

Vote 9

National Treasury

Budget summary

R million	2010/11					2011/12	2012/13
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Total
MTEF allocation							
Administration	243.7	234.5	1.9	7.3	–	253.2	261.8
Public Finance and Budget Management	341.8	320.6	19.9	1.3	–	352.7	363.8
Asset and Liability Management	67.1	66.3	–	0.8	–	72.4	76.1
Financial Management and Systems	498.7	497.9	–	0.8	–	508.8	516.7
Financial Accounting and Reporting	228.4	172.3	52.6	3.5	–	238.6	248.7
Economic Policy and International Financial Relations	124.7	118.9	5.0	0.8	–	135.3	141.9
Provincial and Local Government Transfers	12 834.5	–	12 834.5	–	–	14 766.3	15 698.9
Civil and Military Pensions, Contributions to Funds and Other Benefits	2 590.9	38.8	2 552.2	–	–	2 668.4	2 751.9
Fiscal Transfers	33 290.1	–	12 540.1	–	20 750.0	14 132.2	14 205.7
Subtotal	50 219.9	1 449.3	28 006.1	14.5	20 750.0	33 127.9	34 265.6
Direct charge against the National Revenue Fund							
Provincial Equitable Share	260 973.7	–	260 973.7	–	–	280 688.7	294 780.0
State Debt Costs	71 357.6	71 357.6	–	–	–	88 462.7	104 022.0
General fuel levy sharing with metros	7 542.4	–	7 542.4	–	–	8 531.1	8 957.7
Total expenditure estimates	390 093.6	72 806.9	296 522.2	14.5	20 750.0	410 810.4	442 025.2
Executive authority	Minister of Finance						
Accounting officer	Director-General of the National Treasury						
Website address	www.treasury.gov.za						

The Estimates of National Expenditure booklets for individual votes are available on www.treasury.gov.za. They provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers, public entities and lower level institutional information.

Aim

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

Programme purposes

Programme 1: Administration

Purpose: Strategic management and administrative support to National Treasury, providing managerial leadership to the work of the department.

Programme 2: Public Finance and Budget Management

Purpose: Analysis and advice on fiscal policy and public finances, intergovernmental financial relations and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

Programme 3: Asset and Liability Management

Purpose: Manage government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state owned entities through financial analysis and oversight.

Programme 4: Financial Management and Systems

Purpose: Manage and regulate government's supply chain processes and implement and maintain standardised financial systems.

Programme 5: Financial Accounting and Reporting

Purpose: Promote and enforce transparency and effective management in respect of revenue, expenditure, and assets and liabilities of departments, public entities, constitutional institutions and local government thus facilitating accountability and governance.

Programme 6: Economic Policy and International Financial Relations

Purpose: Provide specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, the financial sector, taxation, regulatory reform, regional integration and international financial relations.

Programme 7: Provincial and Local Government Transfers

Purpose: Manage conditional grants to the provincial and local spheres of government.

Programme 8: 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 to retired members of the military.

Programme 9: Fiscal Transfers

Purpose: Transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member.

Strategic overview: 2006/07 – 2012/13

The legislative mandate of National Treasury is documented in chapter 2 of the Public Finance Management Act (1999). Chapter 13 of the Constitution defines the role of National Treasury as that of ensuring transparency, accountability and sound financial controls in the management of the country's public finances.

As the custodian of public funds, National Treasury continues to: promote government's fiscal policy framework; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process which includes revenue, expenditure, assets and liability management; exercise control over the implementation of the national budget, including any adjustment budgets; facilitate the implementation of the Division of Revenue Act; monitor the implementation of provincial budgets, enforce effective financial management; and contribute to employment creation.

Fiscal reform, public finances and budget management

Government has committed itself to rooting out waste, promoting cost efficiency and phasing out ineffective programmes, and much of National Treasury's work in this area will give effect to this.

Provision for strong growth in infrastructure spending and public employment programmes has mitigated some of the worst effects of the prevailing economic downturn. In addition, the budget for the 2009 – 2013 medium term expenditure framework makes significant provision for priorities such as education, health and social assistance, and other programmes directly impacting on the poor. Investing in the people of the country will make a positive contribution to the South African economy in the longer term and will assist in economic growth and development initiatives.

The budget office is continuously improving the quality and usability of budget documents such as the Budget Review and the Estimates of National Expenditure.

There is a need to improve the structure of departmental votes to make objectives measurable. A project will be initiated to work closely with other departments to improve the monitoring of measurable objectives and indicators, to make it easier to monitor both financial and non-financial information.

Ensuring that government provides and receives value for money is a necessary focus in the prevailing economic climate. A comprehensive expenditure review will be conducted jointly with The Presidency to identify opportunities for future improvements in public spending. The aim is to improve the quality of spending and to free up resources to fund new government priorities. Capacity is also being developed to evaluate capital projects and support departments.

Strengthening intergovernmental fiscal relations

Intergovernmental fiscal relations are an important component in the governmental system. With the legal and policy frameworks now firmly in place, the focus can shift to efficient coordination between the relevant spheres of government, especially in the areas of capacity building and improved service delivery.

Siyenza Manje, the capacity building and support programme being implemented in municipalities since 2007/08, is being undertaken by the Development Bank of Southern Africa. The project aims to build capacity and sustainability in under capacitated municipalities. National Treasury co-funds the rollout while the Development Bank of Southern Africa employs the necessary expertise. Additional funds have been allocated to this important initiative to speed up the hiring of experts and young professionals with academic qualifications and expertise in the areas where there are skills shortages in the local government sphere.

Managing public sector debt and government assets

National Treasury is responsible for the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. Government's debt management policies remain focused on financing government's gross borrowing requirements at the lowest possible cost and within market risk benchmarks, while also supporting the broader macroeconomic objectives and enhanced coordination of borrowing by state owned entities. National Treasury also seeks to improve the operational efficiency of state owned entities through financial analysis and oversight, and ensuring their alignment with key policy imperatives in the relevant sector. Major interventions and restructuring, particularly of Eskom, Telkom, the South African Broadcasting Corporation, South African Airways, Denel and Transnet are needed, as these are key economic contributors.

Financial and regulatory management reform

Development finance institutions have an important role to play in the delivery of infrastructure. Government will be guided by the review of development finance institutions to provide strategic direction to this sector in the period ahead. This will further assist in optimising the allocation of government's financial resources.

Organisational capacity building

The attraction and retention of skills continues to be a challenge in spite of improvements in the already successful internship programme to add to the talent pool. The sourcing and retention of scarce skills in particular remains problematic. The recently launched training outside of public practice programme that provides a way for prospective chartered accountants to receive training suggests that there is real potential for more collaboration between National Treasury, the South African Institute of Chartered Accountants and the local government metros to expand the programme to a wider public sector base.

Key policy developments

Social security and retirement reform

Recent global economic events have indicated that government needs to play a more prominent role in addressing rising income inequality, which could have negative effects, including economic, social and political instability. Government's policy must therefore focus on reducing this imbalance through sustained job creation, combating the abuse of market power and ensuring greater income security.

Over the MTEF period, National Treasury will be advancing the work currently in progress on social security and retirement reform to increase adequate coverage of all citizens when they retire. A public consultative process will be undertaken to ensure maximum participation in the process. Combating income inequality alone will not provide adequate security in a volatile economic climate, which exacerbates unemployment and whose impacts are more strongly felt among poorer communities. In South Africa, only 42 per cent of the population between the ages of 15 and 64 are employed. This compares unfavourably with other emerging economies such as Brazil and China, where two-thirds of the population in the same age range are employed. According to Statistics South Africa's quarterly labour force survey, almost half of young South Africans have never worked and less than 30 per cent of the adult population is employed. Reforms are thus envisaged in the areas of education, health, retirement and social security to provide the required balancing mechanisms as part of the reform process.

Strengthening global financial regulation

In response to the global economic downturn, the G20 established the Financial Stability Board in 2009, as a coordinated effort to improve the regulation of the financial services industry globally. In 2010, work will be undertaken to align South Africa's financial sector policy and regulations with the recommendations of the G20 process.

The intention is to improve and strengthen regulation in key areas by: developing a systemic risk approach to financial regulation to reduce risks posed by hedge funds and over the counter derivatives; raising the quality and level of capital held by banks to improve their resilience to market volatility; strengthening adherence to international standards through a transparent peer review process; and improving global accounting standards.

Review of the Division of Revenue Bill

Continuing to implement the Municipal Finance Management Act (2003), finalising the regulatory framework for the transfer of assets of municipalities and budget preparation remains a priority. The annual Division of Revenue Bill is constantly being reviewed to ensure that the grant system contributes to better and quicker decision making, improved accountability and accelerated service delivery.

Monitoring compliance with the Public Finance Management Act and the Municipal Finance Management Act

The financial management capability maturity model has highlighted the areas needing further attention for maintaining the momentum in implementing the two acts. The model involves a survey instrument to evaluate the financial management capability of departments.

The results of these assessments will provide National Treasury, provincial treasuries and accounting officers with a clear indication of what strategies need to be developed to improve financial management within departments. These results will also be analysed and detailed reports will be provided to the standing committee on public accounts and to the standing committees on finance and appropriations. National Treasury will assist provincial and municipal accounting officers and develop plans that are aimed at addressing financial management in accordance with the results of these assessments, thus ensuring a structured and focused approach.

Regional integration in the Southern African Development Community and support for the development of African countries

National Treasury's engagement in Africa will continue to promote integration and development through the Southern African Development Community (SADC) and promoting new partnerships. The regional integration process of deliberations in the political, social and economic spheres is a priority and it is expected that the requisite strategic plans will soon be implemented. This applies specifically to the southern and eastern parts of the continent, and the Common Market for Eastern and Southern Africa.

Savings and cost effective service delivery

The department will realise efficiency savings on its operational budget of R45.5 million, R53.5 million and R30 million for 2010/11, 2011/12 and 2012/13. This can be attributed to efficient allocations for consultants, cellular phones, catering, external venues and facilities, accommodation and travelling. The implementation of

austerity measures has been enhanced with an increase in the utilisation of internal capacity in terms of personnel, and venues and facilities for workshops. Further cuts of R51.4 million, R66.4 million and R110.7 million for 2010/11, 2011/12 and 2012/13 were also made to the department's public entities to enforce the implementation of efficiency savings.

Selected performance indicators

Table 9.1 National Treasury

Indicator	Programme	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Value of government gross annual borrowing	Asset and Liability Management	R34.8bn	R16.1bn	R49.7bn	R193.5bn	R191.7bn	R184.1bn	R195.6bn
Cost to service debt as a percentage of GDP	Asset and Liability Management	2.8%	2.5%	2.3%	2.4%	2.6%	3.0%	3.2%
Net loan debt as a percentage of GDP	Asset and Liability Management	26.1%	23.2%	22.7%	28.2%	33.1%	37.3%	39.8%
Number of training courses and workshops presented on the implementation of financial management reforms per year	Financial Accounting and Reporting	81	217	128	80	100	150	200
Number of individuals trained per year to assist with the implementation of financial management reforms	Financial Accounting and Reporting	2 084	4 204	3 200	1 600	2 000	3 000	4 000
Percentage of identified transversal contracts with strategic sourcing principles introduced per year	Financial Management and Systems	72% (42)	80% (47)	85% (35)	100% (20)	100% (37)	100% (59)	100% (59)
Number of beneficiaries receiving special pension payments per year	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 112	6 234	6 359	6 486	6 616	7 200	7 400
Number of beneficiaries receiving post-retirement medical benefits per year	Civil and Military Pensions, Contributions to Funds and Other Benefits	67 141	68 417	69 767	71 117	72 467	72 467	73 817
Number of contributions to medical aid schemes paid on behalf of members per year	Civil and Military Pensions, Contributions to Funds and Other Benefits	72 799	67 780	71 169	74 627	76 119	79 500	82 881
Number of military pension benefits paid to beneficiaries per year	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 885	4 630	6 468	7 024	7 054	7 054	7 244
Number of technical assistants assigned to each province per year to assist in building infrastructure delivery capacity through the infrastructure delivery improvement programme	Public Finance and Budget Management	23	30	34	34	34	34	34
Number of municipalities receiving allocations from the financial management grant per year	Provincial and Local Government Transfers	41	44	283	283	283	283	283
Total number of neighbourhood development partnership grant projects granted award status	Provincial and Local Government Transfers	33	72	80	90	96	100	90
Total number of neighbourhood development partnership grant projects under construction	Provincial and Local Government Transfers	–	4	7	15	40	50	45
Real growth in consolidated national and provincial public spending (excluding interest costs)	Public Finance and Budget Management	10.2%	9.2%	9.4%	10.3%	1.0%	1.1%	1.7%

