

REPUBLIC OF SOUTH AFRICA

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**SPECIAL ADJUSTMENTS  
APPROPRIATION BILL  
(2007/08 FINANCIAL YEAR)**

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*(As introduced in the National Assembly (proposed money Bill))  
(The English text is the official text of the Bill)*

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(MINISTER OF FINANCE)

**[B 37—2007]**

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# BILL

**To provide for the appropriation of additional funding for the requirements of Sport and Recreation South Africa, the Department of Agriculture, the Department of Communications and the Department of Public Enterprises in respect of the 2007/08 financial year; and to provide for matters incidental thereto.**

**B**E IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

## **Appropriation of additional funding for requirements of Sport and Recreation South Africa**

**1.** (1) Subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999), an amount of R1 905 million is hereby appropriated out of the National Revenue Fund for the requirements of Sport and Recreation South Africa in respect of the 2007/08 financial year, as set out in the Schedule.

(2) The money contemplated in subsection (1) must be transferred as additional allocations to the host cities of the 2010 World Cup under the 2010 FIFA World Cup Stadiums Development Grant provided for in the Division of Revenue Act, 2007 (Act No. 1 of 2007).

## **Appropriation of additional funding for requirements of Department of Agriculture**

**2.** (1) Subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999), an amount of R700 million is hereby appropriated out of the National Revenue Fund for the requirements of the Department of Agriculture in respect of the 2007/08 financial year, as set out in the Schedule.

(2) The money contemplated in subsection (1) must be transferred to the Land Bank for the recapitalisation of the Land Bank, subject to such conditions as the Minister of Finance may determine.

## **Appropriation of additional funding for requirements of Department of Communications**

**3.** (1) Subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999), an amount of R500 million is hereby appropriated out of the National Revenue Fund for the requirements of the Department of Communications in respect of the 2007/08 financial year, as set out in the Schedule.

(2) The money contemplated in subsection (1) must be transferred to Sentech Ltd as a capital contribution towards the infrastructure requirements associated with establishing a broadband wireless telecommunications network, subject to such conditions as the Minister of Finance may determine.

### **Appropriation of additional funding for requirements of Department of Public Enterprises**

**4.** (1) Subject to the Public Finance Management Act, 1999 (Act No. 1 of 1999), an amount of R2 090,273 million is hereby appropriated out of the National Revenue Fund for the requirements of the Department of Public Enterprises in respect of the 2007/08 financial year, as set out in the Schedule. 5

(2) The money contemplated in subsection (1) must be transferred as follows:

- (a) R44,7 million to Alexkor Ltd for operational costs and working capital of the Alexkor Mine for the 2007/08 financial year;
- (b) R222 million to Denel (Pty) Ltd for the payment of a claim against a government guarantee granted to Denel SAAB Aerostructures; and 10
- (c) R1 823,573 million to the Pebble Bed Modular Reactor (Pty) Ltd for operational expenses and existing contractual obligations.

### **Short title**

**5.** This Act is called the Special Adjustments Appropriation Act (2007/08 Financial Year), 2007. 15

## SCHEDULE

Details of Vote		Details of special adjustments appropriation			
Vote			Current Payments	Transfers and Subsidies	Payments for Capital Assets
		R'000	R'000	R'000	R'000
<b>18</b>	<b>Sport and Recreation South Africa</b> <i>Aim: To improve the quality of life of all South Africans by promoting participation in sport and recreation in the country, and through the participation of South African sportspersons and teams in international sporting events</i>	<b>1 905 000</b>		<b>1 905 000</b>	
	6 2010 FIFA World Cup Unit .....	1 905 000		1 905 000	
	<i>Of which</i>				
	Conditional Grants to Local Government				
	– 2010 FIFA World Cup Stadiums Development Grant			1 905 000	
<b>24</b>	<b>Agriculture</b> <i>Aim: To lead and support sustainable agriculture and promote rural development through: ensuring access to sufficient, safe and nutritious food; eliminating skewed participation and inequity in agriculture; maximising growth, employment and income in the sector; improving the sustainable management of natural agricultural resources and ecological systems; ensuring effective and efficient governance; and ensuring knowledge and information management</i>	<b>700 000</b>		<b>700 000</b>	
	2 Livelihoods, Economics and Business Development .....	700 000		700 000	
	<i>Of which</i>				
	Specifically and exclusively appropriated				
	– Land Bank			700 000	
<b>25</b>	<b>Communications</b> <i>Aim: To develop Information Communication Technology (ICT) policies and legislation that stimulate and improve the sustainable economic development of the South African first and second economies and positively impact on the social wellbeing of all South Africans. The Department also aims to oversee state owned entities, such as the South African Broadcasting Corporation and the Independent Communications Authority of South Africa</i>	<b>500 000</b>		<b>500 000</b>	
	4 Finance and Shareholder Management.....	500 000		500 000	
	<i>Of which</i>				
	Specifically and exclusively appropriated				
	– Sentech			500 000	
<b>30</b>	<b>Public Enterprises</b> <i>Aim: Provide an effective state owned enterprises shareholder management system and to support and promote economic efficiency and competitiveness for a better life for all South Africans</i>	<b>2 090 273</b>		<b>2 090 273</b>	
	2 Energy, Broadband Infrastructure and Mining Enterprises.....	44 700		44 700	
	<i>Of which</i>				
	Specifically and exclusively appropriated				
	– Alexkor			44 700	
	4 Manufacturing Enterprises.....	2 045 573		2 045 573	
	<i>Of which</i>				
	Specifically and exclusively appropriated				
	– Denel			222 000	
	– Pebble Bed Modular Reactor			1 823 573	
	<b>TOTAL</b>	<b>5 195 273</b>		<b>5 195 273</b>	

