PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 5 JULY 2019

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ANNOUNCEMENTS

National Assembly

The Speaker

1. Referral to Committees of papers tabled

(1) The following papers are referred to the **Portfolio Committee on Agriculture, Land Reform and Rural Development** for consideration and report:

(a) Annual Performance Plan of the Department of Agriculture, Forestry and Fisheries for 2019-20.

(b) Strategic Plan and Budget of the South African Veterinary Council for 2017 – 19.

(c) Strategic Plan of the National Agricultural Marketing Council for 2018 - 23 and Annual Performance Plan for 2019 / 20.

(d) Strategic Plan (Corporate Plan) of Onderstepoort Biological Products (OBP) SOC Ltd for 2019 - 20 – 2021 - 22.

(e) Strategic Plan of the Perishable Products Export Control Board for 2019 to 2024.

(f) Business Plan of the Agricultural Research Council (ARC) for 2019 - 20.

(g) Annual Performance Plan of the Department of Rural Development and Land Reform for 2019 - 20.

(h) Annual Performance Plan of the Office of the Valuer-General for 2019 - 20.

(i) Annual Performance Plan of the Ingonyama Trust Board for 2019 - 20.

(2) The following paper is referred to the **Portfolio Committee on Basic Education** for consideration and report:

(a) Annual Performance Plan of the Department of Basic Education for 2019 - 20.

(3) The following papers are referred to the **Portfolio Committee on Communications** for consideration and report:

(a) Annual Performance Plan of the Department of Telecommunications and Postal Services for 2019 - 20.

(b) Annual Performance Plan of the Department of Communications for 2019 - 20 - 2021/22.

(c) Corporate Plan of Broadband Infraco for 2019 - 20 – 2023 - 24.

(d) Annual Performance Plan of the Film and Publication Board (FPB) for 2019 - 20.

(e) Annual Performance Plan of the Independent Communications Authority of South Africa (ICASA) for 2019 - 20.

(f) Annual Performance Plan of the Universal Service and Access Agency of South Africa (USAASA) for 2019 - 20.

(g) Annual Performance Plan of the .ZA Domain Name Authority (ZADNA) for 2019 - 20.

(4) The following papers are referred to the **Portfolio Committee on Cooperative Governance and Traditional Affairs** for consideration and report:

(a) Revised Strategic Plan of the Department of Cooperative Governance for 2015 - 20 and Annual Performance Plan for 2019 - 20.

(b) Annual Performance Plan of the Department of Traditional Affairs for 2019 - 20.

(c) Strategic Plan of the Department of Traditional Affairs for 2019 – 24.

(d) Strategic Plan of the Commission for the Promotion and Protection of Rights of Cultural, Religious and Linguistic Communities for 2019 - 20 – 2022 - 23.

(e) Annual Performance Plan of the Commission for the Promotion and Protection of Rights of Cultural, Religious and Linguistic Communities for 2019 - 20.

(f) Annual Performance Plan of the South African Local Government Association (SALGA) for 2019 - 20.

(g) Strategic Plan of the Municipal Demarcation Board (MDB) for 2017 to 2021.

(h) Annual Performance Plan of the Municipal Demarcation Board (MDB) for 2019 -20.

(i) Annual Performance Plan of the Municipal Infrastructure Support Agency (MISA) for 2019 - 20.

(5) The following papers are referred to the **Portfolio Committee on Defence and Military Veterans** for consideration and report:

(a) Annual Performance Plan of the Department of Military Veterans for 2019 - 20.

(b) Annual Performance Plan of the Castle Control Board for 2019.

(6) The following papers are referred to the **Portfolio Committee on Employment and Labour** for consideration and report:

(a) Strategic Plan of the Unemployment Insurance Fund (UIF) for 2019/20 – 2023/24.

(b) Annual Performance Plan of the Unemployment Insurance Fund (UIF) for 2019/20.

(7) The following papers are referred to the **Portfolio Committee on Human Settlements, Water and Sanitation** for consideration and report:

(a) Revised Strategic Plan of the Department of Human Settlements for 2015 - 2020.

(b) Annual Performance Plan of the Department of Human Settlements for 2019 - 20.

(c) Strategic Corporate Plan of the National Home Builders Registration Council (NHBRC) for 2019 – 24.

(d) Annual Performance Plan of the National Home Builders Registration Council (NHBRC) for 2019-20.

(e) Five Year Strategic Plan of the Estate Agency Affairs Board of South Africa for 2019 – 24.

(f) Annual Performance Plan of the Estate Agency Affairs Board of South Africa for 2018 - 19.

(g) Strategic Plan of the Housing Development Agency for 2020 – 24.

(h) Annual Performance Plan of the Housing Development Agency for 2019 - 20.

(i) Annual Performance Plan of the Social Housing Regulatory Authority (SHRA) for 2019 - 20.

(j) Strategic Plan of the National Housing Finance Corporation for 2014/15-2018/19.

(k) Annual Performance Plan of the National Housing Finance Corporation for 2019 - 20 and 2021 - 22.

(l) Corporate Strategic Plan of the Community Schemes Ombud Service for 2019 - 20 – 2023 - 24.

(m) Annual Performance Plan of the Community Schemes Ombud Service for 2019 - 20.

(n) Revised Strategic Plan of the Department of Water and Sanitation for 2015/16 – 19 - 20.

(o) Annual Performance Plan of the Department of Water and Sanitation for 2019 - 20 – 2021 - 22.

(p) Corporate Plan of the Trans-Caledon Tunnel Authority for April 2019 – March 2022.

(q) Annual Performance Plan of the Water Research Commission for April 2019 - 20.

(r) Corporate Plan of the Water Research Commission for April 2019/20 – March 2023 - 24.

(s) Annual Performance Plan of the Breede-Gouritz Catchment Management Agency for 2019 - 20.

(t) Annual Performance Plan of the Inkomati-Usuthu Catchment Management Agency for 2019 - 20.

(u) Business Plan of Amatola Water for July 2019 – June 2023.

(v) Corporate Plan of Bloem Water for July 2019 – June 2024.

(w) Corporate Plan of Lepelle Northern Water for July 2019 – June 2020.

(x) Corporate Plan of Magalies Water for 2019 - 20 – 2023 - 24.

(y) Corporate Plan of Mhlathuze Water for 2019 - 20 – 2023 - 24.

(z) Corporate Plan of Overberg Water for 2019 - 20 – 2023 - 24.

(aa) Corporate Business Plan of Rand Water for 2019 - 20 – 2023 - 24.

(bb) Corporate Business Plan of Sedibeng Water for 2019 – 2024.

(cc) Corporate Plan of Umgeni Water for 2019 - 20 – 2023 - 24.

(8) The following papers are referred to the **Portfolio Committee on International Relations and Cooperation** for consideration and report:

(a) Revised Strategic Plan of the Department of International Relations and Cooperation for 2015 – 20.

(b) Annual Performance Plan of the Department of International Relations and Cooperation for 2019 - 2020.

(c) Revised Strategic Plan of the African Renaissance and International Cooperation Fund (ARF) for 2015 – 20 and Annual Performance Plan for 2019 - 20.

(9) The following papers are referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report:

(a) Annual Performance Plan of the Department of Justice and Constitutional Development for 2019 - 20.

(b) Annual Performance Plan of the Office of the Chief Justice of the Republic of South Africa (OCJ) for 2019 - 20.

(c) Annual Performance Plan of Legal Aid South Africa for 2019 - 20.

(10) The following papers are referred to the **Portfolio Committee on Mineral Resources and Energy** for consideration and report:

(a) Annual Performance Plan of the Department of Mineral Resources for 2019 - 20.

(b) 2019/20 Mintek Shareholder Performance Agreement (Shareholder Compact).

(c) Annual Performance Plan of the Council for Geoscience for 2019 - 20.

(d) Annual Performance Plan of the South African Diamond and Precious Metal Regulator for 2019 - 20.

(e) Annual Performance of the State Diamond Trader for 2019 - 20.

(f) Annual Performance Plan of the Mine Health and Safety Council for 2019 - 20.

(g) Strategic Plan of the National Nuclear Regulator for 2019 – 24 and Annual Performance Plan for 2019 - 20.

(h) Strategic Plan of the National Energy Regulator for 2015 - 16 – 2019 - 20 and Annual Performance Plan for 2019 - 20 – 2021 - 22.

(i) Annual Performance Plan of the National Radioactive Waste Disposal Institute for 2019 - 20.

(j) Annual Performance Plan of the South African National Energy Development Institute (SANEDI) for 2019 - 20.

(11) The following papers are referred to the **Portfolio Committee on Police** for consideration and report:

(a) Annual Performance Plan of the South African Police Service (SAPS) for 2019 - 20 and Strategic Plan for 2014 - 19.

(b) Annual Performance Plan of the Private Security Industry Regulatory Authority (PSIRA) for 2019 - 20.

(12) The following papers are referred to the **Portfolio Committee on Women, Youth and Persons with Disabilities** for consideration and report:

(a) Annual Performance Plan of the Department of Women for 2019 - 20.

(b) Annual Performance Plan of the National Youth Development Agency (NYDA) for 2019 - 20.

(13) The following papers are referred to the **Portfolio Committee on Public Service and Administration** for consideration and report:

(a) Annual Performance Plan of the Department of Public Service and Administration for 2019 - 20.

(b) Annual Performance Plan of the Centre for Public Service Innovation for 2019 - 20.

(c) Annual Performance Plan of the National School of Government for 2019 - 20.

(d) Annual Performance Plan of the Public Service Commission (PSC) for 2019 - 20.

(e) Annual Performance Plan of the Department of Planning, Monitoring and Evaluation for 2019 - 20.

(f) Work Programme of Statistics South Africa for 2019 - 20 (Book 1).

