments</b>																	
<b>Compensation of employees</b>	1 046 387	1 062 054	1 062 054	1 335 739	1 593 372	(2 842)	1 590 530	1 553 530	1 705 076	1 818 366	1 931 675						
- Salaries and wages	75 238	85 298	85 298	97 869	159 055	(21 091)	137 964	100 964	196 284	218 382	235 238						
- Social contributions	971 149	976 756	976 756	1 237 870	1 434 317	18 249	1 452 566	1 452 566	1 508 792	1 599 984	1 696 437						
<b>Goods and services</b>	257 071	274 411	274 411	381 789	465 174	28 319	493 493	421 602	469 082	482 790	506 391						
<b>Interest and rent on land</b>	46 320 881	47 580 748	47 580 748	46 807 724	50 986 000	(3 789 000)	47 197 000	47 326 000	50 432 000	53 986 000	57 945 000						
- Interest					50 986 000	(3 789 000)	47 197 000	47 326 000	50 432 000	53 986 000	57 945 000						
- Rent on land					-	-	-	-	-	-	-						
<b>Financial transactions in assets and liabilities</b>	2	648	648	802	-	-	-	-	-	-	-						
<b>Unauthorised expenditure</b>	-	-	-	-	-	-	-	-	-	-	-						
<b>Total current payments</b>	47 624 341	48 917 861	48 917 861	48 526 054	53 044 546	(3 763 523)	49 281 023	49 301 132	52 606 158	56 287 156	60 383 066						
<b>Transfers and subsidies to:</b>																	
<b>Provinces and municipalities</b>																	
- Provinces	99 643 089	109 574 846	109 574 846	125 712 399	145 446 937	2 580 542	148 027 479	148 027 479	163 861 143	178 131 549	191 059 048						
- Provincial Revenue Funds	99 367 841	109 284 337	109 284 337	125 406 849	144 920 518	2 356 542	147 277 060	147 277 060	163 319 764	177 582 308	190 509 845						
- Provincial agencies and funds	99 367 841	109 284 337	109 284 337	125 406 849	144 920 518	2 356 542	147 277 060	147 277 060	163 319 764	177 582 308	190 509 845						
- Municipalities	275 248	290 509	290 509	305 550	526 419	224 000	750 419	750 419	541 379	549 241	549 203						
- Municipalities	275 248	290 509	290 509	305 550	526 419	224 000	750 419	750 419	541 379	549 241	549 203						
- Municipal agencies and funds					-	-	-	-	-	-	-						
<b>Departmental agencies and accounts</b>	3 438 906	3 864 757	3 864 757	4 889 821	5 622 490	11 574	5 634 064	5 634 064	6 775 489	6 886 983	7 314 010						
- Social security funds					-	-	-	-	-	-	-						
- Departmental agencies (non-business entities)	3 438 906	3 864 757	3 864 757	4 889 821	5 622 490	11 574	5 634 064	5 634 064	6 775 489	6 886 983	7 314 010						

Table 8.13: Summary of expenditure trends and estimates per economic classification (continued)