Expenditure estimates

Table 9.2 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
R million								
1. Administration	161.6	177.6	203.7	238.3	230.4	243.7	253.2	261.8
2. Public Finance and Budget Management	138.5	212.0	244.1	253.7	252.1	341.8	352.7	363.8
3. Asset and Liability Management	41.3	57.8	62.5	66.2	57.7	67.1	72.4	76.1
4. Financial Management and Systems	190.8	261.4	272.7	499.4	466.4	498.7	508.8	516.7
5. Financial Accounting and Reporting	71.4	105.2	203.0	149.8	138.9	228.4	238.6	248.7
6. Economic Policy and International Financial Relations	68.9	93.2	90.3	103.5	91.5	124.7	135.3	141.9
7. Provincial and Local Government Transfers	5 443.7	6 992.7	7 826.0	14 410.6	14 170.6	12 834.5	14 766.3	15 698.9
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 048.7	2 176.8	2 331.3	4 920.3	4 901.3	2 590.9	2 668.4	2 751.9
9. Fiscal Transfers	8 006.0	8 889.3	20 078.6	42 203.8	42 203.8	33 290.1	14 132.2	14 205.7
Subtotal	16 171.0	18 966.2	31 312.1	62 845.6	62 512.7	50 219.9	33 127.9	34 265.6
Direct charge against the National Revenue Fund	201 437.8	223 930.8	256 189.3	303 672.8	301 277.7	339 873.7	377 682.5	407 759.7
Provincial Equitable Share	149 245.6	171 053.7	201 795.6	236 877.8	236 877.8	260 973.7	280 688.7	294 780.0
State Debt Costs	52 192.2	52 877.1	54 393.7	59 995.0	57 599.8	71 357.6	88 462.7	104 022.0
General fuel levy sharing with metros	–	–	–	6 800.1	6 800.1	7 542.4	8 531.1	8 957.7
Total	217 608.8	242 896.9	287 501.4	366 518.4	363 790.4	390 093.6	410 810.4	442 025.2
Change to 2009 Budget estimate				11 723.2	8 995.2	20 145.6	30 931.3	(807.6)

Economic classification

Current payments	52 838.6	53 738.2	55 317.2	61 249.1	58 761.1	72 806.9	89 967.8	105 575.9
Compensation of employees	230.9	272.7	321.0	438.5	408.5	538.5	573.0	598.6
Goods and services	415.6	588.4	602.5	815.7	752.8	910.9	932.1	955.2
<i>of which:</i>								
Computer services	168.0	245.1	253.4	472.7	436.6	462.8	464.0	467.0
Consultants and professional services:	112.1	176.5	134.9	152.5	124.5	222.0	236.4	246.3
Business and advisory services								
Lease payments	18.3	25.6	19.6	23.5	23.5	23.6	25.0	24.3
Travel and subsistence	26.4	38.7	43.9	37.3	36.3	58.1	59.3	62.3
Interest and rent on land	52 192.2	52 877.1	54 393.7	59 995.0	57 599.8	71 357.6	88 462.7	104 022.0
Transfers and subsidies	164 752.5	189 141.0	222 174.3	274 253.0	274 013.0	296 522.2	320 080.4	336 436.4
Provinces and municipalities	154 639.6	178 046.4	209 541.6	257 978.5	257 738.5	281 225.6	303 886.1	319 331.5
Departmental agencies and accounts	7 203.1	8 218.6	9 518.4	10 568.7	10 568.7	11 891.4	12 673.8	13 416.3
Universities and technikons	3.5	2.3	5.5	5.5	5.5	5.5	5.5	5.5
Foreign governments and international organisations	576.6	503.8	550.5	549.0	549.0	566.8	593.0	667.8
Public corporations and private enterprises	312.2	222.3	246.8	267.4	267.4	282.6	296.7	311.6
Non-profit institutions	–	0.1	–	0.1	0.1	0.1	0.1	0.1
Households	2 017.5	2 147.4	2 311.5	4 883.8	4 883.8	2 550.2	2 625.3	2 703.5
Payments for capital assets	11.4	13.0	9.4	16.3	16.3	14.5	12.1	13.0
Machinery and equipment	11.4	13.0	9.4	16.3	16.3	14.5	12.1	13.0
Payments for financial assets	6.3	4.7	10 000.5	31 000.0	31 000.0	20 750.0	750.0	–
Total	217 608.8	242 896.9	287 501.4	366 518.4	363 790.4	390 093.6	410 810.4	442 025.2

Expenditure trends

Between 2006/07 and 2009/10, non-statutory expenditure increased significantly from R16.2 billion to R62.5 billion, at an average annual rate of 57.2 per cent, mainly due to payments to Eskom for the subordinated loan of R10 billion in 2008/09 and R30 billion in 2009/10. Most of National Treasury's direct expenditure goes towards transfer payments. These include provincial and local government transfers, civil and military pension payments, and transfers to the South African Revenue Service and the South African Secret Service.

Expenditure is expected to decrease substantially over the MTEF period, from R62.8 billion to R34.3 billion, at an average annual rate of 18.3 per cent. This is mainly due to the phasing out of the Eskom subordinated loan. The marginal increase in spending on the operational budget is mainly due to the annual effect of adjustments to expenditure in compensation of employees, enhancement of the infrastructure delivery implementation programme and implementation of a fraud prevention plan.

The department is responsible for the main statutory transfers to provincial governments. More information on these transfers can be found in chapter 7 and annexure E of the 2010 Budget Review and the 2010 Division of Revenue Bill. The National Treasury vote also includes a provision for servicing government's debt obligations, which are a direct charge against the National Revenue Fund in terms of section 73 of the Public Finance Management Act (1999).

The personnel establishment expanded from 767 in 2006/07 to 1 167 in 2009/10. This is due to the filling of vacant posts and structural changes made to enhance service delivery focus. Over the MTEF period, the number of personnel will increase marginally from 1 167 in 2009/10 to 1 211 in 2012/13.

Departmental revenue

The main items of revenue are the interest on government deposits and dividends received from the South African Reserve Bank. Over the medium term, revenue is expected to decrease from R3.8 billion to R2.6 billion mainly due to a once-off receipt in 2009/10 on asset forfeits. Interest on exchequer investments is affected by domestic and international interest rates, exchange rates and the level of government's cash balances.

Table 9.3 Departmental receipts

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2006/07	2007/08	2008/09	2009/10		2010/11	2011/12	2012/13
Departmental receipts	4 355 125	5 095 776	5 270 354	4 148 462	2 839 024	2 354 152	2 544 833	2 602 918
Sales of goods and services produced by department	36 274	45 215	49 273	123 615	88 554	84 903	60 151	40 400
Sales of scrap, waste, arms and other used current goods	–	–	7	–	–	6	5	18
Interest, dividends and rent on land	4 281 186	4 884 243	4 953 175	3 394 377	2 120 000	2 012 000	2 212 000	2 312 000
Sales of capital assets	309	–	324	2	2	–	–	–
Transactions in financial assets and liabilities	37 356	166 318	267 575	630 468	630 468	257 243	272 677	250 500
National Revenue Fund receipts	–	1 020 877	–	–	1 000 000	–	–	–
Levy Accounts from SARB	–	1 020 877	–	–	1 000 000	–	–	–
Total	4 355 125	6 116 653	5 270 354	4 148 462	3 839 024	2 354 152	2 544 833	2 602 918

Programme 1: Administration

Expenditure estimates

Table 9.4 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Minister ¹	0.9	1.0	1.4	1.7	1.8	1.9	2.0
Deputy Minister ¹	0.7	0.8	1.0	1.4	1.5	1.6	1.7
Management	35.0	43.7	47.6	53.9	52.4	55.2	58.4
Corporate Services	88.0	95.8	106.1	130.1	136.3	141.2	144.2
Office Accommodation	37.0	36.5	47.7	51.2	51.7	53.2	55.6
Total	161.6	177.6	203.7	238.3	243.7	253.2	261.8
Change to 2009 Budget estimate				49.6	43.8	41.4	-

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

Economic classification

Current payments	154.1	167.4	199.0	226.4	234.5	244.4	252.4
Compensation of employees	52.0	61.1	69.8	101.4	120.1	126.6	134.3
Goods and services	102.1	106.3	129.2	125.0	114.4	117.8	118.1
<i>of which:</i>							
Computer services	13.9	18.3	21.0	19.2	11.8	12.4	11.8
Consultants and professional services:							
Business and advisory services	22.0	19.6	11.2	10.7	4.0	3.6	2.5
Lease payments	17.1	17.8	18.2	21.6	19.9	20.8	19.4
Travel and subsistence	6.7	9.9	12.0	10.9	12.2	11.8	13.1
Transfers and subsidies	0.8	2.6	1.5	1.4	1.9	1.9	1.9
Departmental agencies and accounts	0.2	0.2	0.3	0.4	0.3	0.3	0.3
Households	0.6	2.4	1.2	1.0	1.6	1.6	1.6
Payments for capital assets	4.1	7.4	3.1	10.5	7.3	6.8	7.5
Machinery and equipment	4.1	7.4	3.1	10.5	7.3	6.8	7.5
Payments for financial assets	2.6	0.1	0.1	-	-	-	-
Total	161.6	177.6	203.7	238.3	243.7	253.2	261.8

Expenditure trends

Between 2006/07 and 2009/10, expenditure increased from R161.6 million to R238.3 million, at an average annual rate of 13.8 per cent, mainly due to the rollout of the integrated document management system, recruitment drive initiatives, capacitating of the internal audit unit, increased legal costs and the centralisation of internship intakes.

Over the MTEF period, expenditure is expected to increase marginally at an average annual rate of 3.2 per cent, from R238.3 million in 2009/10 to R261.8 million in 2012/13, mainly due to higher than expected salary adjustments.

Programme 2: Public Finance and Budget Management

- *Public Finance* provides financial and budgetary analysis of government programmes, advises on policy and service delivery trends, and manages National Treasury's relations with other national departments.
- *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, coordinates international technical assistance and donor finance, supports public private partnership projects, and compiles public finance statistics.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.

- *Technical and Management Support* includes advisory and capacity building initiatives focused on public private partnerships, project management, infrastructure service delivery and public finance information systems. A dedicated unit supports budgetary planning related to the 2010 FIFA World Cup.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

Objectives and measures

- Give effect to government's economic, fiscal, social and development goals by preparing a budget framework and medium term expenditure recommendations annually.
- Contribute to improved financial management by promoting sound planning, budgeting and project management, including support to public finance reforms in provinces and municipalities on an ongoing basis.
- Promote public and private investment in infrastructure and public services by providing ongoing technical support for public private partnerships, advising on financing alternatives for municipal development, and providing technical assistance for neighbourhood development projects.
- Promote transparency and accountability by annually publishing the Budget Review, Estimates of National Expenditure, provincial and local government budget and expenditure reviews, the medium term budget policy statement and appropriation legislation, containing relevant, accurate and clear financial information and associated indicators of service delivery and performance according to the various guidelines.
- Promote improved planning and analysis of public expenditure and service delivery and the appropriate use of public and private financial resources for social and economic development and infrastructure investment by analysing expenditure and performance information and compiling quarterly reports.
- Develop the policy framework for social security, retirement and health insurance arrangements through a dedicated project management unit by the end of 2011.
- Contribute to policy development, planning and improved financial management through advice and technical assistance in support of public service delivery, infrastructure development and improved public administration across all spheres of government by 2011.

Service delivery focus

Improved guidelines on planning, budgeting and programme budget structures and performance information were developed, and will be piloted and rolled out in 2010/11. An in-depth review of government expenditure aimed at improved efficiency and effectiveness of public service delivery to ensure value for money in government programmes and project implementation was proposed in 2009/10. In 2009, a preliminary report by the government task team, including both short and medium term savings proposals to effect savings, was published.

Through the intergovernmental relations division, National Treasury has played a major role in compiling municipal and provincial budgets and quarterly reports. These publications have assisted in building the oversight information base required for political office bearers and public stakeholders to play a more meaningful oversight role.