(g) Work Programme of Statistics South Africa for 2019 - 20 (Book 2).

(h) Annual Performance Plan of The Presidency for 2019 - 20.

(i) Annual Performance Plan of the Government Communication and Information System (GCIS) for 2019 - 20 – 2021 - 22.

(14) The following papers are referred to the **Portfolio Committee on Public Works and Infrastructure** for consideration and report:

(a) Annual Performance Plan of the Department of Public Works for 2019 - 20.

(b) Annual Performance Plan of the Property Management Trading Entity (PMTE) for 2019 - 20.

(c) Annual Performance Plan of the Independent Development Trust for 2018 - 19.

(d) Annual Performance Plan of the Construction Industry Development Board (CIDB) for 2019 - 20.

(e) Annual Performance Plan of the Council for the Built Environment (CBE) for 2019 - 20.

(f) Annual Performance Plan of the Independent Development Trust for 2019 - 20.

(15) The following papers are referred to the **Portfolio Committee on Sport, Arts and Culture** for consideration and report:

(a) Annual Performance Plan of the Department of Sport and Recreation South Africa for 2019 - 20.

(b) Annual Performance Plan of Boxing South Africa for 2019.

(c) Annual Performance Plan of South African Institute for Drug-Free Sport for 2019.

(d) Strategic Plan of South African Institute for Drug-Free Sport for 2019 - 24.

(e) Annual Performance Plan of the Department of Arts and Culture for 2019 - 20.

(f) Annual Performance Plan of the Pan South African Language Board (PanSALB) for 2019 - 20.

(g) Annual Performance Plan of the Nelson Mandela Museum for 2019 - 20.

(h) Annual Performance Plan of the Afrikaanse Taal-Museum and Monument for 2019 - 20.

(i) Annual Performance Plan of the Iziko Museums of South Africa for 2019 - 20.

(j) Annual Performance Plan of the National English Literary Museum for 2019 - 20.

(k) Annual Performance Plan of the Msunduzi/Voortrekker and Ncome Museums for 2019 to 2020.

(l) Annual Performance Plan of the National Museum – Bloemfontein for 2019 – 20.

(m) Annual Performance Plan of the Ditsong Museums of South Africa for 2019 - 20.

(n) Annual Performance Plan of the Robben Island Museum for 2019 – 20.

(o) Annual Performance Plan of the War Museum of the Boer Republics for 2019 - 20.

(p) Annual Performance Plan of the Freedom Park for 2019 - 20.

(q) Annual Performance Plan of the National Heritage Council for 2019 – 20.

(r) Annual Performance Plan of the National Film and Video Foundation for 2019 - 20.

(s) Annual Performance Plan of the National Arts Council for 2019 - 20.

(t) Annual Performance Plan of the South African Heritage Resources Agency (SAHRA) for 2019 – 20.

(u) Annual Performance Plan of the South African Library for the Blind for 2019 - 20.

(v) Annual Performance Plan of the National Library of South Africa for 2019 – 20.

(w) Annual Performance Plan of Artscape for 2019 - 20.

(x) Annual Performance Plan of the Performing Arts Centre of the Free State for 2019 - 20.

(y) Annual Performance Plan of the South African State Theatre for 2019 – 20.

(z) Annual Performance Plan of the Playhouse Company for 2019 - 20.

(aa) Annual Performance Plan of the Luthuli Museum for 2019 - 20.

(bb) Annual Performance Plan of the KwaZulu-Natal Museum for 2019 - 20 – 2021 - 22.

(cc) Annual Performance Plan of the William Humphreys Art Gallery Kimberley Northern Cape for 2018 -19.

(16) The following paper is referred to the **Portfolio Committee on Tourism** for consideration and report:

(a) Annual Performance Plan of South African Tourism for 2019 - 20.

(17) The following papers are referred to the **Portfolio Committee on Communications** for consideration and report:

(a) Annual Performance Plan (Corporate) of Sentech for 2019 - 20 – 2021 - 22.

(b) Annual Performance Plan (Corporate) of the South African Broadcasting Corporation (SABC) for 2019 - 20 to 2021 - 22.

(c) Annual Performance Plan of the National Electronic Media Institute of South Africa (NEMISA) for 2019 - 20.

(d) Strategic Plan for 2019 - 20 – 2020 - 22 for Post Office SOC Ltd and Annual Performance Plan for 2019 - 20.

(e) Strategic Plan for 2020 – 24 for the State Information Technology Agency (SITA) and Annual Performance Plan for 2019 - 20.

(18) The following papers are referred to the **Portfolio Committee on Transport** for consideration and report:

(a) Annual Performance Plan of the Department of Transport for 2019 - 20.

(b) Corporate Plan of the Airports Company of South Africa SOC Limited (ACSA) for 2019 - 20 – 2021 - 22.

(c) Corporate Plan of the Air Traffic and Navigation Services Company Limited (ATNS) for 2019 - 20 – 2021 - 22.

(d) Annual Performance Plan of the South African Civil Aviation Authority (SACAA) for 2019 - 20.

(e) Annual Performance Plan of the Driving Licence Card Account for 2019 - 20.

(f) Annual Performance Plan of the Ports Regulator of South Africa for 2019 - 20.

(g) Annual Performance Plan of the Cross-Border Road Transport Agency (C-BRTA) for 2019 - 20.

(h) Annual Performance Plan of the Road Accident Fund (RAF) for 2019 - 20.

(i) (Updated) Annual Performance Plan of the Road Traffic Management Corporation for 2019 - 20.

(j) Annual Performance Plan of the Road Traffic Infringement Agency (RTIA) for 2019 - 20.

(k) Annual Performance Plan of the Railway Safety Regulator (RSR) for 2019 - 20.

(l) Annual Performance Plan of the South African Maritime Safety Authority (SAMSA) for 2019 - 20.

(m) Annual Performance Plan of the South African National Roads Agency SOC Limited (SANRAL) for 2019 - 20 – 2021 - 22.

(n) Corporate Plan of the Passenger Rail Agency of South Africa (PRASA) for 2020 -22.

(19) The following papers are referred to the **Portfolio Committee on Small Business Development** for consideration and report:

(a) Annual Performance Plan of the Department of Small Business Development for 2019 - 20.

(b) Annual Performance (Corporate) Plan of the Small Enterprise Finance Agency (SEFA) for 2019 - 20.

(c) Annual Performance Plan of the Small Enterprise Development Agency (SEDA) for 2019 - 20 – 21 - 22.

2. Roles and responsibilities of Deputy Speaker and House Chairpersons

ROLES AND RESPONSIBILITIES OF DEPUTY SPEAKER AND HOUSE CHAIRPERSONS OF THE NATIONAL ASSEMBLY

1. Roles and Responsibilities of the Deputy Speaker

In addition to the duties assigned to the Deputy Speaker in terms of any legislation and the Rules and Orders of the National Assembly, insofar as they pertain to the Office of the Speaker, the Deputy Speaker is assigned responsibility for the following areas:

i. Members' Training and Capacity Building;
ii. PARMED;
iii. Sectoral Parliaments;
iv. Implementation of Parliament's Language Policy; and
v. E-Parliament Strategy, including projects related to the Fourth Industrial Revolution.

In addition to the above, any other responsibility and functions may subsequently be delegated as and when such a need arises.

2. Roles and Responsibilities of House Chairpersons

National Assembly Rule 22 provides for the election of three House Chairpersons for the duration of the House. The rule further provides that the Speaker allocates functions and responsibilities to each House

Chairperson and announces such allocation in the *Announcements, Tablings and Committee Reports*.

On 27 June 2019, the National Assembly elected the following persons as House Chairpersons:

Boroto M G
Frolick C T
Ntombela M L D

Allocation of functions

A. House Chairperson: Internal Arrangements – Boroto M G

1. Ensuring the well being and interests of Members, including –

    i. Monitoring policies on travel privileges on behalf of Members;
    ii. Monitoring and reporting on the implementation of Members' facilities;
    iii. Monitoring the implementation of policies in respect of Members' leave, artworks management, exhibitions and the library;
    iv. Ensuring the implementation of policy in regard to the needs of Members with disabilities; and
    v. Parliamentary Villages.

2. Overseeing and ensuring alignment of structures dealing with Members' interests and facilities, including –

    i. Overseeing the implementation of internal household services to members; and
    ii. Fostering and facilitating a working relationship between political representatives (Members of Parliament) and the Parliamentary administration.

3. Receiving and providing reports on issues of Members' Interests, including –

    i. Alerting the Office of the Speaker to potential problems emanating or developments within internal arrangements; and
    ii. Presiding over the Members' Support Forum (MSF) which deals with matters under the broad category of Members' Interests.

4. In collaboration with the Deputy Speaker, ensuring the enhancement of capacity of Members, including –

    i. Co-ordinating the implementation of strategy dealing with Members' training; and
    ii. Ensuring that approved training programmes are implemented.

5. Ensuring the development and implementation of policy in respect of former Members, including –

    i. Proposing and monitoring the implementation of policy on benefits and facilities for former Members; and
    ii. Ensuring that the Members support office implements the approved policies.

6. Co-ordinating the Board of the Parliamentary Villages Committee, including –

    i. Ensuring that there is co-ordination of transport for Members to and from Parliamentary villages; and
    ii. Ensuring that concerns of Members as residents of Parliamentary villages are addressed.

7. Participating in various Parliamentary Committees as determined in the Rules of the National Assembly, for example, the National Assembly Programme Committee, Chief Whips' Forum, National Assembly Rules Committee and Joint Rules Committee.

B. <u>House Chairperson: International Relations – Ntombela M L D</u>

1. Responsible for international relations, including –

    i. Monitoring the development and implementation of Parliament's International Relations Strategy;
    ii. Driving the formulation, implementation and monitoring of travel policy for Parliamentary delegations; and
    iii. Co-chairing and co-ordinating the Parliamentary Group on International Relations (PGIR).