**MEMORANDUM ON THE OBJECTS OF THE SPECIAL  
ADJUSTMENTS APPROPRIATION BILL (2007/08 FINANCIAL  
YEAR), 2007**

**1. BACKGROUND TO BILL**

- 1.1 The purpose of this Bill is to provide for additional funding requirements and interim funding arrangements with regard to Sport and Recreation South Africa and the Departments of Agriculture, Communications and Public Enterprises.
- 1.2 In terms of section 30 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA"), the Minister of Finance may table an adjustments budget in the National Assembly as and when necessary. In terms of section 30(2)(b) and section 30(2)(d) of the PFMA a national adjustments budget may provide respectively for:
  - unforeseeable and unavoidable expenditure recommended by the national executive or any committee of Cabinet members to whom this task has been assigned; and
  - money to be appropriated for expenditure already announced by the Minister during the tabling of the annual budget.
- 1.3 The Minister of Finance indicated in the 2007 Budget Speech that the 2007/08 contingency reserve of R3 billion included provision for "allocations to several state-owned enterprises that are not yet finalized." This was elaborated as follows: "Our commitment to finance 51 per cent of the capital requirements of the Pebble Bed Modular Reactor project over the next three years amounts to R6 billion. An allocation to settle the land claim and other obligations relating to Alexkor mine has yet to be finalized and will be provided for in the Adjustments Budget, which will also include further equity contributions for the InfraCo telecommunications initiative and Sentech's investment requirements, contingent on the approval of business plans and resolution of outstanding regulatory requirements."
- 1.4 The normal yearly Adjustments Appropriation Bill introduced into Parliament in October 2007 will be too late to deal with the current financial pressures experienced by the Land Bank, Denel, Alexkor, PBMR, Sentech and the 2010 FIFA World Cup Development. The funds have already been announced previously or are required due to a new liability in terms of a binding commitment.

**2. OBJECTS OF BILL**

The objects of the Bill are to—

- 2.1 allocate funds to the Departments of Public Enterprises and Communications for transfer to state-owned enterprises already announced by the Minister during the tabling of the annual budget; and
- 2.2 provide additional funding to Sport and Recreation South Africa and the Departments of Public Enterprises and Agriculture for unavoidable expenditure.

**3. SUMMARY OF BILL**

The Bill addresses the following areas:

- The allocation of additional funds and funds already announced by the Minister during the tabling of the annual budget in terms of section 30(2)(b) and (d) of the PFMA according to the following schedule:

LIST OF FUNDING REQUIREMENTS				
VOTE	DEPARTMENT	SOE/ CONDITIONAL GRANT	AMOUNT R'000	EXPLANATION
18	Sport and Recreation South Africa	2010 FIFA World Cup Stadiums Development Grant	1 905 000	To ensure that stadium construction programmes are not constrained by cash flow shortages.
24	Agriculture	Land Bank	700 000	To address liquidity shortfall and capital adequacy ratio of the Bank.
25	Communications	Sentech	500 000	Initial funding of Sentech as contribution to the capital requirements associated with establishing a broadband wireless telecommunications network.
30	Public Enterprises	Alexkor	44 700	Operational expenses until 31 March 2008 when agreement on the recapitalisation of the Joint Venture with the community has been finalised.
30	Public Enterprises	Denel	222 000	A payment as a result of a claim against the government guarantee granted to SAAB/Denel in respect of Airbus.
30	Public Enterprises	PBMR	1 823 573	Cash flow for operational expenses and contracts.
<b>TOTAL</b>			<b>5 195 273</b>	

#### 4. ORGANISATIONS AND INSTITUTIONS CONSULTED

Requests for special funding arrangements were received from Sport and Recreation South Africa and the Departments of Agriculture, Communications and Public Enterprises to alleviate cash flow restraints. Discussions with responsible Ministers followed where all possible alternatives and risks were discussed and decided upon.

#### 5. FINANCIAL IMPLICATIONS FOR STATE

The total financial implication is R5,195 billion of which R3 billion has been provided for in the contingency reserve, for allocation in the Adjustments Appropriation Bill, during the tabling of the main Appropriation Bill.

#### 6. CONSTITUTIONAL IMPLICATIONS

None.

#### 7. PARLIAMENTARY PROCEDURE

- 7.1 The State Law Advisers and the National Treasury are of the opinion that this Bill must be dealt with in accordance with the procedure prescribed by section 77 of the Constitution since it appropriates money.
- 7.2 The State Law Advisers are of the opinion that it is not necessary to refer this Bill to the National House of Traditional Leaders in terms of section 18(1)(a) of the Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003), since it does not contain provisions pertaining to customary law or customs of traditional communities.



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