Expenditure estimates

Table 9.5 Public Finance and Budget Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Public Finance	25.8	31.6	33.4	47.0	59.0	61.7	55.2
Budget Office	28.3	29.9	38.4	42.5	48.1	50.4	53.8
Intergovernmental Relations	26.2	30.4	36.2	35.4	41.3	43.4	46.4
Technical and Management Support	58.3	120.1	136.0	128.8	193.4	197.2	208.5
Total	138.5	212.0	244.1	253.7	341.8	352.7	363.8
Change to 2009 Budget estimate				45.2	131.5	135.2	-

Table 9.5 Public Finance and Budget Management (continued)

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Economic classification							
Current payments	129.7	204.6	221.7	232.3	320.6	330.8	341.3
Compensation of employees	71.9	89.7	107.3	130.6	156.0	163.2	164.5
Goods and services	57.8	114.9	114.3	101.7	164.7	167.7	176.8
<i>of which:</i>							
Computer services	–	0.3	1.2	0.4	0.5	0.4	0.4
Consultants and professional services:	33.5	90.7	75.0	74.0	132.4	135.7	143.2
Business and advisory services							
Lease payments	0.5	0.6	0.6	0.6	0.8	0.8	0.9
Travel and subsistence	7.6	8.0	9.7	8.9	12.4	12.4	12.6
Transfers and subsidies	6.6	6.0	20.5	19.6	19.9	20.7	21.2
Provinces and municipalities	0.1	–	–	–	–	–	–
Departmental agencies and accounts	6.0	6.0	20.0	18.9	19.4	20.2	20.7
Universities and technikons	–	–	0.5	0.5	0.5	0.5	0.5
Public corporations and private enterprises	0.5	–	–	–	–	–	–
Households	–	–	–	0.3	–	–	–
Payments for capital assets	2.3	1.4	1.9	1.7	1.3	1.2	1.2
Machinery and equipment	2.3	1.4	1.9	1.7	1.3	1.2	1.2
Total	138.5	212.0	244.1	253.7	341.8	352.7	363.8

Details of selected transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	6.0	6.0	20.0	18.9	19.4	20.2	20.7
Technical Assistance Unit Trading Entity	–	–	20.0	18.9	19.4	20.2	20.7
Project Development Facility Trading Account	6.0	6.0	–	–	–	–	–
Universities and technikons							
Current	–	–	0.5	0.5	0.5	0.5	0.5
University of Pretoria: International Public Finance Conference	–	–	0.5	0.5	0.5	0.5	0.5

Expenditure trends

Between 2006/07 and 2009/10, expenditure increased substantially at an average annual rate of 22.3 per cent, from R138.5 million to R253.7 million. This was mainly due to increases in professional and advisory capacity for technical assistance projects and the implementation of the infrastructure delivery improvement programme. Increases are mainly in compensation of employees and consultants.

Over the MTEF period, expenditure is expected to increase from R253.7 million in 2009/10 to R363.8 million in 2012/13, at an average annual rate of 12.8 per cent, due to the continuous enhancement of the implementation of the infrastructure delivery improvement programme to provincial departments. The programme will address problems relating to the planning and project management of infrastructure delivery.

Programme 3: Asset and Liability Management

- *Management.*
- *Asset Management* promotes the optimal allocation and use of financial resources and sound corporate governance in state owned entities.
- *Liability Management* provides for government's funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital markets.

- *Financial Operations* provides for the prudent management of cash in all spheres of government, efficient accounting of debt and investment transactions, supplying reliable systems and providing quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

Objectives and measures

- Oversee state owned entities by reviewing corporate plans and annual reports.
- Finance government's gross borrowing requirements of R191.7 billion by March 2011 by borrowing money from domestic and international markets.
- Improve the affordability of government debt by reducing the net loan debt and the cost to service debt to 33.1 per cent and 2.6 per cent of GDP by March 2011.
- Ensure that government's liquidity requirements are met by forecasting R2.3 trillion of annual cash flows and coordinating intergovernmental cash needs.
- Enable government to manage financial risks and attract investment by reviewing credit, debt, country ratings and contingent liability risk benchmarks and ensuring adherence to these standards by March 2011.

Service delivery focus

National Treasury financed the higher gross borrowing requirement that arose from the weaker fiscal position after the economic recession. A major portion of funding was raised in domestic capital markets through issuing treasury bills and government bonds. In 2009/10, government also secured a US\$2 billion global bond, which matures in 2019. Government and the state owned entities' borrowing programmes were also coordinated effectively in 2009/10.

The Development Bank of Southern Africa's callable capital was approved to increase from R4.8 billion to R20 billion and the Development Bank of Southern Africa Act (1997) will be amended accordingly. To facilitate the bank's borrowing until legislative amendments can be finalised, a R15.2 billion guarantee, which will terminate once the amendment act is promulgated, was granted in 2009/10. In the same year, a memorandum of understanding on the bank's commitment to deepen the developmental impact through callable capital was developed.

Expenditure estimates

Table 9.6 Asset and Liability Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	11.3	16.5	22.7	17.6	13.1	14.2	15.4
Asset Management	8.6	16.1	11.9	16.9	19.5	20.9	21.9
Liability Management	9.1	9.2	10.5	11.6	13.3	14.1	14.8
Financial Operations	7.9	11.3	11.0	13.0	13.3	15.0	15.2
Strategy and Risk Management	4.4	4.8	6.4	7.0	8.0	8.2	8.8
Total	41.3	57.8	62.5	66.2	67.1	72.4	76.1
Change to 2009 Budget estimate				1.8	(0.2)	3.3	-

Table 9.6 Asset and Liability Management (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Economic classification							
Current payments	40.5	55.3	61.9	65.9	66.3	71.6	75.3
Compensation of employees	26.0	30.1	33.4	41.3	48.6	51.7	54.5
Goods and services	14.5	25.3	28.5	24.5	17.7	19.9	20.8
<i>of which:</i>							
Computer services	2.3	4.1	2.5	6.0	4.9	4.8	4.5
Consultants and professional services:	6.2	15.0	17.0	10.1	4.0	5.8	6.7
Business and advisory services							
Travel and subsistence	1.5	2.0	2.6	2.8	3.2	3.3	3.5
Payments for capital assets	0.7	2.5	0.6	0.3	0.8	0.8	0.9
Machinery and equipment	0.7	2.5	0.6	0.3	0.8	0.8	0.9
Total	41.3	57.8	62.5	66.2	67.1	72.4	76.1

Expenditure trends

Between 2006/07 and 2009/10, expenditure increased from R41.3 million to R66.2 million, at an average annual rate of 17 per cent. This is attributed to the formulation of the state owned entities' capital structure and dividend policies, the reassessment of state owned entities' treasury operations, the release of a report on the Pebble Bed Modular Reactor project and the development of a treasury management system that addresses the needs of the programme.

Over the MTEF period, expenditure is expected to increase from R66.2 million in 2009/10 to R76.1 million in 2012/13, at an average annual rate of 4.8 per cent. The increase is due to the planned completion of the treasury management system in 2012/13.

Programme 4: Financial Management and Systems

- *Management.*
- *Supply Chain Management* develops policy that regulates the supply chain processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *Financial Systems* maintains and improves existing financial management systems, and replaces outdated systems with those that comply with the Public Finance Management Act (1999) and generally recognised accounting practice.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as payments of consultants.

Objectives and measures

- Improve supply chain management by:
 - rolling out revised preferential procurement regulations at all national and provincial departments, constitutional institutions, public entities and municipalities in 2010/11
 - rolling out a revised supply chain management framework in 2010/11
 - revising and issuing a supply chain management guide for accounting officers in 2010/11
 - monitoring supply chain management compliance by submitting reports in October 2010 to Cabinet and the standing committee on public accounts as an integral component of the capability and maturity framework
 - improving value for money on contracts by quantifying economic benefits for applying strategic sourcing methodologies to 4 strategic transversal term contracts in 2010/11
 - introducing strategic sourcing to 90 per cent of all national and provincial departments, constitutional institutions, public entities and high capacity municipalities in 2010/11

- attending to grievances about supply chain management processes within 5 working days, unless further research is required.
- Maintain government's current financial systems at a level of 98 per cent availability to users by implementing the third phase of the integrated financial management system, which will focus on rolling out the completed modules (procurement management, human resource management and asset management) and fast tracking the development and implementation of the remaining modules in 2010/11.

Service delivery focus

While the integrated financial management system project continues, the procurement management and human resource management modules are in the process of being customised and deployed at the selected lead sites. The development of the asset management module was completed in 2009/10 and the module is being implemented at the lead site.

In 2010/11, focus will be on rolling out the asset management module and the procurement management module at small to medium sized national departments and the rollout to large national departments and provinces will be targeted in 2011/12.

The project finalised the specifications of other supply chain management modules to be developed by the time the contracting model is finalised. The focus in 2010/11 will be on contracting development partners to design the remaining integrated financial management system modules to ensure the complete solution is ready for roll-out by 2012/13. The key challenge that remains is the transformation of the State Information Technology Agency into the primary systems integrator, as per the Cabinet directive.

Expenditure estimates

Table 9.7 Financial Management and Systems

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management	1.3	1.3	1.5	1.7	1.9	2.0	2.0
<i>Deputy Director-General Specialist Functions</i>	1.3	1.3	1.5	1.7	1.9	2.0	2.0
Supply Chain Management	20.3	28.8	20.8	38.1	39.0	40.5	42.2
<i>Chief Directorate Supply Chain Policy</i>	9.3	14.6	4.4	17.1	16.5	16.7	17.0
<i>Chief Directorate Contract Management</i>	5.5	8.7	10.6	16.2	17.3	18.4	19.5
<i>Chief Directorate Norms and Standards</i>	5.6	5.5	5.8	4.9	5.2	5.4	5.7
Financial Systems	169.1	231.3	250.5	459.5	457.8	466.4	472.4
<i>PERSAL</i>	39.7	41.8	46.2	52.0	53.2	53.4	53.7
<i>Logis</i>	42.0	45.2	50.1	55.2	58.0	58.1	58.4
<i>Vulindlela</i>	16.8	22.8	23.6	26.1	26.7	28.7	30.5
<i>BAS</i>	47.1	48.3	55.9	61.0	62.8	65.9	66.3
<i>Integrated Financial Management System</i>	10.8	59.4	59.7	249.0	239.3	240.9	243.3
<i>Operational Costs</i>	12.7	13.7	14.9	16.2	17.8	19.3	20.3
Total	190.8	261.4	272.7	499.4	498.7	508.8	516.7
Change to 2009 Budget estimate				(112.3)	(145.3)	(160.5)	–

Table 9.7 Financial Management and Systems (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Economic classification							
Current payments	188.8	260.7	270.4	497.2	497.9	508.0	515.8
Compensation of employees	28.7	30.3	33.4	40.8	43.8	46.7	49.0
Goods and services	160.2	230.4	236.9	456.3	454.1	461.3	466.8
<i>of which:</i>							
Computer services	151.5	222.1	228.6	443.7	438.9	444.7	448.6
Consultants and professional services:	0.2	0.7	0.1	1.1	0.3	0.3	0.3
Business and advisory services							
Lease payments	0.4	0.5	0.5	0.8	2.3	2.8	3.4
Travel and subsistence	1.2	0.9	1.4	1.6	2.2	2.4	2.6
Payments for capital assets	1.9	0.8	2.3	2.2	0.8	0.8	0.9
Machinery and equipment	1.9	0.8	2.3	2.2	0.8	0.8	0.9
Total	190.8	261.4	272.7	499.4	498.7	508.8	516.7

Expenditure trends

Between 2006/07 and 2009/10, expenditure increased at an average annual rate of 37.8 per cent, from R190.8 million to R499.4 million driven largely by spending on machinery and equipment, which grew by 205.8 per cent in 2008/09. This was mainly due to accelerating the implementation of the integrated financial management systems project and the ongoing maintenance work on the legacy systems, such as the basic accounting system, Logis, Persal and Vulindlela.

Over the MTEF period, expenditure is expected to increase marginally from R499.4 million to R516.7 million, at an average annual rate of 1.1 per cent due to adjustments for inflation. Over the medium term, spending will focus on the implementation of the integrated financial management system.

Programme 5: Financial Accounting and Reporting

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the Reconstruction and Development Programme Fund, banking services for national government, providing support to all spheres of government in implementing financial reporting frameworks, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management, developing the reporting frameworks in line with international and local best practice, developing and implementing accounting policies, and improving the financial management and internal audit capacity within government.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (1995).

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as transfer payments.

Objectives and measures

- Improve financial management in government by:
 - participating in developing local and international standards in accounting, internal audit and risk management by formulating and publishing accounting standards with the Accounting Standards Board on an ongoing basis
 - establishing a dedicated local government support team in the Office of the Accountant-General to respond to the increasing demand from local governments by March 2010

- rolling out all generally recognised accounting practice standards, as approved for implementation by the Minister of Finance, as well as the relevant financial reporting frameworks and the revised risk management and internal audit frameworks by July 2010
- rolling out the financial management capability maturity model for the three spheres of government and using its reports to enhance support initiatives over the MTEF period
- implementing a capacity building model for financial management over the MTEF period to strengthen financial management skills
- rolling out capacity building programmes in financial management, internal audit and risk management by March 2011 to improve audit outcomes in all spheres of government.
- Achieve transparency and accountability to the general public by publishing and, where applicable, tabling by October 2010 the monthly statement of the National Revenue Fund, consolidated financial information for national government, and the annual financial statements of the reconstruction and development programme.
- Monitor compliance with the Public Finance Management Act (1999) and the Municipal Financial Management Act (2003) by submitting progress reports in August and November 2010 on the improvement of financial management.
- Enhance the legislative framework by submitting amendments to the Public Finance Management Act (1999) and the Municipal Financial Management Act (2003) to Cabinet by October 2010.
- Build forensic investigative capacity to obtain assurance on systems of financial management, institutional integrity and institutional performance in national, provincial and local government institutions, and investigate fraud and corruption in national, provincial and local government institutions in cooperation with other relevant agencies by March 2011.
- Maintain National Treasury's status as a South African Institute of Chartered Accountants accredited training office for the training outside public practice programme, and expand the programme to 3 metros by March 2011.