2. Responsible for bilateral relations, including –

    i. Ensuring the establishment of parliamentary groups in relation to South Africa's bilateral agreements;
    ii. Facilitating the establishment and/or co-ordination of friendship groups, where applicable;
    iii. Advising on bilateral engagements with incoming and outgoing delegations; and
    iv. Co-ordinating the schedule for incoming and outgoing bilateral engagements.

3. Participating in various Parliamentary Committees as provided for in the Rules of the National Assembly, for example, the National Assembly Programme Committee, Chief Whips' Forum, National Assembly Rules Committee and Joint Rules Committee.

C. <u>House Chairperson: Committees – Frolick C T</u>

1. Broadly responsible for monitoring any policy, directive or guideline on the scheduling and co-ordination of committee meetings, as well as the general management of all National Assembly committees and subcommittees, including –

    i. Overseeing reporting to the Programme Committee on progress with Bills.
    ii. Overseeing the tabling in the Programme Committee of committee programmes;
    iii. Ensuring that input/concerns from the public, which are referred to committees, are attended to;
    iv. Assessing committee reports with a view to their consideration by the House;
    v. Ensuring the provision of administrative and political support to committees;
    vi. Assisting with and co-ordinating committee budgets and business plans;
    vii. Monitoring committee expenditure;
    viii. Authorizing proposed committee expenditure after political approval has been obtained for any proposed activity;
    ix. Co-ordinating and facilitating committee training;
    x. Providing guidance on best practice in respect of committee reports and oversight functions and assisting in developing an effective oversight model for this purpose;
    xi. Chairing the Committee of Chairpersons which, in terms of Assembly Rules, may make recommendations regarding any matter that affects the scheduling or functioning of any committee; and
    xii. Leading the formulation, implementation and monitoring of travel policy for Parliament in relation to committee visits internationally and nationally as well as planning and co-ordination of oversight visits.

2. Responsible for oversight and public participation, including –

    i. Responsibility for the implementation and co-ordination of the Parliamentary Oversight Model;
    ii. Facilitating the implementation of a Public Participation Model for Parliament; and
    iii. Overseeing Parliamentary public participation services.

3. Under the leadership of the Deputy Speaker, responsible for Information and Communication Technology, including –

    i. Monitoring the implementation of the Information and Communication Technology policy; and
    ii. Collaborating with other Parliaments and relevant bodies in the pursuit of an e-Parliament strategy on how to utilise Information and Communication Technology to help Members fulfil their responsibilities.

4. Participating in various Parliamentary Committees as provided for in the Rules of the National Assembly, for example, the National Assembly Programme Committee, Chief Whips' Forum, National Assembly Rules Committee and Joint Rules Committee.

TABLINGS

National Assembly and National Council of Provinces

1. The Speaker and the Chairperson

(a) Monthly Financial Statements of Parliament – April 2019, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No 10 of 2009).

(Submitted on 9 May 2019)

(b) Revised Strategic Plan of the South African Human Rights Commission for 2015 to 2020.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Transport on Budget Vote 35: Transport, Dated 04 July 2019

The Portfolio Committee of Transport, having considered Budget Vote 35: Transport, reports as follows:

1. INTRODUCTION

The Portfolio Committee on Transport considered the 2019/20 budget of the Department of Transport (the Department) on 3 July 2019. This report contains a summary of the Department's budget allocation and the observations and recommendations of the Committee on the budget. In preparation for this report, the Committee was briefed on the 2019/20 Annual Performance Plan (APP) and Budget Allocations of the Department of Transport. However, at the time of the compilation of this report, the Committee had not yet received a briefing on the Strategic Plans and APPs

of the Department entities or any changes that had been made to the current Strategic Plan of the Department. Accordingly, the Committee engaged on the APP and Budget Allocations for 2019/20 with the Department on 3 July 2019 and undertook to schedule presentations by the Department and its entities on a later date in order to receive briefings on their amended and/or new Strategic Plans, and (specifically for the entities) 2019/20 Corporate Plans and/or APPs.

The report details an overview of the performance of the Department in 2018/19, policy priorities for 2019/20 and and how they are aligned with national, regional, continental and global developmental agendas. It also analyses the 2019/20 budgets of the Department and its entities. It concludes by capturing the observations and recommendations made by the Portfolio Committee on Transport in this regard.

The report on the budget of the Department is based on information accessed through:

- The 2019 State of the Nation Address (SONA) (both delivered in February and June);
- The Department of Transport's APP for 2018/19 and 2019/20 and its Budget Allocation outlined in the Budget Review for 2019/20; and
- The National Development Plan (NDP).

2. MANDATE OF THE DEPARTMENT OF TRANSPORT

The Constitution of the Republic of South Africa, 1996, identifies the legislative responsibilities of different tiers of Government pertaining to airports, road traffic management and public transport. In addition, the 1996 White Paper on National Transport Policy defines the different sub-sectors in the transport sector. Broadly, these are the infrastructure and operations of rail, pipelines, roads, airports, harbours and intermodal operations of public transport and freight. The Department is responsible for the legislation and policies for all these sub-sectors.

For the intermodal functions of public transport and freight, the guiding documents are the National Land Transport Act (2009), the Public Transport Strategy, 2007 and the National Freight Logistics Strategy, 2005. The Department is mandated to conduct sector research and formulate legislation and policy to set the strategic direction of these sub-sectors. Furthermore, it is entrusted with assigning responsibilities to public entities and other tiers of Government. The Department also regulates the transport sector through the setting of norms and standards, as well as the monitoring of their implementation.

Transport is a function that is legislated and executed at the national, provincial and local tiers of Government. The implementation of transport functions at the national sphere takes place through public entities.

In an endeavour to discharge its mandate, the Department is structured as follows:

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

3. OVERVIEW OF THE 2018/19 FINANCIAL YEAR[1]

3.1 First Quarter of 2018/19

Table 1: 2018/19 First Quarter Expenditure

Programme	**2018/19 First Quarter Expenditure**				
R 'million	**Available Budget**	**Actual Expenditure**	**Expenditure as % of Available Budget**	**Projected Expenditure**	**%Variance from Projected Expenditure**
Programme 1: Administration	430.1	71.6	16.6%	101.5	29.5%
Programme 2: Integrated Transport Planning	90.0	14.9	16.6%	26.7	27.9%
Programme 3: Rail Transport	18 887.3	2 359.3	12.5%	1 602.7	-47.2%
Programme 4: Road Transport	27 098.8	6 328.7	23.4%	6 149.8	-2.9%
Programme 5: Civil Aviation Transport	182.3	28.4	15.6%	55.0	48.3%
Programme 6: Maritime Transport	119.9	28.2	23.5%	28.7	1.7%
Programme 7: Public Transport	12 990.0	1 084.7	8.4%	1 251.7	13.3%
TOTAL	**59 798.3**	**9 915.9**	**16.6%**	**9 210.1**	**-7.7%**

(Source: National Treasury (2018a), adapted.

*** Percentage variance: Negative figures show actual expenditure exceeds what was projected for the period.**

[1] It should be underscored that this section covers only the first Three Quarters of 2018/19 as the Fourth Quarter was not yet available at the time of analysis.

For the 2018/19 financial year, the budget allocation for the Department stands at R59.8 billion. By the end of the First Quarter, the Department had spent R9.9 billion (16.6 percent) of its overall allocation – which resulted in 7.7 percent higher spending than anticipated for the period.[2] The higher than anticipated spending was mainly in the Rail Transport programme for *Transfers and Subsidies*.

By the end of the First Quarter of 2018/19, the Department had spent R100.2 million on *Compensation of Employees*, indicating lower than projected spending of R22.1 million. The delay in spending on compensation was mainly owing to the slow filling of vacant posts since executive management approval was still pending. The Department had 652 filled posts, against a funded establishment of 739 posts. The vacancy rate stood at 11.8 percent or 87 vacant posts.[3]

3.2 Second Quarter of 2018/19

Table 2: 2018/19 Second Quarter Expenditure

Programme	**2018/19 Second Quarter Expenditure**				
R ' Million	**Available Budget**	**Actual Expenditure**	**Expenditure as % of Available Budget**	**Projected Expenditure**	**%Variance from Projected Expenditure**
Programme 1: Administration	430.1	160.7	37.4%	209.7	23.3%
Programme 2: Integrated Transport Planning	90.0	35.1	39.0%	44.7	21.6%

[2] National Treasury (2018a).

[3] *Ibid*.

Programme	**2018/19 Second Quarter Expenditure**				
R ' Million	**Available Budget**	**Actual Expenditure**	**Expenditure as % of Available Budget**	**Projected Expenditure**	**%Variance from Projected Expenditure**
Programme 3: Rail Transport	15. 887.3	3 805.9	24.0%	9 487.4	59.8%
Programme 4: Road Transport	30 102.4	14 328.8	47.6%	14 200.8	-0.9%
Programme 5: Civil Aviation Transport	182.3	89.9	49.3%	97.2	7.5%
Programme 6: Maritime Transport	119.9	57.5	48.0%	57.6	0.0%
Programme 7: Public Transport	12 986.4	3 668.9	28.3%	4 505.0	18.6%
TOTAL	**59 798.3**	**22 146.9**	**37.0%**	**28 582.4**	**22.5%**

(Source: National Treasury (2018a), adapted.

*** Percentage variance: negative figures show actual expenditure exceeds what was projected for the period.**

By the end of the Second Quarter of 2018/19, the Department spent R22.1 billion (37 percent of its allocation) – indicating a slower spending than the R28.6 billion planned for this period. The delay in spending was again mainly in the Rail Transport programme. The Department spent R209.6 million on the *Compensation of Employees*, against the projected spending of R243.9 million. This translated into lower than projected spending of R34.3 million.[4]

[4] National Treasury (2018b).