	Expenditure outcome				Medium-term expenditure estimate					
	Audited	Audited	Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate	2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03							
R thousand					2003/04					
<b>Universities and technicians</b>	-	-	-	-	-	-	-	-	-	-
<b>Foreign governments &amp; international organisations</b>	222 421	152 659	299 629	344 943	147 000	491 943	446 943	391 590	368 694	404 316
<b>Public corporations and private enterprises</b>	-	-	-	40 000	374	40 374	40 374	40 001	40 001	40 000
- Public corporations	-	-	-	40 000	-	40 000	40 000	40 001	40 001	40 000
- Subsidies on production	-	-	-	-	-	-	-	-	-	-
- Other transfers	-	-	-	40 000	-	40 000	40 000	40 001	40 001	40 000
<b>- Private enterprises</b>	-	-	-	-	374	374	374	-	-	-
- Subsidies on production	-	-	-	-	-	-	-	-	-	-
- Other transfers	-	-	-	-	374	374	374	-	-	-
<b>Non-profit institutions</b>	50	60	50	52	-	52	52	55	58	62
<b>Households</b>	427 003	686 372	648 060	627 054	400 000	1 027 054	872 054	658 680	698 202	740 093
- Social benefits	427 003	686 372	648 060	627 054	400 000	1 027 054	872 054	658 680	698 202	740 093
- Other transfers to households	-	-	-	-	-	-	-	-	-	-
<b>Total transfers and subsidies</b>	<b>103 731 469</b>	<b>114 278 694</b>	<b>131 549 959</b>	<b>152 081 476</b>	<b>3 139 490</b>	<b>155 220 966</b>	<b>155 020 966</b>	<b>171 726 958</b>	<b>186 125 487</b>	<b>199 557 529</b>
<b>Payments on capital assets</b>										
<b>Buildings and other fixed structures</b>	-	-	5 600	4 800	(4 800)	-	-	-	-	-
- Buildings	-	-	-	-	-	-	-	-	-	-
- Other fixed structures	-	-	5 600	4 800	(4 800)	-	-	-	-	-
<b>Machinery and equipment</b>	<b>26 013</b>	<b>9 086</b>	<b>29 820</b>	<b>13 515</b>	<b>17 364</b>	<b>30 879</b>	<b>25 879</b>	<b>12 017</b>	<b>12 300</b>	<b>13 635</b>
- Transport equipment	659	-	-	-	-	-	-	-	-	-
- Other machinery and equipment	25 354	9 086	29 820	13 515	17 364	30 879	25 879	12 017	12 300	13 635



**Table 8.13: Summary of expenditure trends and estimates per economic classification (continued)**

	Expenditure outcome					Medium-term expenditure estimate					
	Audited		Audited	Preliminary outcome	Main appropriation	Additional appropriation	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2000/01	2001/02	2001/02	2002/03					2003/04	2004/05	2005/06
R thousand											
Cultivated assets	-	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	154	-	-	-	-	-	-	-	-	-	-
Land and subsoil assets	34 451	-	-	-	-	-	-	-	-	-	-
<i>Of which: Capitalised compensation</i>	-	-	-	-	-	-	-	-	-	-	-
<b>Total payments on capital assets</b>	<b>60 618</b>	<b>9 086</b>	<b>9 086</b>	<b>35 420</b>	<b>18 315</b>	<b>12 564</b>	<b>30 879</b>	<b>25 879</b>	<b>12 017</b>	<b>12 300</b>	<b>13 635</b>
<b>Total</b>	<b>151 416 428</b>	<b>163 205 641</b>	<b>163 205 641</b>	<b>180 111 433</b>	<b>205 144 337</b>	<b>(611 469)</b>	<b>204 532 868</b>	<b>204 347 977</b>	<b>224 345 133</b>	<b>242 424 943</b>	<b>259 954 230</b>

**Table 8.14: Summary of personnel numbers and compensation of employees<sup>1</sup>**

Personnel numbers	2000/01	2001/02	2001/02	2002/03	2003/04	2004/05
1 Administration	136	258	251	251	216	203
2 Economic Planning and Budget Management	161	209	243	243	243	323
3 Asset and Liability Management	42	57	71	71	71	76
4 Financial Management and Systems	119	182	235	235	168	182
5 Financial Accounting and Reporting	70	38	63	63	53	49
6 Provincial and Local Government Transfers	-	-	-	-	-	-
7 Civil and Military Pensions, Contributions to Funds and Other Benefits	-	-	-	-	-	-
8 Fiscal Transfers	-	-	-	-	-	-
<b>Total</b>	<b>528</b>	<b>744</b>	<b>863</b>	<b>863</b>	<b>751</b>	<b>833</b>
Total compensation of employees (R thousand)	75 238	85 298	97 869	97 869	137 964	196 284
Unit cost (R thousand)	142.5	114.6	113.4	113.4	183.7	235.6