Service delivery focus

Internship programmes such as the training outside public practice programme, which started in 2008/09 with 10 interns and 14 currently in the programme 2009/10, will continue to add to the talent pool, especially in the scarce skills area. There is room for a collaborative effort between National Treasury, the South African Institute of Chartered Accountants and local government metros to expand the programme to a wider public sector base. The proposed new framework for chartered accountants will result in attracting more trainees to the public sector in 2010/11.

A special audit unit aimed at combating fraud and corruption in all government entities will be established in 2010/11 in collaboration with law enforcement agencies, the auditor-general and other relevant stakeholders to ensure that non-compliance with legislation and the undermining of good financial management are curbed. The unit will also lead the supply chain management compliance task team aimed at eliminating fraud and corruption in procuring goods and services by government.

Rolling out the financial management capability model in 2010/11 is aimed at providing an accurate indicator of the weaknesses and the extent of the need for support and capacity building in the different spheres of government, and to focus support in areas where it is most needed, such as training public servants and developing their skills.

Expenditure estimates

Table 9.8 Financial Accounting and Reporting

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Financial Reporting for National Accounts	46.8	63.0	67.1	82.1	86.0	90.8	95.4
Financial Management Improvement	12.6	18.4	29.3	48.6	120.9	123.7	128.2
Service Charges: Commercial Banks	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Audit Statutory Bodies	11.9	23.8	106.4	19.0	21.4	24.0	25.0
Total	71.4	105.2	203.0	149.8	228.4	238.6	248.7
Change to 2009 Budget estimate				26.4	91.6	94.3	–

Economic classification

Current payments	42.5	57.6	68.3	100.3	172.3	179.7	187.0
Compensation of employees	21.4	24.5	30.7	56.6	81.2	86.7	92.9
Goods and services	21.1	33.0	37.6	43.7	91.1	93.1	94.1
<i>of which:</i>							
Computer services	0.1	0.1	0.0	3.3	6.4	1.4	1.4
Consultants and professional services: Business and advisory services	4.8	10.6	5.0	10.9	34.6	42.1	39.2
Travel and subsistence	2.1	2.9	5.0	4.7	17.0	17.5	18.1
Transfers and subsidies	27.8	47.4	134.1	48.6	52.6	57.0	59.9
Departmental agencies and accounts	27.5	47.1	134.1	48.3	52.2	56.7	59.5
Households	0.3	0.3	–	0.3	0.4	0.4	0.4
Payments for capital assets	1.1	0.2	0.6	0.9	3.5	1.8	1.9
Machinery and equipment	1.1	0.2	0.6	0.9	3.5	1.8	1.9
Total	71.4	105.2	203.0	149.8	228.4	238.6	248.7

Details of selected transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	22.7	40.9	126.7	41.1	44.6	48.7	51.2
Auditor-General	11.9	23.8	106.4	19.0	21.4	24.0	25.0
Independent Regulatory Board for Auditors	10.9	17.1	20.3	22.0	23.3	24.7	26.2
Capital	4.8	6.2	7.4	7.2	7.5	8.0	8.4
Accounting Standards Board	4.8	6.2	7.4	7.2	7.5	8.0	8.4

Expenditure trends

Between 2006/07 and 2009/10, expenditure increased at an average annual rate of 28 per cent, from R71.4 million to R149.8 million, mainly due to the increase in the programme's establishment, the training outside public practice programme and costs for formulating the financial management capability maturity model.

From 2007/08 to 2008/09, expenditure increased by 92.9 per cent, from R105.2 million to R203 million, due to a once-off payment to the auditor-general.

Over the MTEF period, expenditure is expected to increase at an average annual rate of 18.4 per cent, from R149.8 million in 2009/10 to R248.7 million in 2012/13, mainly due to the establishment of the special audit services unit. The unit will intervene to rectify breakdowns in financial management at national, provincial and local government, and investigate fraud and corruption.

Programme 6: Economic Policy and International Financial Relations

- *Management and Research* funds the department's economic research programme, including promoting the research capacity of local academic researchers in areas such as economic growth, macroeconomic stability, poverty alleviation, retirement reform, financial sector development and regional integration.
- *Financial Sector Policy* provides policy advice on the financial sector, including legislation and the regulatory framework. Key strategic focus areas include retirement reform, financial stability and financial sector access and transformation.
- *Tax Policy* provides advice on the formulation of tax policy. It is also responsible for drafting tax legislation, tax revenue analysis and forecasting.
- *International Economics* focuses on improving South Africa's participation in international economic institutions and debates. It also facilitates the deepening of South Africa's role in regional integration (SADC and the Southern African Customs Union) and works through key economic institutions such as the African Development Bank, the United Nations Economic Commission for Africa and the New Partnership for Africa's Development.
- *Economic Policy* provides macroeconomic, microeconomic, forecasting and regulatory technical and policy analysis for the annual budget and other government processes, and policy review.

Funding for all subprogrammes will be used mainly for compensation of employees, and related expenditure in goods and services.

Objectives and measures

- Improve the country's macroeconomic framework by continuously publishing research papers and proposals on: promoting growth, macroeconomic stability, retirement reform and related policy areas.
- Review and strengthen the regulatory framework for the financial sector by continuing to implement the Basle II capital accord, which came into effect on 1 January 2008.
- Develop tax policy proposals for the annual Budget, prepare legislative changes to support tax proposals, and monitor the collection of revenue through ongoing consultation with relevant stakeholders and consideration of contributing factors.
- Improve South Africa's participation in international economic institutions like the International Monetary Fund, the World Bank, the G20 and the African Development Bank, including the reform of the Bretton Woods institutions.
- Promote regional economic integration in SADC, and strengthen economic links within Africa by:
 - continuing support in SADC forums
 - supporting the Southern African Customs Union to meet regional challenges including the existing revenue sharing formula.

Service delivery focus

In 2008/09, the final research papers of the International Growth Advisory Panel were released to the public. The Financial Services Laws General Amendment Bill was also presented to Cabinet. A research paper on prudential foreign exposure limits was finalised for institutional investors, and National Treasury's 2008 Tax Statistics, published late in 2008, provides a detailed breakdown of tax revenues by income categories and sectors.

Continuously creating and maintaining a policy and regulatory environment conducive to a regionally and internationally integrated and thriving economy remains a key area of delivery for National Treasury. The Treasury will, over the MTEF period, continue providing high quality quantitative and analytically based policy guidance to develop and maintain growth oriented and sound micro and macroeconomic policies.

An effective, equitable and modern tax policy framework and collection system will be developed to ensure sustainable growth and delivery on government's mandate to address the needs of all South Africans. Continued resources will be dedicated to strengthening financial relations in Southern Africa, and ensuring that the country meets international expectations in its financial leadership role on the continent.

Expenditure estimates

Table 9.9 Economic Policy and International Financial Relations

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Management and Research	14.8	10.8	16.1	24.6	26.3	27.4	28.3
Financial Sector Policy	14.5	16.1	19.4	21.7	25.9	28.5	29.8
Tax Policy	11.5	12.4	15.5	18.9	24.8	26.7	28.5
International Economics	9.6	13.1	18.8	18.7	20.7	22.5	23.5
Economic Policy	18.5	40.7	20.4	19.6	27.0	30.2	31.9
Total	68.9	93.2	90.3	103.5	124.7	135.3	141.9
Change to 2009 Budget estimate				15.8	30.2	36.0	-

Economic classification

Current payments	64.2	90.2	84.4	97.8	118.9	129.6	136.3
Compensation of employees	30.9	37.1	46.3	67.7	88.8	98.1	103.4
Goods and services	33.3	53.1	38.0	30.1	30.1	31.5	32.8
<i>of which:</i>							
Computer services	0.1	0.3	0.1	0.2	0.3	0.4	0.4
Consultants and professional services: Business and advisory services	18.6	14.6	8.8	11.4	7.9	8.1	8.5
Lease payments	0.2	6.6	0.1	0.2	0.3	0.3	0.4
Travel and subsistence	7.4	15.0	13.2	8.5	11.2	11.9	12.4
Transfers and subsidies	3.5	2.3	5.0	5.0	5.0	5.0	5.0
Universities and technikons	3.5	2.3	5.0	5.0	5.0	5.0	5.0
Payments for capital assets	1.2	0.7	0.9	0.6	0.8	0.7	0.7
Machinery and equipment	1.2	0.7	0.9	0.6	0.8	0.7	0.7
Payments for financial assets	0.0	0.0	0.0	-	-	-	-
Total	68.9	93.2	90.3	103.5	124.7	135.3	141.9

Details of selected transfers and subsidies

Universities and technikons							
Current	3.5	2.3	5.0	5.0	5.0	5.0	5.0
University of Cape Town	3.5	2.3	5.0	5.0	5.0	5.0	5.0

Expenditure trends

Expenditure increased from R68.9 million in 2006/07 to R103.5 million in 2009/10, at an average annual rate of 14.5 per cent, mainly due to an increase in capacity from 2008/09 onwards to cater for: the international relations economic division, research work including research for regulatory impact analysis and microeconomic analysis; and the implication of policy advice and implementation on legislation, including tax, pensions and banking regulation.

Expenditure over the MTEF period is expected to increase from R103.5 million to R141.9 million, at an average annual rate of 11.1 per cent. This is due to the increase in capacity for the international relations economic division, improvements to the functioning of the financial regulatory system and enhancements to economic policy proposals over the MTEF period.

Programme 7: Provincial and Local Government Transfers

- *Infrastructure Grant to Provinces* provides for the transfers to provinces and for monitoring them. The grant supports accelerated infrastructure development and maintenance for roads, schools, health facilities and rural development.

- *Local Government Financial Management and Restructuring Grants* provides for transfers to municipalities and assists them in building capacity to implement the financial management reforms underpinning the Municipal Finance Management Act (2003).
- *Neighbourhood Development Partnership Grant* provides for the transfer to municipalities for development of high quality social facilities and economic infrastructure platforms in township areas.

Funding will be used for transfers to provinces and municipalities.

Objectives and measures

- Assist in the design and co-financing of neighbourhood development partnership grant projects by:
 - maintaining the number of awards under management at 90 in 57 municipalities annually
 - increasing the number of capital projects under construction that support township regeneration from 23 to 45 in implementation phases over the MTEF period.
- Build financial skills by improving internal and external reporting on financial management grants as they relate to budget, service delivery and budget implementation plans, in-year-monitoring and annual reports by 2011.
- Manage conditional grants through the transfer of infrastructure grants to provinces according to the payment schedule and the requirements of the Division of Revenue Act.
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health and transport through the quarterly monitoring of their delivery of provincial infrastructure.

Service delivery focus

In 2008/09, the Treasury conducted a study to identify 25 poor municipalities around the country in need of support. All these municipalities submitted proposals on areas of focus and direct implementation. In 2009/10, 729 applications for the neighbourhood development partnership grant were received and 90 awards were made to 57 municipalities against a targeted 100 townships. By November 2009, 35 projects had started construction and spending by the 6 metropolitan municipalities will peak in 2011/12. Capital investments will gain impetus in 39 rural municipalities and 12 secondary cities from 2010/11 onwards, with their expenditure set to exceed R500 million in 2011/12 and 2012/13.