The Administration programme also experienced lower than what was planned spending mainly due to the slow filling of vacant posts, outstanding invoices for the office accommodation lease and procurement delays for information technology (IT) security, public-private partnership (PPP), fleet transaction advisory services and private automated business exchange (PABX) telephone services.

As at the end of the Second Quarter of 2018/19, the National Treasury had approved the following virements and shifts of funds:[5]

- R333.3 million from PRASA. Other capital programmes transfer to PRASA: Metrorail transfer line;
- R124.6 million from PRASA. Other capital programmes transfer line to PRASA: Mainline Passenger Services transfer line; and
- R832.9 million from PRASA: Other capital programmes transfer line to PRASA: Rail maintenance operations and inventories transfer line.

3.3 Third Quarter Expenditure of 2018/19

Table 3: 2018/19 Third Quarter Expenditure

Programme	**2018/19 Second Quarter Expenditure**				
R Thousand	**Available Budget**	**Actual Expenditure**	**Expenditure as % of Available Budget**	**Projected Expenditure**	**%Variance from Projected Expenditure**
Programme 1: Administration	430.1	256.1	59.6%	272.3	5.9%
Programme 2: Integrated Transport Planning	90.0	55.5	61.7%	58.8	5.6%

[5] National Treasury (2018b).

Programme	**2018/19 Second Quarter Expenditure**				
R Thousand	**Available Budget**	**Actual Expenditure**	**Expenditure as % of Available Budget**	**Projected Expenditure**	**%Variance from Projected Expenditure**
Programme 3: Rail Transport	15. 887.3	6 543.6	41.2%	6 545.2	0.0%
Programme 4: Road Transport	30 098.8	20 177.4	67.0%	20 183.6	0.0%
Programme 5: Civil Aviation Transport	182.3	124.2	68.2%	136.9	9.3%
Programme 6: Maritime Transport	119.9	92.2	76.9%	92.9	0.7%
Programme 7: Public Transport	13 023.0	7 209.2	55.4%	7 106.2	-1.5%
TOTAL	**59 841.5**	**34 458.3**	**57.6%**	**34 406.0**	**-0.2%**

(Source: National Treasury (2018a), adapted.

*** Percentage variance: Negative figures show actual expenditure exceeds what was projected for the period.**

By the end of Third Quarter, the Department spent R34.5 billion (or 57.6 percent of the total available budget), indicating higher than expected spending of 0.2 percent.[6] By end December 2018, the Department had spent R329.7 million (or 66.4 percent) of available budget on *Compensation of Employees*. Spending on compensation was a lower than projected – i.e. 1.6 percent. This was mainly due to the filling of vacant posts. Of the 739 funded posts on its establishment, 652 were filled posts, translating into a vacancy rate of 11.8 percent.

[6] National Treasury (2018c).

By the end of the Third Quarter of 2018/19, the National Treasury and Parliament had approved the following virements and the shifting of funds:[7]

- R333.3 million from the Passenger Rail Agency of South Africa (PRASA): Other capital programmes transfer line to PRASA: Metrorail: Operations transfer line;
- R124.6 million from PRASA: Other capital programmes lien to PRASA: Mainline Passenger Services: Operations transfer line;
- R832.9 million from PRASA: Other capital programmes transfer line to PRASA: Rail maintenance operations and inventories line;
- R3 billion from PRASA: Other capital programmes transfer line to the South African National Roads Agency Limited (SANRAL): Non-toll network transfer line; and
- R5.8 billion from SANRAL: Non-toll network transfer line to SANRAL: Gauteng Freeway Improvement Project (GFIP).

4. POLICY PRIORITIES FOR 2019/20 AND ALIGNMENT WITH NATIONAL, REGIONAL, CONTINENTAL AND GLOBAL DEVELOPMENTAL AGENDAS (NDP, NINE POINT PLAN, SOUTHERN AFRICAN DEVELOPMENT COMMUNITY REGIONAL INFRASTRUCTURE DEVELOPMENT MASTER PLAN (SADC-RIDMP), AGENDA 2063 AND SUSTAINABLE DEVELOPMENT GOALS (SDGS))

4.1 NDP, Medium-Term Strategic Framework (MTSF) and road infrastructure

Chapter 4 of the NDP advocates the development of economic infrastructure as the foundation of social and economic development. This call finds expression in Outcome 6 (an efficient, competitive and responsive economic

[7] *Ibid*.

infrastructure network) of Government's 2014-2019 MTSF with which the work of the Department is directly aligned. It is against this backdrop that the Department has committed itself to intensifying efforts to contribute to Government's drive against poverty, inequality and unemployment.[8] It seeks to do so through maintaining national and provincial networks, providing passenger rail infrastructure and services, and facilitating integrated public transport networks.

Roads are a crucial component of South Africa's transport system and economy. According to the 2018 land transport survey, 77.3 percent of land freight in South Africa is hauled on its roads.[9] This accounts for 73.8 percent of total land freight income. The dependence on road infrastructure implies that road conditions have a direct bearing on the ease of movement of goods and people across South Africa. This ultimately impacts on overall economic growth. In this regard, SANRAL, carries out upgrades, maintenance and strengthening programmes of the non-toll and toll portfolios on national roads.

4.2 Passenger rail infrastructure and services

As far as the passenger rail infrastructure and services are concerned, the Department will continue modernising South Africa's passenger rail services through PRASA. PRASA's focus will be on executing its capital programme, intensifying its repairs and maintenance regime, as well as improving security on the rail network.

Its rail modernisation programme is intended to achieve, *inter alia*, the following:[10]

- A high proportion of the number of trains originating from South Africa and in line with the government's local content objectives to this end, a target of over 65 percent local content by the end of the ten-year programme has been set;

[8] Department of Transport (2018).
[9] National Treasury (2019).
[10] Passenger Rail Agency of South Africa (2018).

- The creation of a sustainable and competitive local rolling stock manufacturing sector;
- A strong focus on job creation and job retention;
- The transfer and development of rail related skills to the South African labour force;
- Meaningful black equity ownership at the contractor and sub-contractor level;
- The use and enhancement of existing entities/plants and workforce where possible; and
- A high priority on safety and reliability of the procured rolling stock.

4.3 Nine Point Plan in the context of the NDP

The NDP offers a long-term perspective. It defines a desired destination and identifies the role different spheres of society need to play in reaching that goal. The Department's Nine Point Plan, therefore, seeks to give meaning to the objectives and aspirations of the NDP.

The objectives of the Nine Point Plan pertaining to transport infrastructure are to:[11]

- Improve access to economic opportunities and social space;
- Advance economic development;
- Improve movement of goods;
- Ensure greater mobility of people and goods; and
- Promote regional integration.

[11] Department of Transport (2016). It is important to note that at the time of considering the Budget Vote, there was reference by the President to 7 priorities as listed in the 20 June 2019 SONA:
- Economic transformation and job creation
- Education, skills and health
- Consolidating the social wage through reliable and quality basic services
- Spatial integration, human settlements and local government
- Social cohesion and safe communities
- A capable, ethical and developmental state
- A better Africa and World

In aligning its programmes to the NDP, the Department will oversee the manufacturing of a rolling stock factory that is based at Dunnottar, Ekurhuleni, in Gauteng. The factory will assist in addressing the triple challenges of poverty, unemployment and inequality. The rolling stock fleet renewal programme is estimated to create over 8 000 direct jobs throughout the Gibela Consortium's supply chain, with the factory targeting the creation of 1 500 jobs.[12] Nearly all the jobs in the factory will be occupied by South Africans with the aim to employ 85 percent historically disadvantaged persons, and at least 25 percent women. The expectation is that, over time, the factory will increase the proportion of women within its workforce to at least 50 percent.

South Africa's urban areas are hubs of economic activity and it is, therefore, crucial that they maintain optimal functionality and remain engines of socio-economic growth. Integrated public transports are central to the functioning of these hubs as they provide sustainable, affordable and functional transport solutions to urban areas. To this end, the Department makes allocations in the Public Transport programme for the Public Transport Network Grant (PTNG) that funds the infrastructure and operations of Integrated Public Transport Networks (IPTNs) in 13 cities across South Africa.

4.4 Agenda 2063

The African Union (AU) envisions that by 2063 the necessary infrastructure will be in place to support Africa's accelerated integration and growth, technological transformation, trade and development. This will include high-speed rail networks, roads, shipping lines, sea and air transport, as well as Information and Communications Technology (ICT) and digital economy. A Pan-African high-speed rail network will connect all the major cities of the continent with adjacent ways and pipelines for gas, oil, water,

[12] President Ramaphosa (2018).

ICT broadband cables and other infrastructure. This will serve as a catalyst for manufacturing skills development, integration and intra-African trade, investment and tourism. The Department has committed itself to contributing to the aspirations of "an integrated continent, politically united and based on the ideals of Pan Africanism and the vision of Africa's Renaissance".[13]

Investment in infrastructure is vital in addressing the challenges encountered in infrastructure maintenance and expansion that are crucial for the stabilisation of the country's economy and creation of new opportunities for growth, equity and employment. The current socio-economic challenges, cannot be resolved utilising only the scope and resources of Government or any single role player. Enduring economic partnerships between Government and the private sector are needed to develop trusting relationships for integrated operations, investments and management of transportation infrastructure. The partnership between Government and the private sector was underscored by President Ramaphosa in the February 2019 SONA which committed Government to over a ten-year period, contributing R100 billion into the Infrastructure Fund.[14]

A perusal of the Department's budget allocation for 2019/20 indicates its commitment to national, regional, continental and global imperatives. This is evidenced by strong investments in Road, Rail and Public Transport programmes respectively.