<sup>1</sup> Full-time equivalent

Table 8.15: Summary of expenditure on training

	Expenditure outcome				Adjusted appropriation		Medium-term expenditure estimate		
	Audited		Preliminary outcome		2003/04				
	2000/01	2001/02	2002/03	2002/03	2003/04	2004/05	2005/06	2006/07	
R thousand									
1 Administration	959	1 144	744	744	2 513	1 862	1 896	2 039	
2 Economic Planning and Budget Management	764	1 118	1 026	1 026	1 210	1 971	2 059	2 238	
3 Asset and Liability Management	420	191	306	306	716	664	698	734	
4 Financial Management and Systems	35	718	1 126	1 126	1 022	1 124	1 242	1 268	
5 Financial Accounting and Reporting	369	1 287	2 649	2 649	956	876	882	818	
<b>Total</b>	<b>2 547</b>	<b>4 458</b>	<b>5 851</b>	<b>5 851</b>	<b>6 417</b>	<b>6 497</b>	<b>6 777</b>	<b>7 097</b>	

Table 8.16: Summary of information and communications technology expenditure

	Expenditure outcome				Adjusted appropriation		Medium-term expenditure estimate		
	Audited		Preliminary outcome		2003/04				
	2000/01	2001/02	2002/03	2002/03	2003/04	2004/05	2005/06	2006/07	
R thousand									
<b>1 Administration</b>	<b>16 540</b>	<b>10 888</b>	<b>11 347</b>	<b>11 347</b>	<b>22 036</b>	<b>20 178</b>	<b>18 997</b>	<b>20 759</b>	
Technology	8 669	1 498	1 521	1 521	6 585	4 114	4 035	5 166	
IT services	7 871	9 390	9 826	9 826	15 451	16 064	14 962	15 593	
<b>2 Economic Planning and Budget Management</b>	<b>3 255</b>	<b>9 904</b>	<b>6 009</b>	<b>6 009</b>	<b>13 904</b>	<b>17 650</b>	<b>17 985</b>	<b>18 859</b>	
Technology	1 913	2 943	1 047	1 047	2 851	2 497	2 493	2 555	
IT services	1 342	6 961	4 962	4 962	11 053	15 153	15 492	16 304	
<b>3 Asset and Liability Management</b>	<b>5 736</b>	<b>5 518</b>	<b>5 679</b>	<b>5 679</b>	<b>2 662</b>	<b>2 331</b>	<b>1 372</b>	<b>1 454</b>	
Technology	4 868	564	646	646	557	1 671	673	713	
IT services	868	4 954	5 033	5 033	2 105	660	699	741	
<b>4 Financial Management and Systems</b>	<b>285</b>	<b>258 927</b>	<b>273 647</b>	<b>273 647</b>	<b>30 915</b>	<b>15 198</b>	<b>15 634</b>	<b>16 930</b>	
Technology	285	2 440	1 913	1 913	17 356	10 873	10 973	11 354	
IT services	–	256 487	271 734	271 734	13 559	4 325	4 661	5 576	

**Table 8.16: Summary of information and communications technology expenditure (continued)**

	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation		Medium-term expenditure estimate		
	2000/01	2001/02	2002/03			2003/04	2004/05	2005/06
R thousand								
<b>5 Financial Accounting and Reporting</b>	19 223	8 023	11 463	16 765	20 204	19 021	21 196	
Technology	19 223	458	2 092	4 683	5 593	5 047	11 070	
IT services	-	7 565	9 371	12 082	14 611	13 974	10 126	
<b>Total</b>	<b>45 039</b>	<b>293 260</b>	<b>308 145</b>	<b>86 282</b>	<b>75 561</b>	<b>73 009</b>	<b>79 198</b>	

**Table 8.17: Summary of conditional grants to provinces<sup>1</sup>**

	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	Adjusted appropriation		Medium-term expenditure estimate		
	2000/01	2001/02	2002/03			2003/04	2004/05	2005/06
R thousand								
<b>5 Financial Accounting and Reporting</b>								
Financial and Personnel Systems	75 000	-	-	-	-	-	-	
<b>6 Provincial and Local Government Transfers</b>								
Infrastructure Grant	300 000	800 000	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119	
Flood Rehabilitation	595 000	600 000	400 000	200 000	-	-	-	
Supplementary allocation	-	124 000	-	-	-	-	-	
Mpumalanga (sec 100(1)(a) of the Constitution)	-	300 000	-	-	-	-	-	
<b>Total</b>	<b>970 000</b>	<b>1 824 000</b>	<b>1 950 000</b>	<b>2 534 488</b>	<b>3 348 362</b>	<b>3 730 773</b>	<b>4 118 119</b>	

<sup>1</sup> Detail provided in the Division of Revenue Act, 2004.