Expenditure estimates

Table 9.10 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Infrastructure Grant to Provinces	4 983.5	6 276.2	7 384.5	9 249.2	11 314.9	13 091.2	14 007.6
Local Government Financial Management and Restructuring Grants	410.3	675.3	180.0	300.0	364.6	384.6	403.9
Neighbourhood Development Partnership Grant	50.0	41.2	261.6	661.4	1 155.0	1 290.4	1 287.5
Gautrain Loan	–	–	–	4 200.0	–	–	–
Total	5 443.7	6 992.7	7 826.0	14 410.6	12 834.5	14 766.3	15 698.9
Change to 2009 Budget estimate				–	401.3	351.0	3.0
Economic classification							
Transfers and subsidies	5 443.7	6 992.7	7 826.0	10 210.6	12 834.5	14 766.3	15 698.9
Provinces and municipalities	5 393.7	6 992.7	7 745.9	10 100.6	12 709.5	14 666.3	15 593.9
Departmental agencies and accounts	50.0	–	80.1	110.0	125.0	100.0	105.0
Payments for financial assets	–	–	–	4 200.0	–	–	–
Gautrain loan	–	–	–	4 200.0	–	–	–
Total	5 443.7	6 992.7	7 826.0	14 410.6	12 834.5	14 766.3	15 698.9

Table 9.10 Provincial and Local Government Transfers (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Details of selected transfers and subsidies							
Provinces and municipalities							
Provinces							
Provincial Revenue Funds							
Capital	4 983.5	6 276.2	7 384.5	9 249.2	11 314.9	13 091.2	14 007.6
Infrastructure grant to provinces	4 983.5	6 026.2	7 384.5	9 249.2	11 314.9	13 091.2	14 007.6
Transitional grant: North West	–	250.0	–	–	–	–	–
Provinces and municipalities							
Municipalities							
Municipal bank accounts							
Current	410.3	675.3	180.0	300.0	364.6	384.6	403.9
Financial management grant - municipalities	145.3	145.3	180.0	300.0	364.6	384.6	403.9
Local government restructuring grant	265.0	530.0	–	–	–	–	–
Capital	–	41.2	181.5	551.4	1 030.0	1 190.4	1 182.5
Neighbourhood development partnership grant	–	41.2	181.5	551.4	1 030.0	1 190.4	1 182.5
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	50.0	–	80.1	110.0	125.0	100.0	105.0
Neighbourhood development partnership grant	50.0	–	80.1	110.0	125.0	100.0	105.0

Expenditure trends

Spending on provincial infrastructure increased from R5 billion in 2006/07 to R9.2 billion in 2009/10, at an average annual rate of 22.9 per cent. This was mainly due to higher expenditure on education, roads and transport, and increased capital spending. The infrastructure grant to provinces supplements the provincial equitable share. It supports the construction, maintenance and rehabilitation of infrastructure in education, roads, health and agriculture. The Gautrain rapid rail link project was funded through a once-off loan of R4.2 billion in 2009/10.

Expenditure on the grant over the MTEF period is expected to increase from R9.2 billion in 2009/10 to R14 billion in 2012/13, at an average annual rate of 14.8 per cent mainly to fund improvements in the national education infrastructure management system.

Grants to municipalities decreased from R410.3 million in 2006/07 to R300 million in 2009/10, at an average annual rate of 9.9 per cent due to the phasing out of the local government restructuring grant. Over the MTEF period, the grant is expected to increase from R300 million in 2009/10 to R403.9 million in 2012/13, at an average annual rate of 10.4 per cent due to increased capacity support for municipalities. The expenditure for the neighbourhood development partnership grant has increased from R50 million in 2006/07 to R661.4 million in 2009/10, at an average annual rate of 136.5 per cent. This grant to municipalities is for the design of partnership projects, and for co-financing the construction of new and better community facilities and related municipal assets. Expenditure over the MTEF period for this grant is expected to increase to R1.3 billion in 2012/13, at an average annual rate of 24.9 per cent.

Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the 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 assistance devices, and other related expenses, in terms of statutory commitments.

Funding in these subprogrammes is mainly used for transfers to funds and beneficiaries.

Objectives and measures

- Eliminate the special pensions backlog by improving efficiency and capacity by December 2010.
- Ensure efficiency by developing process mapping and document processes for medical pensions, military pensions and injury on duty by October 2010.
- Contribute to alleviating poverty by ensuring timely and accurate monthly payments of military pension funds on behalf of 7 024 beneficiaries, contributions to medical aid schemes on behalf of 75 400 members, and risk and administrative fees on behalf of 900 members of the Political Office Bearers Pension Fund.

Service delivery focus

The Special Pensions Amendment Act (2008) extends the right for people who are 30 years' old to claim a pension, but not to people who are 35 years' old, on 31 December 1996. 5 road shows were conducted in 2009/10 to inform the public of the special pensions benefits and more than 50 per cent of backlogs were reduced in post-retirement medical benefits administration from the beginning of 2009/10.

Expenditure estimates

Table 9.11 Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Civil Pensions and Contributions to Funds	1 901.7	2 027.4	2 173.8	4 741.8	2 406.6	2 475.1	2 548.8
<i>PfMI</i>	0.6	0.6	0.7	1.0	0.7	0.9	0.9
<i>Parliamentary Awards</i>	0.0	0.0	0.0	0.2	0.0	0.0	0.0
<i>Other Benefits</i>	53.0	56.1	62.8	62.7	89.9	91.4	105.0
<i>Injury on Duty</i>	294.3	337.4	349.3	346.0	356.4	376.4	394.9
<i>Government Contribution to Medical Schemes</i>	1 222.5	1 336.7	1 423.0	1 427.0	1 501.4	1 541.5	1 577.1
<i>United Kingdom Tax</i>	1.7	2.1	2.7	3.8	3.9	4.1	4.4
<i>Special Pensions</i>	302.3	246.4	296.9	348.1	387.7	400.1	400.0
<i>Political Office Bearers</i>	18.7	19.7	21.3	2 523.0	30.0	25.7	26.3
<i>Civil Admin Auxillary Services</i>	8.0	27.5	15.0	29.3	33.2	31.3	35.9
<i>Pension Benefit RSA President</i>	0.8	0.8	2.0	0.9	3.4	3.6	4.2
Military Pensions and Other Benefits	147.0	149.4	157.5	178.5	184.3	193.3	203.1
<i>Military Pensions Ex-Servicemen</i>	41.1	39.0	37.8	58.6	40.7	53.8	54.7
<i>SA Citizen Force</i>	87.7	91.5	96.9	97.7	113.0	109.5	116.6
<i>Civil Protection</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Other Benefits Ex-Servicemen</i>	15.7	16.3	19.7	17.1	25.0	20.3	21.7
<i>SA Legion</i>	–	0.1	–	0.1	0.1	0.1	0.1
<i>Military Admin Auxiliary Services</i>	2.5	2.4	3.1	4.9	5.6	9.5	10.0
Total	2 048.7	2 176.8	2 331.3	4 920.3	2 590.9	2 668.4	2 751.9
Change to 2009 Budget estimate				–	192.4	125.9	–

Table 9.11 Civil and Military Pensions, Contributions to Funds and Other Benefits (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Economic classification							
Current payments	26.7	25.3	17.9	34.2	38.8	40.9	45.9
Goods and services	26.7	25.3	17.9	34.2	38.8	40.9	45.9
<i>of which:</i>							
<i>Consultants and professional services: Business and advisory services</i>	26.7	25.3	17.9	34.2	38.8	40.9	45.9
Transfers and subsidies	2 018.4	2 146.9	2 313.0	4 886.1	2 552.2	2 627.5	2 706.1
Foreign governments and international organisations	1.7	2.1	2.7	3.8	3.9	4.1	4.4
Non-profit institutions	–	0.1	–	0.1	0.1	0.1	0.1
Households	2 016.7	2 144.7	2 310.4	4 882.2	2 548.2	2 623.3	2 701.6
Payments for financial assets	3.7	4.6	0.3	–	–	–	–
Total	2 048.7	2 176.8	2 331.3	4 920.3	2 590.9	2 668.4	2 751.9
Details of selected transfers and subsidies							
Foreign governments and international organisations							
Current	1.7	2.1	2.7	3.8	3.9	4.1	4.4
United Kingdom tax	1.7	2.1	2.7	3.8	3.9	4.1	4.4
Households							
Social benefits							
Current	2 016.7	2 144.7	2 310.4	4 882.2	2 548.2	2 623.3	2 701.6
Civil Pensions	1 872.1	1 997.9	2 134.8	2 208.7	2 339.6	2 413.9	2 482.2
Military Pensions	144.5	146.8	154.3	173.5	178.7	183.7	193.1
Political Office Bearers Pension Fund	–	–	21.3	2 500.0	30.0	25.7	26.3

Expenditure trends

Government's contributions to pensions and other benefits on behalf of retired civil servants increased from R2 billion in 2006/07 to R4.9 billion in 2009/10, at an average annual rate of 33.9 per cent. This is mainly due to the once-off transfer payment to the Political Office Bearers Pension Fund for pensions after the 2009 general elections.

Expenditure for the programme is expected to decrease from R4.9 billion in 2009/10 to R2.8 billion in 2012/13, at an average annual rate of 17.6 per cent. There is an increase in medical and other benefit tariffs, increased spending on injury on duty; and the implementation of the Special Pensions Amendment Act (2008), which will expand benefits to widows and orphans. These increases are offset significantly by the once-off transfer of R2.5 billion in 2009/10 to the Political Office Bearers Pension Fund.

Programme 9: Fiscal Transfers

The subprogrammes reflect the different types of transfers.

Domestic transfers are made to the South African Revenue Service, the Financial and Fiscal Commission, the South African Secret Services account and the Financial Intelligence Centre.

Foreign transfer payments are made to:

- the World Bank, including: the International Development Association, which is part of the World Bank Group and provides debt relief to poor countries in terms of a bilateral agreement between the donor countries
- the African Development Bank, African Development Fund and Collaborative Africa Budget Reform Initiative
- Lesotho, Namibia and Swaziland, under the *Common Monetary Area Compensation* subprogramme, for the rand monetary area agreement

- the African integration and support programmes
- various international programmes supported by government such as the Commonwealth Fund for Technical Cooperation, the Investment Climate Facility, and the Global Alliance for Vaccines and Immunisation.

Expenditure estimates

Table 9.12 Fiscal Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Eskom	–	–	10 000.0	30 000.0	20 000.0	–	–
South African Revenue Service	4 874.6	5 511.0	6 302.8	7 148.4	8 066.8	8 743.6	9 324.4
Financial and Fiscal Commission	21.7	27.5	26.1	26.6	31.4	33.0	34.4
Secret Services	2 223.1	2 584.2	2 843.6	3 052.2	3 306.8	3 535.5	3 668.5
Financial Intelligence Centre	–	42.5	111.5	157.9	281.4	169.2	177.4
Cooperative Banking Development Agency	–	–	–	6.0	8.2	15.3	26.1
Development Bank of Southern Africa - Siyenza Manje	258.3	168.9	246.8	267.4	282.6	296.7	311.6
Development Bank of Southern Africa - Financial Management Grant	53.4	53.4	–	–	–	–	–
Land Bank	–	–	–	1 000.0	750.0	750.0	–
Common Monetary Area Compensation (CMA)	282.8	320.6	362.5	359.4	381.0	403.8	460.9
Financial and Technical Support	–	–	–	20.1	18.1	16.3	29.1
African Development Bank and African Development Fund	104.9	76.9	93.8	76.0	80.6	85.4	89.7
World Bank Group (including IDA)	177.2	86.6	68.0	68.0	68.0	68.0	68.0
Collaborative Africa Budget Reform Initiative (CABRI)	–	–	–	0.9	1.2	1.2	1.3
Commonwealth Fund for Technical Cooperation	2.9	3.4	3.7	3.5	4.1	4.4	4.8
International Funding Facility for Immunization	7.2	7.4	9.6	8.5	10.0	9.7	9.7
Investment Climate Facility	–	6.8	10.2	8.9	–	–	–
Total	8 006.0	8 889.3	20 078.6	42 203.8	33 290.1	14 132.2	14 205.7
Change to 2009 Budget estimate				1 142.9	879.6	913.4	(20.0)

Economic classification

Transfers and subsidies	8 006.0	8 889.3	10 078.6	11 203.8	12 540.1	13 382.2	14 205.7
Departmental agencies and accounts	7 119.4	8 165.2	9 284.0	10 391.1	11 694.6	12 496.6	13 230.8
Foreign governments and international organisations	574.9	501.7	547.8	545.3	562.9	588.8	663.4
Public corporations and private enterprises	311.7	222.3	246.8	267.4	282.6	296.7	311.6
Payments for financial assets	–	–	10 000.0	31 000.0	20 750.0	750.0	–
Total	8 006.0	8 889.3	20 078.6	42 203.8	33 290.1	14 132.2	14 205.7

Details of selected transfers and subsidies

Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	6 754.3	7 308.6	8 640.9	9 779.7	11 092.1	11 942.0	12 647.8
South African Revenue Service	4 788.0	5 255.7	6 021.1	6 996.5	7 896.6	8 552.5	9 125.1
Financial and Fiscal Commission	21.7	27.5	26.1	26.6	31.4	33.0	34.4
Secret Services Account	1 944.6	1 988.6	2 488.1	2 640.4	2 967.3	3 171.9	3 284.9
Financial Intelligence Centre	–	36.8	105.6	110.3	188.6	169.2	177.4