It is a truism that an efficient transport infrastructure provides social and economic benefits to both advanced and emerging economies by improving market accessibility. In addition, it ensures balanced regional, continental and global economic development. Last, but by no means least, an efficient transport infrastructure creates employment, promotes labour mobility, and connects communities.

[13] Department of Transport (2015).

[14] President Ramaphosa (2019).

5. BUDGET ANALYSIS

During the presentations to the Committee, members noted that some of the figures presented below, as per the 2019 Estimates of National Expenditure for the Department under Vote 35: Transport, differed from those contained in the APP as tabled before the Committee for consideration. The Committee highlighted these discrepancies during the discussion on the Department's presentation and were informed that the anomalies could be due to instances where the figures published by National Treasury in the Estimates of National Expenditure documents may not have been the final figures submitted after finalisation of the APP by the Department and submitted to National Treasury. The Committee further pointed out that some of the budget figures indicated in the APP of the Department did not correlate in the narrative of the document from page to page and the Department undertook to correct those.

Table 4: Overall Budget – Transport

Programme	**Budget**		**Nominal Increase / Decrease in 2019/20**	**Real Increase / Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
1. Administration	430.1	463.0	32.9	10.0	7.7%	2.3%
2. Integrated Transport Planning	90.0	169.2	79.2	70.8	88.0%	78.7%
3. Rail Transport	15 887.3	16 573.8	686.5	- 132.7	4.3%	-0.8%
4. Road Transport	30 098.8	33 018.1	2 919.3	1 287.2	9.7%	4.3%
5. Civil Aviation Transport	182.3	245.1	62.8	50.7	34.5%	27.8%
6. Maritime Transport	119.9	136.8	16.9	10.1	14.1%	8.5%
7. Public Transport	13 023.0	13 588.1	565.1	- 106.6	4.3%	-0.8%
TOTAL	**59 831.3**	**64 194.2**	**4 362.9**	**1 189.8**	**7.3%**	**2.0%**

(Source: National Treasury (2019)

For 2019/20, the Department of Transport receives R64.2 billion (excluding direct charges) – constituting 7.3 percent of the R882.6 billion national budget vote.[15] Without inflation (nominally), the Department's budget increases by 7.3 percent from the previous year. This allocation is still higher than inflation; i.e. 2 percent (real terms). The strongest growth is recorded for the Integrated Transport Planning (78.7 percent above inflation) and Civil Aviation Transport (27.8 percent above inflation) programmes.

In terms of economic classification, transfers and subsidies constitute R62.8 billion (or 97.8 percent) of the departmental budget, and the bulk is allocated to the following bodies:[16]

- Provinces and municipalities (R24.3 billion);
- Departmental agencies and accounts (21.5 billion); and
- Public corporations and private enterprises (R16.5 billion).

The overall allocation to compensation of employees increases from R496.7 million previously to R534.7 million in 2019/20. This year, expenditure on consultants (business and advisory services) is set to increase from R266.2 million to R463.8 million, indicating an above-inflation increase of 65.6 percent. The exponential increase for consultants (business and advisory services) is linked to changes in the Integrated Transport Planning and Public Transport programmes. Conversely, funding for the use of consultants in the Maritime Transport programme declines from R17.0 million in 2018/19 to R9.7 million in 2019/20 (-45.8 percent in real terms).

5.1 Programme Analysis

As previously stated under the mandate of the Department's section, the Department has seven programmes. What follows below is an analysis of the budget allocation for each programme, and where relevant or necessary, reference is made to the programmes' sub-programmes.

[15] National Treasury (2019).
[16] *Ibid*.

5.*1.1 Programme 1: Administration*

The Administration programme is entrusted with providing strategic leadership, management and support services to the Department. It comprises five sub-programmes, as illustrated in the table below:

Table 5: Programme 1: Administration

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Ministry	35.2	37.5	2.3	0.4	6.5%	1.3%
Management	75.8	84.1	8.3	4.1	11.0%	5.5%
Corporate Services	227.6	244.6	17.0	4.9	7.5%	2.2%
Communications	35.6	37.9	2.3	0.4	6.5%	1.2%
Office Accommodation	55.9	59.0	3.1	0.2	5.6%	0.3%
TOTAL	**430.1**	**463.0**	**32.9**	**10.0**	**7.6%**	**2.3%**

(Source: National Treasury (2019)

The Administration programme receives R463.0 million, translating into a 2.3 percent above-inflation increase from the previous year. All sub-programmes have above-inflation increases from the previous year. The *Corporate Services* sub-programme receives the biggest share of the Administration allocation; i.e. 52 percent. The highest increase is to the *Management* sub-programme (i.e. 5.5 percent above inflation).

5.1.2 Programme 2: Integrated Transport Planning

The Integrated Transport planning programme integrates and harmonises macro-transport sector policies, strategies and legislation. In addition, it coordinates and develops sector-related policies, research activities, as well as regional and inter-sphere relations. The programme also facilitates sector information and provides sector economic modelling and analysis.

Table 6: Programme 2: Integrated Transport Planning

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Macro Sector Planning	15.9	17.0	1.1	0.3	6.9%	1.6%
Freight Logistics	19.0	20.2	1.2	0.2	6.3%	1.1%
Modelling and Economic Analysis	19.3	93.7	74.4	69.8	385.5%	361.5%
Regional Integration	12.7	13.5	0.8	0.1	6.3%	1.0%
Research and Innovation	15.3	16.4	1.1	0.3	7.2%	1.9%
Integrated Transport Planning Administration Support	7.7	8.3	0.6	0.2	7.8%	2.5%
TOTAL	**90.0**	**169.2**	**79.2**	**70.8**	**88.0%**	**78.7%**

(Source: National Treasury (2019)

The Integrated Transport Planning programme budget increases by 78.7 percent above inflation. The allocation totals R169.2 million for 2019/20. This exponential increase is due to the *Modelling and Economic Analysis* sub-programme – its budget surges from R19.3 million previously to R93.7 million in 2019/20. The sub-programme's allocation increase with 361.5 percent above inflation (real terms).

The *Modelling and Economic Analysis* sub-programme is responsible for undertaking economic studies and providing "innovative and enabling transport infrastructure funding options that respond to the socioeconomic needs of the national agenda".[17] The strong growth in its allocation bodes well for the attainment of the Department's policy priorities for 2019/20. Government has identified investment in transport infrastructure as one of the enablers of economic growth and job creation. However, the sub-programme's budget is likely to decline over the next two years to R24.3 million (2020/21) and R22.7 million (2021/22).

[17] National Treasury (2019).

5.1.3 Programme 3: Rail Transport

The Rail Transport programme facilitates and coordinates the development of sustainable rail transport policies, rail economic and safety regulation, and infrastructure development strategies that reduce system costs and improve customer service. In addition, it oversees rail public entities and the implementation of integrated rail services. Five sub-programmes fall under this programme.

Table 7: Programme 3: Rail Transport

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Rail Regulation	19.8	21.1	1.3	0.3	6.6%	1.3%
Rail Infrastructure and Industry Development	9.5	10.1	0.6	0.1	6.3%	1.1%
Rail Operations	10.6	10.8	0.2	- 0.3	1.9%	-3.2%
Rail Oversight	15 842.0	16 525.7	683.7	- 133.2	4.3%	-0.8%
Rail Administration Support	5.4	6.0	0.6	0.3	11.1%	5.6%
TOTAL	**15 887.3**	**16 573.8**	**686.5**	**- 132.7**	**4.3%**	**-0.8%**

(Source: National Treasury (2019)

Constituting 25.8 percent of the Department's budget, the Rail Transport programme is the second largest departmental spending area. The programme's budget increases from R15.9 billion previously, to R16.6 billion in 2019/20. While this constitutes a nominal increase, when taking into account the effects of inflation (real terms), its allocation in fact declines with 0.8 percent. The *Rail Oversight* sub-programme receives the biggest allocation of the programme's budget, and increases from R15.8 billion previously to R16.5 billion in 2019/20. However, this increase is below inflation, and declines with -0.8 percent (real terms) from its

allocation in 2018/19. Transfers to PRASA to the value of R16.5 billion and R63.5 million to the Railway Safety Regulator (RSR) are funded from this sub-programme.

Transfers to PRASA to the tune of R16.5 billion are divided up as per the tables below:

Table 8: PRASA Transfers: Capital

Entity/Programme **R million**	**Budget**	
	2018/19	**2019/20**
PRASA: Capital	R91.9 million	R600 million
PRASA: Rolling Stock Fleet Renewal	R4.7 billion	R5.8 billion
PRASA: Signalling	R2.0 billion	R2.1 billion
PRASA: Metrorail (Refurbishment of caches)	R1.4 billion	R1.5 billion
PRASA: Mainline Passenger Service (Refurbishment of coaches)	R160.2 million	R169.2 million
TOTAL	**R8.4 billion**	**R10.2 billion**

(Source: National Treasury (2019)

Table 9: PRASA Transfers: Current

Entity/Programme **R million**	**Budget**	
	2018/19	**2019/20**
PRASA: Rail maintenance operations and inventories	R1.2 billion	R811 million
PRASA: Metrorail (Operations)	R4.6 billion	R4.4 billion
PRASA: Mainline Passenger Services (Operations)	R1.6 billion	R1.1 billion
TOTAL	**R7.4 billion**	**R6.3 billion**

(Source: National Treasury (2019)

5.1.4 Programme 4: Road Transport

The Road Transport programme is entrusted with developing and managing an integrated road infrastructure network, as well as regulating transport and ensuring safer roads. Moreover, it oversees road transport public entities. The programme is divided into five sub-programmes.