Table 8.18: Summary of conditional grants to local government

	Expenditure outcome				Adjusted appropriation	Medium-term expenditure estimate		
	Audited	Audited	Preliminary outcome	2003/04		2004/05	2005/06	2006/07
	2000/01	2001/02	2002/03					
R thousand								
<b>6 Provincial and Local Government Transfers</b>								
Local Government Restructuring	225 000	230 250	151 000	539 000	342 900	350 000	350 000	
Financial Management	50 000	60 000	111 000	151 000	129 000	125 536	121 088	
Financial Management	–	–	43 230	59 830	68 998	73 204	77 569	
<b>Total</b>	<b>275 000</b>	<b>290 250</b>	<b>305 230</b>	<b>749 830</b>	<b>540 898</b>	<b>548 740</b>	<b>548 657</b>	

**Table 8.19: Summary of official development assistance expenditure**

Donor	Programme / project name	Cash or kind	Expenditure outcome					Medium-term expenditure estimate					
			2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07				
R thousand													
	Aids programme		-	-	25	-	-	-	-	-	-	-	-
European Union	Technical Assistance Team	Cash	801	3 022	1 529	1 118	8 145	8 554	-	-	-	-	-
	Financial Management Improvement Programme	Cash	-	443	3 713	443	444	-	-	-	-	-	-
IDRC	Development Co-operation Information Systems	Cash	-	-	18	22	-	-	-	-	-	-	-
European Union	International Development Co-operation Support Programme	Cash	-	-	585	1 702	1 702	1 702	-	-	-	-	-
EU Commission	FISCU - Investment protocol	Cash	3 115	3 115	-	3 115	-	-	-	-	-	-	-
United Kingdom	SERP 1	Kind	2 271	2 271	-	-	-	-	-	-	-	-	-
	SERP 2	Kind	2 978	2 978	-	2 978	-	-	-	-	-	-	-
Sweden	Revised budget reporting formats	Kind	763	763	-	-	-	-	-	-	-	-	-
USA	SEGA	Kind	-	3 706	-	-	-	-	-	-	-	-	-
	Chemronics	Kind	-	196	-	-	-	-	-	-	-	-	-
	US Treasury Secondment	Kind	3 198	1 599	-	-	-	-	-	-	-	-	-
GTZ	Economic policy and advisory programme	Kind	-	463	-	-	-	-	-	-	-	-	-
IMF	Short course (G Manincowitz)	Kind	-	-	27	-	-	-	-	-	-	-	-
DFID	Short course (P Bologo)	Kind	-	-	-	17	-	-	-	-	-	-	-
IMF	Conference (E Masilele)	Kind	-	-	-	45	-	-	-	-	-	-	-
United Kingdom	Siyakha (SARS transformation) Support to Tax Policy	Kind	1 300	1 760	2 230	-	-	-	-	-	-	-	-
Switzerland	Development Co-operation Information Systems	Cash	-	-	-	114	-	-	-	-	-	-	-
Japan (JICA)	Development Co-operation Information Systems	Cash	-	-	-	67	-	-	-	-	-	-	-
<b>Total</b>			<b>14 426</b>	<b>20 316</b>	<b>8 127</b>	<b>9 621</b>	<b>10 291</b>	<b>10 256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 8.20: Summary of expenditure on infrastructure

Projects	Expenditure outcome			Adjusted appropriation 2003/04	Medium-term expenditure estimate				Long-term planning		
	Audited	Audited	Preliminary outcome		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	
	2000/01	2001/02	2002/03								
R thousand											
Infrastructure transfers	895 000	1 400 000	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	-	-	-	
<b>Sub-total</b>	<b>895 000</b>	<b>1 400 000</b>	<b>1 950 000</b>	<b>2 534 488</b>	<b>3 348 362</b>	<b>3 730 773</b>	<b>4 118 119</b>	-	-	-	
Maintenance on infrastructure	-	22 297	34 920	23 964	-	-	-	-	-	-	
<b>Total</b>	<b>895 000</b>	<b>1 422 297</b>	<b>1 984 920</b>	<b>2 558 452</b>	<b>3 348 362</b>	<b>3 730 773</b>	<b>4 118 119</b>	-	-	-	