Table 9.12 Fiscal Transfers (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Departmental agencies and accounts							
Departmental agencies (non-business entities)							
Current	6 754.3	7 308.6	8 640.9	9 779.7	11 092.1	11 942.0	12 647.8
Cooperative Banking Development Agency	–	–	–	6.0	8.2	15.3	26.1
Capital	365.0	856.7	643.1	611.4	602.4	554.7	582.9
South African Revenue Service	86.6	255.3	281.7	152.0	170.2	191.1	199.3
Secret Services Account	278.5	595.7	355.5	411.8	339.5	363.6	383.6
Financial Intelligence Centre	–	5.7	5.9	47.6	92.8	–	–
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	311.7	222.3	246.8	267.4	282.6	296.7	311.6
Development Bank of Southern Africa - Siyenza Manje	258.3	168.9	246.8	267.4	282.6	296.7	311.6
Development Bank of Southern Africa - Financial Management Grant	53.4	53.4	–	–	–	–	–
Foreign governments and international organisations							
Current	292.8	338.2	386.0	381.2	396.2	419.2	476.6
Common Monetary Area Compensation	282.8	320.6	362.5	359.4	381.0	403.8	460.9
Collaborative Africa Budget Reform Initiative	–	–	–	0.9	1.2	1.2	1.3
Commonwealth Fund for Technical Cooperation	2.9	3.4	3.7	3.5	4.1	4.4	4.8
International Funding Facility for Immunization	7.2	7.4	9.6	8.5	10.0	9.7	9.7
Investment Climate Facility	–	6.8	10.2	8.9	–	–	–
Capital	282.1	163.6	161.8	164.1	166.7	169.7	186.8
Financial and Technical Support	–	–	–	20.1	18.1	16.3	29.1
Africa Development Bank and African Development Fund	104.9	76.9	93.8	76.0	80.6	85.4	89.7
World Bank	177.2	86.6	68.0	68.0	68.0	68.0	68.0

Expenditure trends

There is no direct expenditure under this programme, only transfers to various organisations. Transfers increased from R8 billion in 2006/07 to R42.2 billion in 2009/10, at an average annual rate of 74 per cent, mainly due to additional budgetary allocations. In 2009/10, the additional allocations included adjustments for inflation to the South African Revenue Service and the Secret Services account, funding to the Financial Intelligence Centre for capacity building and accommodation, funding to the Land Bank for recapitalisation (2009/10, 2010/11 and 2011/12), and Eskom's subordinated loan (2009/10 and 2010/11) for building infrastructure for sustainable electricity. Transfers are expected to decrease from R42.2 billion in 2009/10 to R14.2 billion in 2012/13, at an average annual rate of 30.4 per cent due as the funding to Eskom and the Land Bank phases out.

Public entities

South African Revenue Service

Strategic overview: 2006/07 – 2012/13

The South African Revenue Service was established in terms of the South African Revenue Service Act (1997) to support government in meeting its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. By administering an efficient tax system, the service is reducing the compliance burden, ensuring delivery on revenue targets and ensuring good governance and administration. The service is also responsible for ensuring maximum compliance with tax and customs legislation, providing a customs service that will maximise revenue collection, and protect South Africa's borders and facilitate trade.

The South African Revenue Service has identified seven strategic priorities for the next three years: drive revenue realisation to deliver now and ensure sustainability; drive productivity, service quality and cost savings efficiency; fully deliver on its customs mandate in a way that is aligned with government's stated intention; clarify the operating model, streamline governance and strengthen leadership; fully implement taxpayer and trader segmentation to strengthen the business model; maximise value creation by enabling its staff to perform at their peak; and deepen key external relationships to enhance its reputation and results.

The South African Revenue Service's strategic overview has taken into account the impact of the current economic climate on trade and revenue. While the economy impacts directly on revenues due, the financial pressures experienced by businesses and individuals also influence their compliance behaviour.

The service is continuing its modernisation agenda, in which core processes and systems are streamlined and routine tasks automated. This enables the redirection of resources to facilitating the expansion of the tax base and voluntary compliance through taxpayer and trader education, as well as towards the activities that are necessary for ensuring the accuracy of declarations and the timely payments of revenues due.

In view of the challenges the service faces in relation to achieving revenue targets within a tougher economic environment, there is a need for a deeper analysis of the revenue potential of the economy both by tax type and sector. This requires that the revenue analysis and forecasting capability be improved. Internally, more accurate revenue accounting, improved payment processing and earlier detection of defaults all become critical in the achievement of revenue targets. Expanding the tax base and realising new revenue opportunities is also key to securing revenue.

Extraordinary measures are required to sustain taxpayer and trader compliance levels in the current climate, which, in turn, is essential to realising the collection of revenues due. The South African Revenue Service's approach to promoting compliance entails the use of education and outreach, service and responsible enforcement. Its compliance programme will be further refined from a segmentation perspective. In the light of the economic climate, the service will ensure that audit activities have both a positive impact on compliance and a strong revenue focus.

Over the long term, facilitating taxpayer compliance through better service remains important. The service aims to reduce compliance barriers experienced by taxpayers and traders through ensuring greater accessibility and providing a range of simpler ways of engaging with the organisation. Weaknesses that currently impact negatively on service provision need to be addressed, and service improvements will be based on the requirements of the various taxpayer and trader segments. In addition, the service will, in partnership with other departments, develop a single business registration process to reduce compliance costs for new businesses.

Critical to the South African Revenue Service's success in delivering on its mandate is a blend of skilled and motivated staff, with the highest ethical standards. Rooting out corruption remains a priority. Changes in the operating and leadership models, and the impact of system modernisation reinforce the need to focus on the development of the organisation's people and their capabilities. Capacity is needed to sustain the organisation's achievements over the years, to ensure that it benefits from the re-engineering of processes and more efficient systems. To unlock talent and enthusiasm, a sense of commitment to excellence and public service needs to be nurtured.

Selected performance indicators

Table 9.13 South African Revenue Service

Indicator	Programme/Activity	Past			Current	Projections		
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Amount of annual revenue collected	Tax collection and assessment	R495.5bn	R572.8bn	R625.1bn	R589.0bn	R651.0bn	R732.9bn	R816.7bn
Number of personal income tax returns per year	Tax collection and assessment	4 301 865	3 747 376	3 951 534	3 791 873	3 810 832	3 848 941	4 041 388
Number of corporate tax returns per year	Tax collection and assessment	636 270	442 391	587 719	638 026	641 216	647 628	680 009
Number of value added tax returns processed per year	Tax collection and assessment	3 704 194	3 794 204	4 272 620	3 821 856	3 840 965	3 879 375	4 073 343
Number of pay as you earn returns processed per year	Tax collection and assessment	3 995 580	3 977 234	4 273 038	4 029 279	4 049 425	4 089 920	4 294 416
Number of imports bill of entry per year	Tax collection and assessment	2 192 853	2 436 690	2 173 108	2 180 336	2 245 746	2 355 541	2 473 318
Number of exports per year	Tax collection and assessment	2 807 934	3 135 939	2 940 294	2 893 890	2 980 707	3 126 435	3 282 756

Service delivery focus

Over the past 3 years, the South African Revenue Service has improved the quality and efficiency of service experienced by taxpayers and traders by eliminating much of the documentation required for filing returns and partially filling out their returns. The turnaround time of 34 days for processing returns and refunding taxpayers has decreased, due to the increased use of electronic filing and channels. In 2008/09, the good response to e-filing and the electronic capturing of returns in branch offices, and the modernisation efforts in general, have positively impacted on taxpayer attitudes and behaviour. From 2002/03 to 2007/08, collections increased from 23.6 per cent to 27.7 per cent of GDP, while tax rates had actually been reduced.

By the end of March 2009, the service had collected R625 billion in revenue, representing a collection outcome of 99.6 per cent against the revised revenue target of R627.6 billion. The service will continue its modernisation agenda by investing in programmes that re-engineer methodologies, processes and infrastructure to sustain its revenue performance and support new government priorities.

Expenditure estimates

Table 9.14 South African Revenue Service: Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Taxpayers Services and Business Enablement and Delivery	1 703.7	1 722.9	1 861.1	1 568.7	1 688.2	1 848.6	2 032.0
Customs operations	493.8	532.6	630.9	763.2	868.3	937.0	1 029.5
Enforcement, Risk and debt collection	910.6	1 154.6	1 398.5	1 186.4	1 276.7	1 398.0	1 536.7
SARS Administration	1 526.2	1 651.1	1 590.2	3 157.9	3 551.1	3 904.1	4 215.4
Modernisation and Impactful Projects	521.8	554.2	1 054.6	700.7	687.6	700.7	622.4
Total expense	5 156.1	5 615.3	6 535.1	7 377.0	8 071.9	8 788.5	9 435.9

Table 9.15 South African Revenue Service: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	281.8	333.1	365.7	325.1	264.2	264.2	264.2
Sale of goods and services other than capital assets	194.9	212.9	226.2	216.1	216.2	216.2	216.2
of which:							
Other sales	194.9	212.9	226.2	216.1	216.2	216.2	216.2
Other non-tax revenue	86.9	120.2	139.5	109.0	48.0	48.0	48.0

Table 9.15 South African Revenue Service: Financial information (continued)

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
R million							
Transfers received	4 881.7	5 511.0	6 304.0	7 148.4	8 066.8	8 743.6	9 324.4
Total revenue	5 163.4	5 844.1	6 669.7	7 473.5	8 331.0	9 007.8	9 588.6
Expenses							
Current expense	5 156.1	5 615.3	6 535.1	7 377.0	8 071.9	8 788.5	9 435.9
Compensation of employees	3 124.0	3 500.3	4 011.5	4 393.1	4 849.5	5 299.5	5 773.2
Goods and services	1 712.4	1 865.7	2 222.3	2 595.3	2 779.9	2 990.3	3 127.6
Depreciation	276.3	218.3	276.3	365.0	420.2	477.3	514.8
Interest, dividends and rent on land	43.4	31.0	25.0	23.6	22.5	21.3	20.3
Total expenses	5 156.1	5 615.3	6 535.1	7 377.0	8 071.9	8 788.5	9 435.9
Surplus / (Deficit)	7.3	228.8	134.6	96.5	259.1	219.2	152.7
Statement of financial position							
Carrying value of assets	577.6	818.2	1 108.5	1 400.0	1 657.0	1 873.9	2 024.0
<i>of which: Acquisition of assets</i>	321.8	442.5	633.3	663.7	684.2	701.6	672.4
Receivables and prepayments	87.7	81.4	81.4	81.4	81.4	81.4	81.4
Cash and cash equivalents	911.2	1 072.5	981.7	786.6	788.7	791.1	793.6
Total assets	1 576.5	1 972.2	2 171.5	2 268.0	2 527.1	2 746.3	2 899.0
Accumulated surplus/deficit	437.7	655.5	790.2	886.6	1 145.7	1 364.9	1 517.6
Capital and reserves	–	33.2	61.8	61.8	61.8	61.8	61.8
Borrowings	518.8	422.3	354.7	356.5	356.5	356.5	356.5
Trade and other payables	342.2	441.0	590.9	590.9	590.9	590.9	590.9
Provisions	277.8	334.9	355.6	355.6	355.6	355.6	355.6
Liabilities not classified elsewhere	–	85.3	18.3	16.5	16.5	16.5	16.5
Total equity and liabilities	1 576.5	1 972.2	2 171.5	2 268.0	2 527.1	2 746.3	2 899.0
Contingent liabilities	72.1	45.2	27.1	25.0	23.0	20.0	17.5

Expenditure trends

The South African Revenue Service is funded by a transfer from National Treasury, commission earned on the collection of skills development levies and unemployment insurance contributions, and interest received on temporary cash balances.

Transfers received increased from R4.9 billion in 2006/07 to R7.1 billion in 2009/10 to provide for additional auditors to improve revenue collection, border control operations and the modernisation programme. Revenue largely funds compensation of employees, and goods and services. Between 2006/7 and 2009/10, expenditure on personnel increased at an average annual rate of 10.9 per cent, and is expected to increase to R4.8 billion in 2010/11 to cover additional capacity for the auditing of taxpayers. Over the MTEF period, South African Revenue Service funding is expected to increase from R8.1 billion in 2010/11 to R9.3 billion in 2012/13, due to the implementation of enforcement initiatives and IT enhancements.

Development Bank of Southern Africa

Strategic overview: 2006/07 – 2012/13

The Development Bank of Southern Africa is one of several development finance institutions in South and Southern Africa. Its purpose is to accelerate sustainable socioeconomic development by funding physical, social and economic infrastructure. The bank's core goal is to improve the quality of life of the people of the Southern African Development Community region through sustainable development projects and programmes.

The bank uses a wide range of intermediaries to support its mandate, including intermediaries from both the public sector (including utilities, state owned enterprises, municipalities and education institutions) and the private sector.

Development and infrastructure funding support is provided in accordance with three broad segments: the social transformation segment, to support the creation of a sustainable living environment and alleviate backlogs in basic services; economic potential and growth segments, to support the growth of the economic base and

employment opportunities; and a capacity development segment, to support the upliftment of human capital in the areas where growth and development are constrained by the lack of education and skills.

The priorities of the bank's five-pronged strategy over the medium term are to: co-deliver social and economic infrastructure, with a focus on the public sector; build human and institutional capacity, with a focus on municipalities; promote broad based economic growth, job creation, cooperation, integration and prosperity, with a focus on identified sectors, geographical areas and projects; serve as a centre of excellence for development financing and effectiveness; and promote sustainability, both internally and externally.