Table 10: Programme 4: Road Transport

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Road Regulation	42.3	45.0	2.7	0.5	6.4%	1.1%
Road Infrastructure and Industry Development	33.9	36.1	2.2	0.4	6.5%	1.2%
Road Oversight	29 988.2	32 900.3	2 912.1	1 285.8	9.7%	4.3%
Road Administration Support	8.3	9,0	0.7	0.3	8.4%	3.1%
Road Engineering Standards	26.1	27.7	1.6	0.2	6.1%	0.9%
TOTAL	**30 098.8**	**33 018.1**	**2 919.3**	**1 287.2**	**9.7%**	**4.3%**

(Source: National Treasury (2019)

The total expenditure for the Road Transport programme grows from R30.1 billion in 2018/19 to R33.0 billion in 2019/20. Its above-inflation increase is 4.3 percent from the previous year.

For this programme, the highest increase is for the *Road Oversight* sub-programme - its allocation grows from R30 billion to R32.9 billion, resulting in 4.3 percent above-inflation. This is also the sub-programme that dominates

the programme budget. The *Road Oversight* sub-programme reviews and analyses the performance of road transport public entities and monitors their compliance with regulations and legislation. It also transfers funds to SANRAL, the Road Traffic Management Corporation (RTMC), and the Road Traffic Infringement Agency (RTIA). Moreover, the sub-programme makes provision for the Provincial Roads Maintenance Grant (PRMG).

Major transfers from the Road Transport programme are as follows:[18]

Table 11: Major Transfers from the Road Transport Programme

Entity/ Programme **R million**	**Budget**	
	2018/19	**2019/20**
RTMC	R200.2 million	R210. 2 million
SANRAL: Gauteng Freeway Improvement Project (GFIP)	R6.3 billion	R550.5 million
RTIA	R11.7 million	R7.8 million
SANRAL	R5.5 billion	R5.6 billion
SANRAL: Non-toll network	R5.1 billion	R12.3 billion
SANRAL: Moloto Road upgrade	R1.8 billion	R1.7 billion
SANRAL: N2 Wild Coast	-	R1 billion
Rural Roads Asset Management Systems (RRAMS) Grant	R107.5 million	R113.9 million
PRMG: Road maintenance component	R10.3 billion	R10.6 billion
PRMG: Disaster relief component	R210.0 million	R206.2 million
PRMG: Mpumalanga coal haulage roads maintenance	R501.1 million	R526.2 million

(Source: National Treasury (2019)

Expenditure under Programme 4 lends credence to policy priorities for 2019/20. Poor road conditions are a significant contributor to the costs of moving people and goods within South Africa and across the Southern African region, increasing travel time and vehicle operating costs. There is, therefore, an imperative to improve national, provincial and municipal road networks.

[18] National Treasury (2019).

5.1.5 Programme 5: Civil Aviation Transport

The Civil Aviation Transport programme facilitates the development of an economically viable air transport industry that is safe, secure, efficient, environmentally friendly and compliant with international standards through regulations and investigations. Moreover, it oversees aviation transport public entities.

Table 12: Programme 5: Civil Aviation Transport

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Aviation Policy and Regulations	28.0	27.8	- 0.2	- 1.6	-0.7%	-5.6%
Aviation Economic Analysis and Industry Development	13.1	15.0	1.9	1.2	14.5%	8.8%
Aviation Safety, Security, Environment and Search and Rescue	75.9	123.5	47.6	41.5	62.7%	54.7%
Aviation Oversight	59.9	73.0	13.1	9.5	21.9%	15.9%
Aviation Administration Support	5.3	5.8	0.5	0.2	9.4%	4.0%
TOTAL	**182.3**	**245.1**	**62.8**	**50.7**	**34.4%**	**27.8%**

(Source: National Treasury (2019)

For 2019/20, the allocation to the Civil Aviation Transport programme equals R425.1 million, up from R182.3 million previously, translating into an increase of 27.8 percent above inflation. The strong increase in the *Aviation Safety, Security, Environment and Search and Rescue* sub-programme constitutes 54.7 percent above inflation. The sub-programme allocation grows from R75.9 million to R123.5 million in 2019/20. The next highest increase (15.9 percent above inflation) is for the *Aviation Oversight* sub-programme - growth is from R59.9 million in 2018/19 to R73.0 million in 2019/20.

5.1.6 Programme 6: Maritime Transport

The Maritime Transport programme promotes a safe, reliable and economically maritime transport sector through the development and implementation of policies and strategies. In addition, the programme oversees maritime public entities. Five sub-programmes fall under the Maritime Transport programme.

Table 13: Programme 6: Maritime Transport

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Maritime Policy Development	11.6	12.3	0.7	0.1	6.0%	0.8%
Maritime Infrastructure and Industry Development	12.4	12.9	0.5	- 0.1	4.0%	-1.1%
Implementation, Monitoring and Evaluation	61.7	65.5	3.8	0.6	6.2%	0.9%
Maritime Oversight	30.0	41.5	11.5	9.4	38.3%	31.0%
Maritime Administration Support	4.2	4.6	0.4	0.2	9.5%	4.1%
TOTAL	**119.9**	**136.8**	**16.9**	**10.1**	**14.1%**	**8.5%**

(Source: National Treasury (2019)

The budget allocation for the Maritime Transport programme increase from R119.9 million to R136.8 million in 2019/10, translating into an increase of 8.5 percent above inflation. The biggest budget increase is the *Maritime Oversight* sub-programme that grows up from R30.0 million in 2018/19 to R41.5 million in 2019/20. This indicates an above inflation increase of 31.5 percent.

5.1.7 Programme 7: Public Transport

The Public Transport programme is tasked with providing and regulating safe, secure, reliable, cost-effective and sustainable public transport services in South Africa through legislation, policies and strategies. The Public Transport programme comprises six sub-programmes.

Table 14: Programme 7: Public Transport

Programme	**Budget**		**Nominal Increase/ Decrease in 2019/20**	**Real Increase/ Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
R million	**2018/19**	**2019/20**				
Public Transport Regulation	54.5	57.8	3.3	0.4	6.1%	0.8%
Rural and Scholar Transport	40.4	42.8	2.4	0.3	5.9%	0.7%
Public Transport Industry Development	187.1	203.2	16.1	6.1	8.6%	3.2%
Public Transport Oversight	12 711.1	13 252.4	541.3	- 113.8	4.3%	-0.9%
Public Transport Administration Support	11.1	11.8	0.7	0.1	6.3%	1.1%
Public Transport Network Development	18.9	20.1	1.2	0.2	6.4%	1.1%
TOTAL	**13 023.0**	**13 588.1**	**565.1**	**- 106.6**	**4.3%**	**-0.8%**

(Source: National Treasury (2019)

In 2019/20, Programme 7 receives R13.6 billion, up from R13.0 billion in 2018/19. However, this increase did not keep track with the effects of inflation, and it therefore declines with -0.8 percent. The biggest increase in the allocation is in the *Public Transport Industry Development* sub-programme which receives R203.2 million in 2019/20, up from R187.1 million previously. Its budget allocation did not keep track with the effects of inflation and, therefore, declines with -0.9 percent from the previous year.

Selected transfers in the Public Transport programme are as follows:[19]

Table 15: Selected Transfers in the Public Transport programme

Entity/Programme **R million**	**Budget**	
	2018/19	**2019/20**
Taxi Recapitalisation Programme (TRP)	R411.6 million	R434.7 million
South African National Taxi Council (SANTACO)	R22.5 million	R23.8 million
Public Transport Network Grant (PTNG)	R6.3 billion	R6.5 billion
Public Transport Operations Grant (PTOG)	Approximately R6 billion	R6.3 billion
TOTAL	**R12.7 billion**	**R13.3 billion**

(Source: National Treasury (2019)

6. EXPENDITURE BY ENTITIES OF THE DEPARTMENT OF TRANSPORT, INCLUDING THE DRIVING LICENCE CARD ACCOUNT

The Committee was unable to meet and engage with entities on their budget allocations and tabled APPs or Corporate Plans for the 2019/20 Budget Vote prior to the compilation of this report and will not be able to do so prior to the Budget Vote scheduled for 9 July 2019.[20] For purposes of this assessment, the Committee relied on the information contained in the Budget Allocations for 2019/20.[21]

6.1 Airports Company South Africa (ACSA)

The Airports Company of South Africa, a schedule 2 public entity in terms of the Public Finance Management Act (1999), is regulated in terms of the Airports Company Act (1993) and the Companies Act (1973). Formed to

[19] National Treasury (2019).
[20] The APPs or Corporate Plans of the entities and Department were only tabled and referred to the Committee for consideration on 2 July 2019.
[21] Estimates of National Expenditure (2019).

own and operate the nine principal South African airports, including the three main international gateways (OR Tambo International Airport in Johannesburg, Cape Town International Airport and King Shaka International Airport in Durban), it is also one of the concessionaires operating Mumbai International Airport in India and Guarulhos International Airport in Sao Paulo, Brazil.

Over the medium term, ACSA will continue to focus on the development, management and maintenance of the country's nine principal airports. These airports are expected to accommodate a total of 65.2 million departing passengers and 806 214 arriving aircraft over the Medium-Term Expenditure Framework (MTEF) period.

The company has two main income streams: aeronautical revenue, which is generated from passenger facilitation and airline services, and includes charges and tariffs such as aircraft parking and landing fees; and non-aeronautical revenue, which is derived from property rentals, advertising and parking fees.

Aeronautical revenue is expected to contribute to R14.1 billion of the company's total revenue over the MTEF period, increasing at an average annual rate of 7.5 percent, from R4 billion in 2018/19 to R4.9 billion in 2021/22.

Non-aeronautical revenue accounts for R13.1 billion of the company's total revenue over the same period, increasing at an average annual rate of 7.7 percent, from R3.7 billion in 2018/19 to R4.6 billion in 2021/22.