Over the medium term, the bank's strategy includes a strong focus on municipal support through the provision of infrastructure funding and capacity building support (especially under resourced municipalities). It will do this through the application of knowledge, skills and institutional resources, to increase delivery capacity and reduce implementation risks in under developed regions. The key capacity building initiatives include Siyenza Manje, the project implementation task force, sustainable communities and the Vulindlela Academy.

The bank's Vulindlela Academy provides critical training in finance, management and planning for improved service delivery in South Africa and the region. Its training programmes include municipal and public finance management, project management, municipal governance and sustainable development. In 2009/10, the bank has projected 3 856 municipal officials and 7 483 learners not employed by the bank. Training over the MTEF period is projected to reach up to 12 000 learners and 9 075 municipal officials.

Savings and cost effective service delivery

The bank has embarked on both short term and long term cost cutting initiatives. Budget and planning processes will be based on financial sustainability and development impact targets, and a bank wide expense management strategy will provide guidance on cost discipline, promote cost efficiencies, emphasise development expenditure, and engender a spirit of trust, ethics and accountability across the organisation.

Selected performance indicators

Table 9.16 Development Bank of Southern Africa

Indicator	Past			Current	Projections		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total value of disbursements (loans and equity) to infrastructure related projects	R3.7bn	R3.9bn	R9.3bn	R5.8bn	R13.5bn	R15.7bn	R7.2bn
Co-funding ratio (other funding as proportion of bank disbursements) ¹	1:5.32	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3
Cost to income ratio	34.0%	37%	40%	41%	42%	43%	43%
Total number of learners not employed by the bank trained at Vulindlela Academy	436	2 000	5 259	7 483	10 000	11 000	12 000
Total number of municipal officials trained at Vulindlela Academy	-	-	4 500	3 856	7 500	8 250	9 075
Value of municipality infrastructure grant and other infrastructure expenditure grants implemented in projects	R2bn	R3.8bn	R4bn	R5bn	R6bn	R6bn	R6bn
Total number of municipalities supported	87	155	172	186	172	172	172
Total number of technical projects completed	30	200	769	840	770	847	932
Total number of non-technical projects completed	160	200	300	300	300	300	300

¹For every R1 the bank commits, other organisations commit R5.32 (2006/07).

Service delivery focus

The bank's flagship intervention is the Siyenza Manje programme, which assists municipalities in implementing infrastructure projects as part of the national drive to accelerate the delivery of basic services to communities. In 2008/09, focus was placed on deploying skilled expertise to municipalities, particularly in the areas of engineering and technical services, and project and financial and treasury management. Experts are paired with management and technical officials within municipalities to ensure skills are transferred for planning and implementing infrastructure projects. To ensure sustainability, young graduates are assigned to expert mentors and coached with the objective of retaining them in the municipalities.

The Siyenza Manje programme provided on the job training to 384 municipal officials in financial skills and 1 048 in technical skills in 2008/09. The programme deployed 567 specialists and young professionals in 172 municipalities across all provinces, supporting 205 municipalities, compared to 155 municipalities in previous years. For 2009/10, the bank has targeted the provision of support to 186 municipalities in 2009/10, 840 technical support projects and 300 non-technical support projects. Over the medium term, the bank's

Siyenza Manje technical support projects will increase to 932, and 300 non-technical support projects will be maintained.

Expenditure estimates

Table 9.17 Development Bank of Southern Africa: Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Development loans and grants	1 755.4	3 343.8	3 233.4	3 336.8	3 484.2	4 418.7	5 420.4
Siyenza Manje - Funded by DBSA portion only	42.0	36.3	94.0	135.9	135.0	138.0	144.0
Vulindlela Academy - 0964 / 0970	–	9.0	1.0	28.0	36.0	38.0	40.0
Sustainable Communities - 0122 / 0123	–	13.0	16.0	13.0	14.0	14.0	15.0
Local Economic Development - 0127	–	–	–	6.0	7.0	8.0	8.0
Other programmes	–	–	101.0	102.0	102.0	113.0	124.0
Total expense	1 797.4	3 402.1	3 445.4	3 621.7	3 778.2	4 729.7	5 751.4

Table 9.18 Development Bank of Southern Africa: Financial information

Statement of financial performance R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	3 080.2	4 667.9	4 871.7	4 317.1	4 630.3	5 728.8	6 897.0
Sale of goods and services other than capital assets	46.8	49.0	84.1	75.8	91.9	199.4	243.5
of which:							
Sales by market establishments	46.8	49.0	84.1	75.8	91.9	199.4	243.5
Other non-tax revenue	3 033.4	4 619.0	4 787.6	4 241.3	4 538.4	5 529.4	6 653.5
Total revenue	3 080.2	4 667.9	4 871.7	4 317.1	4 630.3	5 728.8	6 897.0
Expenses							
Current expense	1 763.9	3 355.8	3 363.0	3 223.3	3 400.1	4 320.6	5 308.7
Compensation of employees	346.8	376.0	424.5	489.1	500.6	550.6	608.8
Goods and services	168.0	1 635.8	1 235.2	637.6	556.8	767.7	875.2
Depreciation	5.6	5.8	6.9	11.7	17.7	12.7	15.0
Interest, dividends and rent on land	1 243.4	1 338.1	1 696.3	2 084.9	2 325.1	2 989.6	3 809.8
Transfers and subsidies	33.5	46.3	82.5	398.4	378.1	409.1	442.7
Total expenses	1 797.4	3 402.1	3 445.4	3 621.7	3 778.2	4 729.7	5 751.4
Surplus / (Deficit)	1 282.8	1 265.9	1 426.3	695.4	852.1	999.1	1 145.5
Statement of financial position							
Carrying value of assets	283.7	318.5	389.0	636.0	643.0	658.6	676.6
of which: Acquisition of assets	2.7	30.8	75.6	180.9	24.7	28.3	32.9
Investments	6 316.8	7 191.6	7 931.6	8 146.0	8 964.0	9 982.1	11 234.6
Loans	20 218.2	23 307.5	29 465.5	35 830.1	44 673.7	54 130.1	63 500.2
Receivables and prepayments	168.8	114.9	120.5	145.9	159.0	173.4	189.0
Cash and cash equivalents	890.4	2 313.8	2 475.1	1 682.8	2 587.8	2 432.5	2 512.3
Total assets	27 877.9	33 246.3	40 381.6	46 440.7	57 027.6	67 376.7	78 112.6
Capital and reserves	14 538.2	15 779.9	17 235.5	17 947.2	18 820.7	19 843.4	21 015.4
Borrowings	12 666.6	16 780.5	22 405.4	27 708.8	37 375.5	46 651.9	56 162.2
Post-retirement benefits	172.2	195.8	226.6	248.7	268.6	290.5	314.5
Trade and other payables	500.8	490.1	514.1	536.0	562.8	590.9	620.5
Total equity and liabilities	27 877.9	33 246.3	40 381.6	46 440.7	57 027.6	67 376.7	78 112.6

Expenditure trends

The bank provides funding to both local and SADC clients and generates its revenue from interest income from both lending and non-lending activities. The key drivers for these income streams are defined by lending activities to corporate clients, income generated through dividends income, account servicing fees, investment

management fees, sales commission and syndication fees. The bank also receives income from foreign exchange, and revaluations of financial instruments are non-monetary forms of income.

Revenue increased from R3 billion in 2006/07 to R4.3 billion in 2009/10, mainly due to the good quality of the bank's loan portfolio. Over the medium term, revenue is set to increase from R4.6 billion in 2010/11 to R6.9 billion.

Expenditure increased from R1.8 billion in 2006/07 to R3.6 billion in 2009/10. In 2009/10, expenditure was lower than the approved budget due to cost saving initiatives. Operating costs over the MTEF period are expected to increase to R5.8 billion, at an average annual rate of 17 per cent. This is due to inflation related increases. The cost saving initiatives will continue to be rolled out over this period.

The financial sustainability and development impact targets are used as a guide for the maximum allowable costs. Annually, one of the key indicators is the cost to income ratio, which is expected to be managed at around 40 per cent. (The allowable prudential limit is 45 per cent).

Expenditure over the MTEF period focuses on achieving the higher corporate performance targets, which emanate from the goal to make increased disbursements. This expenditure will include a significant portion of funding for poorly resourced municipalities under the targeted infrastructure programme, research and advisory services, technical assistance grants, and grants to the Development Bank of Southern Africa's development fund.

The Land and Agricultural Development Bank of Southern Africa

Strategic overview: 2006/07 – 2012/13

The Land and Agricultural Bank (the Land Bank) is an agricultural development finance institution whose mandate is to support developing farmers by providing them with retail, wholesale, project and micro-finance. The bank tries to promote and develop the agricultural sector in a sustainable manner, which entails developing support structures and mechanisms that enhance agriculture and the related industries without compromising the going concern of the bank. This involves sourcing affordable funding, growing a quality loan book and maintaining a cost to income ratio that supports the operating structure of the institution. The capital adequacy ratio has to be within limits that attract and retain potential investors and sustain the business.

The Land Bank has faced a number of challenges relating to governance and fraud, with a major area of concern being the growth in the development loan book. The previous strategy did not focus on development as the core area of the business. This is highlighted by the fact that the development loan book contributed only around 4 per cent to the total gross loans. However, this will soon change as the bank intends to roll out development projects to the tune of R3.2 billion over the next three years.

In 2008/09, key achievements were that the bank received a clean audit report, profit of R241 million (from a loss of R20 million), a stable loan book and senior personnel were hired. Investor confidence has also improved and this has seen new players coming on board, with some investors increasing their lending periods. Another milestone was the collection on non-performing loans, which amounted to over R500 million in 2008/09. Management is also identifying potential buyers for land for the development finance unit's loan book, which is now a discontinued operation. The bank has also put in place initiatives to improve its liquidity position, lengthen the maturity profile of investments, minimise short term refinancing risks, increase rollovers and issue new funding.

Support to previously disadvantaged communities should assist government in the redistribution of 30 per cent of agricultural land by 2014 and in meeting other land reform objectives.

The increase in the guarantee by National Treasury from R1.5 billion to R3.5 billion in 2008/09 has also bolstered the bank's standing in the market as it saw the capital adequacy ratio shoot up. At the end of 2009, the bank received R1 billion in cash from the National Treasury, which means that the guarantee will be reduced to R2.5 billion. The cash receipt will put the bank in a strong financing position and should see the loan book grow significantly. Equity (capital contributions and reserves) at the end of November 2009 was at an impressive R2 billion, which excludes the guarantee from National Treasury. Funds under administration remained relatively stagnant at just over R500 million, as there were no new receipts from the Department of Agriculture.

Selected performance indicators

Table: 9.19 Land and Agricultural

Indicator	Past			Current	Projections		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Funds set aside for agricultural development per year	R428m	R432m	R586m	R1.2bn	R2.4bn	R4.8bn	R4.1bn
Ratio of expense to income	81 %	74.2%	129 %	114.8 %	138.1%	145.5%	77%
Loan book quality	15.3 %	17.6%	16.2%	20 %	20%	20%	20%
Net interest margin	2.8 %	3.6%	3.4%	3.3%	2.8%	2.7%	5.4%
Capital adequacy ratio (including guarantee from National Treasury)	18.4 %	24.5%	25.3%	24%	22.7%	21.1%	49%

Service delivery focus

The bank has made significant progress in regaining investor confidence by refining and stabilising its processes, reflected in longer term funding it is able to obtain in the markets. In 2007/08, the bank faced a range of challenges including low levels of capitalisation and sustainability concerns arising from a high number of non-performing loans and write-offs, damage to its reputation leading to weaker stakeholder confidence, clients migrating to the private sector, and concerns about aligning its mandate with government policy.

In 2008, the asset and liability management division of National Treasury conducted 2 meetings with the bank about progress since its transfer from the Minister of Agriculture and Land Affairs to the Minister of Finance. The meeting resulted in National Treasury agreeing to provide the bank with callable capital and a guarantee.

In 2007/08, the bank focused on 3 areas: restructuring its operations, based on recommendations from the McKinsey and development finance institution review reports; stabilising its financial and operational position including identifying new funding sources and adjusting the funding structure, reducing running costs and boosting human resource capacity and IT systems; and planning the way forward by reworking both its short and long term goals and redeveloping and approving the corporate plan and turnaround strategy.

Expenditure estimates

Table 9.20 Land and Agricultural Development Bank of Southern Africa: Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Financing of development farmers and agri-related businesses	2 113.5	2 087.8	2 607.9	1 554.1	1 591.5	1 763.0	1 898.5
Total expense	2 113.5	2 087.8	2 607.9	1 554.1	1 591.5	1 763.0	1 898.5

Table 9.21 Land and Agricultural Development Bank of Southern Africa: Financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue							
Non-tax revenue	2 014.0	2 105.4	2 188.3	1 661.2	1 793.0	2 054.3	2 206.4
Sale of goods and services other than capital assets	49.3	33.4	26.1	25.9	13.5	14.2	14.9
of which:							
Admin fees	44.2	25.9	23.2	25.9	13.5	14.2	14.9
Sales by market establishments	5.1	7.5	2.9	–	–	–	–
Other non-tax revenue	1 964.7	2 072.0	2 162.1	1 635.3	1 779.5	2 040.2	2 191.6
Total revenue	2 014.0	2 105.4	2 188.3	1 661.2	1 793.0	2 054.3	2 206.4
Expenses							
Current expense	2 113.5	2 087.8	2 607.9	1 554.1	1 591.5	1 763.0	1 898.5
Compensation of employees	229.0	214.5	193.9	195.6	290.0	351.2	381.0
Goods and services	593.5	483.4	487.9	220.4	213.3	243.7	271.5
Depreciation	12.3	12.3	10.1	6.2	8.4	11.4	8.8
Interest, dividends and rent on land	1 278.8	1 354.7	1 894.0	1 131.9	1 079.8	1 156.8	1 237.2
Total expenses	2 113.5	2 087.8	2 607.9	1 554.1	1 591.5	1 763.0	1 898.5
Surplus / (Deficit)	(99.5)	17.5	(419.6)	107.1	201.5	291.3	308.0

Table 9.22 Land and Agricultural Development Bank of Southern Africa: Programme information

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Statement of financial position							
Carrying value of assets	271.2	244.7	239.0	241.7	390.1	375.5	369.2
<i>of which: Acquisition of assets</i>	48.6	4.3	1.3	14.0	11.5	20.2	9.2
Investments	195.5	945.6	868.6	182.3	200.5	220.6	242.6
Inventory	–	385.3	301.4	–	–	–	–
Loans	15 598.9	–	–	–	–	–	–
Receivables and prepayments	17.3	13 891.2	11 901.3	12 343.0	12 701.1	13 266.1	13 862.7
Cash and cash equivalents	1 467.4	1 443.7	4 023.3	2 201.2	2 894.4	3 169.9	2 975.1
Assets not classified elsewhere	424.3	231.7	210.1	233.1	112.8	254.1	311.4
Total assets	17 974.7	17 142.1	17 543.8	15 201.3	16 299.0	17 286.1	17 761.0
Accumulated surplus/deficit	731.5	2 332.2	2 498.8	1 069.4	1 270.9	1 562.2	1 870.1
Capital and reserves	283.0	97.0	106.6	1 997.9	2 997.9	3 997.9	3 997.9
Borrowings	16 002.2	12 965.5	13 211.0	11 246.9	10 917.9	10 622.5	10 862.3
Post-retirement benefits	–	201.9	191.4	–	–	–	–
Trade and other payables	210.7	250.1	235.0	266.6	274.5	282.9	291.3
Provisions	207.0	23.1	84.2	103.7	101.7	99.6	97.6
Managed funds	475.9	752.1	629.0	412.7	604.8	555.4	486.1
Liabilities not classified elsewhere	64.5	520.1	587.7	104.0	131.2	165.6	155.5
Total equity and liabilities	17 974.8	17 142.1	17 543.8	15 201.3	16 299.0	17 286.1	17 761.0

Expenditure trends

The Land Bank generates its revenue from interest income from lending activities and other non-lending activities. The key drivers for these income streams are defined by lending activities to corporate clients, and commercial and subsistence farmers, and investments.

Revenue decreased from R2 billion in 2006/07 to R1.7 billion in 2009/10, at an average annual rate of 5.2 per cent. The bank's revenue was on a declining trend largely due to decreases in interest income as some clients failed to service their debt. In 2006/07, a slight improvement of 3.1 per cent was recorded in the profit margin. By the end of 2007/08, there was a positive margin of 0.8 per cent when the bank recorded a net profit of R17.5 million. Over the medium term, revenue is expected to increase to R2.2 billion, at an average annual rate of 10 per cent.

Expenditure decreased from R2.1 billion in 2006/07 to R1.6 billion in 2009/10, at an average annual rate of 5.6 per cent. The Land Bank's expenses are mainly driven by personnel costs. These costs make up 43 per cent of total expenses. The significant increase in expenses in 2008/09 is attributable to accrued costs, which included professional fees for the clean-up project, anticipated claims against the bank and employee related expenses. These costs were once-off in nature and are not expected to recur.

Spending over the MTEF period will focus on ensuring that development farmers are assisted and monitored to reduce associated risks.

Additional tables

Table 9.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R million	2008/09		2008/09	2009/10			2009/10
1. Administration	181.6	199.4	203.7	188.8	49.6	238.3	230.4
2. Public Finance and Budget Management	195.9	227.1	244.1	208.5	45.2	253.7	252.1
3. Asset and Liability Management	61.4	69.3	62.5	64.4	1.8	66.2	57.7
4. Financial Management and Systems	540.9	303.1	272.7	611.7	(112.3)	499.4	466.4
5. Financial Accounting and Reporting	105.7	209.2	203.0	123.4	26.4	149.8	138.9
6. Economic Policy and International Financial Relations	82.5	93.8	90.3	87.6	15.8	103.5	91.5
7. Provincial and Local Government Transfers	7 956.7	7 938.0	7 826.0	14 410.6	–	14 410.6	14 170.6
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 352.7	2 313.7	2 331.3	4 920.3	–	4 920.3	4 901.3
9. Fiscal Transfers	9 840.8	20 070.5	20 078.6	41 060.9	1 142.9	42 203.8	42 203.8
Subtotal	21 318.2	31 424.2	31 312.1	61 676.2	1 169.3	62 845.6	62 512.7
Direct charge against the National Revenue Fund	250 613.0	257 935.9	256 189.3	293 119.0	10 553.8	303 672.8	301 277.7
Provincial Equitable Share	199 377.0	204 009.9	201 795.6	231 050.9	5 826.9	236 877.8	236 877.8
State Debt Costs	51 236.0	53 926.0	54 393.7	55 268.0	4 727.0	59 995.0	57 599.8
General fuel levy sharing with metros	–	–	–	6 800.1	–	6 800.1	6 800.1
Total	271 931.2	289 360.1	287 501.4	354 795.2	11 723.2	366 518.4	363 790.4

Economic classification

Current payments	52 352.9	54 886.9	55 317.2	56 513.7	4 735.4	61 249.1	58 761.1
Compensation of employees	326.8	314.3	321.0	334.2	104.3	438.5	408.5
Goods and services	790.1	646.6	602.5	911.5	(95.8)	815.7	752.8
Interest and rent on land	51 236.0	53 926.0	54 393.7	55 268.0	4 727.0	59 995.0	57 599.8
Transfers and subsidies	219 566.9	234 463.0	222 174.3	268 270.9	5 982.2	274 253.0	274 013.0
Provinces and municipalities	207 210.7	211 862.9	209 541.6	252 182.2	5 796.3	257 978.5	257 738.5
Departmental agencies and accounts	9 192.5	9 526.4	9 518.4	10 352.7	216.0	10 568.7	10 568.7
Universities and technikons	5.5	5.5	5.5	5.5	–	5.5	5.5
Foreign governments and international organisations	527.8	542.4	550.5	579.5	(30.4)	549.0	549.0
Public corporations and private enterprises	296.8	10 246.8	246.8	267.4	–	267.4	267.4
Non-profit institutions	0.1	0.1	–	0.1	–	0.1	0.1
Households	2 333.5	2 278.9	2 311.5	4 883.5	0.3	4 883.8	4 883.8
Payments for capital assets	11.4	10.1	9.4	10.6	5.7	16.3	16.3
Machinery and equipment	10.3	10.1	9.4	10.6	5.7	16.3	16.3
Software and other intangible assets	1.1	–	–	–	–	–	–
Payments for financial assets	–	–	10 000.5	30 000.0	1 000.0	31 000.0	31 000.0
Total	271 931.2	289 360.1	287 501.4	354 795.2	11 723.2	366 518.4	363 790.4

Table 9.B Detail of approved establishment and personnel numbers according to salary level ¹

Department	Personnel post status as at 30 September 2009			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid year ²	Medium-term estimate		
				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Department	1 382	1 167	58	767	860	1 018	1 167	1 211	1 211	1 211
Salary level 1 – 6	125	153	12	133	129	150	153	144	144	144
Salary level 7 – 10	490	415	14	248	301	399	415	430	430	430
Salary level 11 – 12	454	308	15	192	196	224	308	334	334	334

Table 9.B Detail of approved establishment and personnel numbers according to salary level ¹ (continued)

	Personnel post status as at 30 September 2009			Number of personnel posts filled / planned for on funded establishment						
	Number of posts on approved establishment	Number of funded posts	Number of posts additional to the establishment	Actual			Mid year ²	Medium-term estimate		
				2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Department	1 382	1 167	58	767	860	1 018	1 167	1 211	1 211	1 211
Salary level 13 – 16	313	291	17	194	234	245	291	303	303	303
Administration	399	355	17	242	258	313	355	353	353	353
Salary level 1 – 6	103	122	10	99	92	119	122	120	120	120
Salary level 7 – 10	145	124	4	89	106	113	124	127	127	127
Salary level 11 – 12	100	55	1	30	30	36	55	55	55	55
Salary level 13 – 16	51	54	2	24	30	45	54	51	51	51
Public Finance and Budget Management	321	299	28	286	245	280	299	302	302	302
Salary level 1 – 6	4	4	–	10	8	3	4	8	8	8
Salary level 7 – 10	115	105	7	71	75	121	105	105	105	105
Salary level 11 – 12	112	99	8	89	62	70	99	96	96	96
Salary level 13 – 16	90	91	13	116	100	86	91	93	93	93
Asset and Liability Management	122	104	–	80	102	85	104	102	102	102
Salary level 1 – 6	6	5	–	5	5	5	5	5	5	5
Salary level 7 – 10	50	41	–	28	36	36	41	40	40	40
Salary level 11 – 12	41	34	–	25	37	30	34	34	34	34
Salary level 13 – 16	25	24	–	22	24	14	24	23	23	23
Financial Management and Systems	121	108	3	105	82	95	108	111	111	111
Salary level 1 – 6	6	11	2	16	16	16	11	5	5	5
Salary level 7 – 10	58	47	1	44	31	44	47	38	38	38
Salary level 11 – 12	42	35	–	30	18	25	35	43	43	43
Salary level 13 – 16	15	15	–	15	17	10	15	25	25	25
Financial Accounting and Reporting	204	142	5	54	63	120	142	168	168	168
Salary level 1 – 6	3	3	–	3	3	3	3	3	3	3
Salary level 7 – 10	68	54	1	16	22	47	54	65	65	65
Salary level 11 – 12	69	36	3	18	12	25	36	49	49	49
Salary level 13 – 16	64	49	1	17	26	45	49	51	51	51
Economic Policy and International Financial Relations	215	159	5	–	110	125	159	175	175	175
Salary level 1 – 6	3	8	–	–	5	4	8	3	3	3
Salary level 7 – 10	54	44	1	–	31	38	44	55	55	55
Salary level 11 – 12	90	49	3	–	37	38	49	57	57	57
Salary level 13 – 16	68	58	1	–	37	45	58	60	60	60

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

2. As at 30 September 2009.

Table 9.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Compensation of employees (R million)	230.9	272.7	314.3	334.2	535.5	569.0	593.6
Training expenditure (R million)	9.3	16.1	16.9	33.6	19.8	20.4	21.2
Training as percentage of compensation	4.0%	5.9%	5.4%	10.0%	3.7%	3.6%	3.6%
Total number trained in department (head count)	884	993	792	–			

of which:

Table 9.C Summary of expenditure on training (continued)

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<i>Employees receiving bursaries (head count)</i>	74	70	46	–			
<i>Internships trained (head count)</i>	55	435	46	–			
Households receiving bursaries (R million)	0.4	0.6	0.8	1.0	1.6	1.6	1.6
Households receiving bursaries (head count)	18	20	20	–			

Table 9.D Summary of expenditure on infrastructure

Project name R million	Service delivery outputs	Current project stage	Total project cost	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
				2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Departmental infrastructure										
Infrastructure Grant to Provinces	Provincial infrastructure projects	Various	38 150.3	4 983.5	6 276.2	7 384.5	9 249.2	11 414.9	13 196.2	14 117.6
Neighbourhood Development Partnership Grant	Township plan development	Various	3 732.9	50.0	41.2	373.5	661.4	1 155.0	1 290.4	1 287.5
Refurbishment of 240 Vermuelen Street	Office accommodation	-	-	2.2	3.0	-	-	-	-	-
Refurbishment of 120 Plein Street	Office accommodation	-	-	-	6.8	-	-	-	-	-
Refurbishment of 28 Church Square	Office accommodation	-	-	-	-	10.0	-	-	-	-
Total			41 883.2	5 035.7	6 327.3	7 768.0	9 910.6	12 569.9	14 486.6	15 405.0