Expenditure is expected to increase at an average annual rate of 8.8 percent, from R6.8 billion in 2018/19 to R8.7 billion in 2021/22. Spending on goods and services is expected to increase at an average annual rate of 5.6 percent, from R2.7 billion in 2018/19 to R3.2 billion in 2021/22. Spending on compensation of employees is expected to increase at an average annual rate of 7.4 percent, from R1.6 billion in 2018/19 to R2 billion in 2021/22. The number of personnel in the company is expected to remain constant at 3 283 over the medium term.

6.2 Passenger Rail Agency of South Africa (PRASA)

PRASA is a schedule 3B public entity established in terms of the Legal Succession to the South African Transport Services Amendment Act (2008). The primary legislative mandate of the agency is to provide rail commuter services within, to and from South Africa in the public interest. Its secondary mandate is to generate income from the exploitation of assets. The agency also provides for long-haul passenger rail and bus services within, to and from South Africa.

In its ongoing effort to improve access to safe and reliable passenger rail services, over the MTEF period, PRASA will focus on executing its capital programme by acquiring new rolling stock, refurbishing train coaches and upgrading and improving depots, stations and signalling infrastructure. The agency will also intensify its repair and maintenance regime for its commuter rail services (Metrorail) and long-distance mainline passenger services. The agency's capital programme over the medium term includes, among other things, the acquisition of 163 new train sets, eight new locomotives, the refurbishment of 1 140 train coaches, and the upgrading and improvement of 24 train stations. As such, the agency's capital expenditure is expected to increase at an average annual rate of 70.8 percent, from R3.1 billion in 2018/19 to R15.6 billion in 2021/22.

The agency expects Metrorail passenger trips to increase from 289 million in 2018/19 to 438 million by 2021/22, and for passengers on mainline passenger services to increase from 504 000 to 644 000 over the same period.

This increase in passenger ridership is expected to be driven and supported by infrastructure acquisitions and improvements, intensified repairs and maintenance operations, and security improvements. As such, spending on activities related to Metrorail is expected to increase at an average annual rate of 8.4 percent, from R8.3 billion in 2018/19 to R10.5 billion in 2021/22, while spending on activities related to mainline passenger services

is expected to increase at an average annual rate of 9.2 percent, from R1.1 billion in 2018/19 to R1.5 billion in 2021/22. Spending on Metrorail and mainline passenger services is expected to account for R33.6 billion of the agency's total expenditure over the medium term.

Expenditure is expected to increase at an average annual rate of 7.2 percent, from R15 billion in 2018/19 to R18.4 billion in 2021/22, mainly driven by repairs and maintenance, contracted security and depreciation.

Transfers from the department amounts to R28.5 billion of the agency's total revenue over the MTEF period, with the remainder generated from sales of train and bus tickets, rental income from the leasing of properties, on-board sales, and interest earned. Total revenue is expected to increase at an average annual rate of 2.7 percent, from R13.8 billion in 2018/19 to R15 billion in 2021/22. This is mainly due to transfers from the department, which include an additional R1.5 billion over the medium term for repairs and maintenance. The agency's number of personnel is expected to increase from 16 089 in 2018/19 to 16 446 in 2021/22. In line with the agency's reviewed organisational structure, only critical vacant posts will be filled.

6.3 Road Accident Fund (RAF)

The Road Accident Fund Act (1996) provides for the establishment of RAF, the legal mandate of which is to compensate South African road users for loss or damage as a result of motor vehicle accidents within the borders of South Africa.

Over the medium term, RAF will continue to focus on compensating road accident victims for losses and damages, as required by the Road Fund Accident Act (1996). As such, the fund will endeavour to improve its claims processing and productivity. Productivity is expected to increase as the fund anticipates adding 20 posts in 2019/20. With the increase in the number of personnel in the fund from 3 083 in 2018/19 to 3 103 in 2021/22, spending on compensation of employees increases at an average annual rate of 12.3 percent, from R1.8 billion in 2018/19 to R2.6 billion in 2021/22.

The number of open claims received but not finalised is expected to increase marginally, from 215 439 in 2018/19 to 217 336 in 2021/22. The fund's total expenditure is expected to increase at an average annual rate of 12.6 percent, from R77.7 billion in 2018/19 to R111 billion in 2021/22. Despite the growth in expenditure the accumulated deficit is expected to increase to R402 billion in 2021/22 from R241.8 billion in 2018/19. The fund derives its revenue from the Road Accident Fund fuel levy, which is expected to remain unchanged over the medium term. Total revenue is expected to increase at an average annual rate of 2.8 percent, from R42.3 billion in 2018/19 to R45.9 billion in 2021/22, in line with expected increases in fuel sales.

6.4 South African National Roads Agency (SANRAL)

SANRAL is a schedule 3A public entity established by the South African National Roads Agency Limited and National Roads Act (1998). The agency is responsible for the planning, design, construction, operation, management, control, maintenance and rehabilitation of the South African national road network, including the financing of these functions. This includes toll and non-toll roads.

Over the medium term, SANRAL will continue to focus on undertaking preventative maintenance to improve and preserve the national road network. As such, over the period ahead, the agency plans to resurface 3 300km and improve 1 500km of roads, upgrade intersections to interchanges, and build new interchanges and bridges. To carry out these activities, allocations to the strengthening programme increase at an average annual rate of 17.7 percent, from R1.5 billion in 2018/19 to R2.4 billion in 2021/22, while allocations to the improvement programme increase at an average annual rate of 25.6 percent, from R3.6 billion in 2018/19 to R7.2 billion in 2021/22, mainly due to upgrades to the N2 (Cape Town), N3 (Mariannhill) and N2 North and South coastal roads.

Total expenditure is expected to increase at an average annual rate of 5.1 percent, from R33.2 billion in 2018/19 to R38.6 billion in 2021/22. The bulk of the agency's total expenditure comprises payments to service providers for routine road maintenance and/or construction over the medium term. As a result, goods and services expenditure accounts for 74.3 percent of total expenditure over the medium term. The agency's number of personnel is expected to increase by 98, from 392 in 2018/19 to 490 over the MTEF period. Accordingly, spending on compensation of employees is expected to increase at an average annual rate of 17.5 percent, from R403.4 million in 2018/19 to R654.2 million in 2021/22.

The agency generates revenue from transfers from the department for the non-toll road network and income from fees on the toll road network. Revenue is expected to increase at an average annual rate of 4.6 percent, from R25.6 billion in 2018/19 to R29.3 billion in 2021/22. Departmental transfers for the non-toll road network are expected to amount to R64.5 billion over the medium term, while toll revenue is expected to increase at an average annual rate of 1.9 percent, from R5.3 billion in 2018/19 to R5.6 billion in 2021/22.

6.5 Air Traffic and Navigation Services Company (ATNS)

ATNS is a schedule 2 public entity established in terms of the Air Traffic and Navigation Services Act (1993). The company is mandated to provide safe, orderly and efficient air traffic navigational and associated services to the air traffic management community. It does this on behalf of the state and in accordance with International Civil Authority Organisation standards and recommended practices, and South African civil aviation regulations and technical standards.

The company's total budget for 2019/20 is R1.8 billion.

Over the medium term, ATNS will continue to focus on providing safe, efficient and cost-effective air traffic management solutions and related services. This is done with the aim of ensuring safety and capacity improvements in communication, navigation, surveillance and simulation systems. Major projects over the medium term include the maintenance of radar and specialised radar equipment. Accordingly, the bulk of the company's spending over the period ahead will be on electronic maintenance support contracts and costs related to maintaining radar and other equipment. Most of the support contracts are paid for in foreign currency and will thus be affected by fluctuating foreign exchange rates.

Over the medium term, total expenditure is expected to increase at an average annual rate of 1.7 percent, from R1.7 billion in 2018/19 to R1.8 billion in 2020/21. The company generates its own revenue from the provision of aeronautical services to the aviation industry, key among these being en-route and approach fees (aerodrome fees, area fees and terminal manoeuvring area fees). Total revenue is expected to increase at an average annual rate of 1.6 percent, from R1.8 billion in 2018/19 to 1.9 billion in 2021/22.

6.6 Cross-Border Road Transport Agency (C-BRTA)

C-BRTA is a schedule 3A public entity established in terms of the Cross-Border Road Transport Act (1998). The agency's legislative mandate requires it to advise the Minister of Transport on cross-border road transport policy, regulate access to the market by the road transport freight and passenger industry in respect of cross-border road transport by issuing permits, undertake road transport law enforcement, and play a facilitative role in contributing to the economic prosperity of the region.

The agency's estimated expenditure for 2019/20 is R225.8 million.

Over the medium term, C-BRTA will focus on ensuring the smooth, safe and reliable flow of passengers and freight across South African borders, and improving competition and market access in the cross-border road

transport industry through regulation and issuing permits. The agency's total expenditure is expected to increase at an average annual rate of 6.7 percent, from R215.7 million in 2018/19 to R262.2 million in 2021/22, mainly driven by the addition of six employees and salary adjustments for profiling inspectors. Permit fees account for 84.9 percent (R633.7 million) of total revenue over the medium term. Revenue is expected to increase at an average annual rate of 4.6 percent, from R229.9 million in 2018/19 to R263.3 million in 2021/22.

6.7 Ports Regulator of South Africa (PRSA)

PRSA performs functions that relate mainly to the regulation of pricing and other aspects of economic regulation, the promotion of equal access to ports facilities and services, the monitoring of the industry's compliance with the regulatory framework, and the hearing of any complaints and appeals lodged with it.

The regulator's estimated expenditure for 2019/20 is R37.4 million.

Over the medium term, PRSA will continue to focus on strengthening the economic regulation of ports infrastructure, and strengthening compliance with the ports regulatory framework among industry stakeholders. In 2019/20, the regulator aims to finalise the asset valuation of the National Ports Authority to inform its work on the valuation of the regulated asset base in the port tariff assessment process. The regulator's expenditure is expected to increase at an average annual rate of 10.2 percent, from R31.1 million in 2018/19 to R41.7 million in 2021/22, mainly driven by two additional personnel to its economic regulation programme. Transfers from the department amount to R116.6 million of total revenue over the medium term.

6.8 Railway Safety Regulator (RSR)

RSR oversees and promotes safe railway operations through appropriate support, monitoring and enforcement, guided by an enabling regulatory framework, including regulations for all rail operators in South Africa and those of neighbouring countries whose rail operations enter South Africa.

The regulator's estimated expenditure for 2019/20 is R240.6 million.

Over the medium term, RSR will focus on improving railway safety and providing an independent regulatory function that focuses particularly on high-risk areas to ensure minimal rail incidents. As such, over the period ahead, the regulator plans to conduct 80 safety promotion initiatives, with a total of 75 targets set for high-risk operators.

Expenditure is expected to increase at an average annual rate of 1 percent, from R253.7 million in 2018/19 to R261.6 million in 2021/22. The regulator's revenue is derived from safety permit fees, which amount to R529.8 million of total revenue over the period ahead. The bulk of the remaining revenue is derived from transfers from the department. Revenue is expected to increase at an average annual rate of 0.8 percent, from R253.7 million in 2018/19 to R259.7 million in 2021/22.

6.9 Road Traffic Infringement Agency (RTIA)

RTIA promotes road traffic quality by providing for a scheme to discourage road traffic infringements to support the prosecution of offences in terms of national and provincial laws relating to road traffic, and implements a points demerit system.

The agency's estimated expenditure for 2019/20 is R258.9 million.

Over the medium term, RTIA will focus on coordinating and facilitating readiness for the national rollout of the Administrative Adjudication of Road Traffic Offences Act (1998).

Expenditure is expected to increase at an average annual rate of 1.4 percent, from R290.4 million in 2018/19 to R302.8 million in 2021/22. Over the medium term, the agency is expected to generate 96.9 percent of its total revenue from the administrative adjudication of road traffic offences and the remainder from transfers from the department. Revenue is expected to increase at an average annual rate of 1.4 percent, from R290.4 million in 2018/19 to R302.8 million in 2021/22.

6.10 Road Traffic Management Corporation (RTMC)

RTMC pools national and provincial government resources for the provision of road traffic management. This includes cooperative and coordinated road traffic strategic planning, regulation, facilitation and law enforcement.

The corporation’s estimated expenditure for 2019/20 is R1.5 billion.

Over the medium term, RTMC will continue to oversee the management and administration of the national traffic information system. As such, the corporation will focus on: improving road traffic data and information by compiling road traffic reports and research studies, overseeing the national traffic police, improving the size and visibility of road traffic law enforcement officers, and promoting compliance with road safety and road traffic law through educational programmes and awareness campaigns.

In line with its strategic focus, the corporation’s expenditure on operations, law enforcement, and traffic intelligence and security is expected to amount to R2 billion of total expenditure over the medium term. Expenditure is expected to increase at an average annual rate of 13.8 percent, from

R1.2 billion in 2018/19 to R1.8 billion in 2021/22. The corporation generates most of its revenue from transaction fees related to the national traffic information system and transfers from the department of transport. Total revenue is expected to increase at an average annual rate of 13.8 percent from R1.2 billion in 2018/19 to R1.8 billion in 2021/22.

6.11 South African Civil Aviation Authority (SACAA)

SACAA promotes, regulates and enforces civil aviation safety and security standards across the aviation industry.

The entity's estimated expenditure for 2019/20 is R792.5 million.

Over the medium term, SACAA will continue to focus on improving civil aviation safety and security through greater compliance with global standards and practices. In addition, the authority plans to improve its operational efficiencies by implementing a new enterprise business system and electronic documents management solution, and acquiring a new flight inspection aircraft. Accordingly, expenditure is expected to increase at an average annual rate of 9 percent, from R710.6 million in 2018/19 to R920.2 million in 2021/22.

The authority expects to continue to generate most of its revenue from passenger safety charges, user fees and the aviation fuel levy, accounting for 93.5 percent (R2.4 billion) of total revenue over the medium term. Revenue is expected to increase at an average annual rate of 9 percent, from R711.8 million in 2018/19 to R922.9 million in 2021/22, mainly driven by annual increments in the user charges and levies, and an additional R10 million in each year over the medium term for aviation accidents and incidents investigations.

6.12 South African Maritime Safety Authority (SAMSA)

SAMSA promotes South Africa's maritime interests, ensures the safety of life and property at sea, and prevents and combats the pollution of the marine environment by ships. Functions of the entity are also defined as per international maritime conventions to which South Africa is a signatory.

The entity's estimated expenditure for 2019/20 is R505.7 million.

Over the medium term, SAMSA will focus on safety, promoting a culture of preventing marine incidents and combating pollution caused by ships. In ensuring the safety of life and property at sea, the authority will conduct 1 040 port inspections over the period ahead.

Expenditure is expected to increase at an average annual rate of 10.2 percent, from R414.2 million in 2018/19 to R554 million in 2021/22. The authority mainly generates its revenue from levies and user charges. Revenue is expected to increase at an average annual rate of 10.6 percent, from R415.6 million in 2018/19 to R562 million in 2021/22.

6.13 Driving Licence Card Account (DLCA)

DLCA manufactures credit card format driving licences, based on orders received from driving licence testing centres, and generates its own revenue through the sale of the licence cards.

The entity's estimated expenditure for 2019/20 is R235 million.

The driving licence card account will continue to manufacture highly secure driving licence cards and distribute them to driving licence testing centres. Following the completion of the replacement of the live capture units in driving licence testing centres in 2018/19, over the medium term, the entity will upgrade the live enrolment unit software to ensure optimal manufacturing productivity.

The entity is also in the process of introducing a newly designed driving licence card, which it intends to deliver by 2021/22. Accordingly, total expenditure is expected to increase at an average annual rate of 3.2 percent,

from R223.1 million in 2018/19 to R245.3 million in 2021/22. The entity generates its revenue mainly from the sale of driving licence cards, amounting to R600 million of total revenue over the medium term.

7. COMMITTEE OBSERVATIONS

Members made the following observations during discussions:

7.1 General

The Committee noted that there were some errors in the tabled APP for 2019/20 which the Department undertook to correct. Furthermore, there was a concern that a number of targets contained in the APP had no target delivery dates or finalisation dates and that some dates indicated under new targets for the Maritime Transport Programme had been pointed out by the Department as being incorrect.

7.2 Use of consultants

The overall allocation to compensation of employees increases from R496.7 million in 2018/19 to R534.7 million in 2019/20. This year, expenditure on consultants (business and advisory services) is set to increase from R266.2 million to R463.8 million (which, shockingly, is almost equal to the overall allocation to compensation of employees for the previous budget cycle), indicating an above-inflation increase of 65.6 percent.

The exponential increase for consultants (business and advisory services) is linked to changes in the Integrated Transport Planning and Public Transport programmes. Conversely, funding for the use of consultants in the Maritime Transport programme declines from R17.0 million in 2018/19 to R9.7 million in 2019/20 (a decrease of 45.8 percent in real terms).

The Committee was adamant that the Department cannot continue spending this much of the budget on consultants, especially while government is required to work towards a reduction in the wage bill, a reduction in the use of consultants and a drive towards ensuring that internal capacity of the Department and its entities is strengthened.

7.3 Public Transport Network Grant (PTNG)

The budget allocation for the PTNG increased from R6.3 billion in 2018/19 to R6.5 billion in 2019/20. The Committee noted that the implementation and/or rollout of these projects differ in each municipality despite past targets having been for operations to begin in nine cities by the end of 2018/19 whereas the actual progress indicated in the APP of 2019/20 was that only six had begun operations (one of which is a pilot of a small scale service). The Committee further raised concerns regarding the progress on the planned targets for roll-out of the IPTNs in the municipalities when such progress is compared to the billions of allocated funds already spent on the projects.

It was noted that the Department had issued an instruction to scale down plans and big ticket infrastructure in these projects, but to rather optimise modal technologies based on realistic demand volumes. Designed projects or earlier plans in smaller cities have been amended to focus mostly on supplying new vehicles, few stations and shelters/stops and other related infrastructure such as depots.

It was noted that the Department will be working on a Regional Integration Strategy as a new indicator in the APP for 2019/20 and that this is targeted to be submitted to Cabinet by March 2022.

7.4 Provincial Road Maintenance Grant (PRMG)

The Committee observed that the budget allocation for the PRMG: roads maintenance component increased from R10.3 billion in 2018/19 to R10.6 billion in 2019/20. The PRMG: Disaster relief component decreased from R210.0 million in 2018/19 to R206.2 million in 2019/20. The PRMG:

Mpumalanga coal haulage roads maintenance component increased significantly from R501.1 million in 2018/19 to R526.2 million in 2019/20.

During its presentation, the Department indicated that a trend had emerged over the past few years whereby some Provinces would decrease their allocation of provincial funds to road projects in years where the PRMG grant transferred from the Department had an increased allocation. The Committee noted its concern of such practices and indicated that this must come to an end as there should be guidelines by which the Department would support grant allocation increases based on reciprocated commitments in funding and spending capacity from the provinces for these road maintenance projects.

7.5 Moloto Road upgrade and Moloto Development Corridor

For SANRAL, R3.3 billion is allocated over the medium term for the upgrade of the R573 (Moloto Road).

The Committee noted the decrease in the budget allocation from R1.8 billion in 2018/19 to R1.7 billion in 2019/20 for the Moloto Road upgrade. The Committee noted that there has been progress regarding the R573 Moloto Road that connects the three provinces of Gauteng, Mpumalanga and Limpopo. Mpumalanga and Limpopo provinces have transferred their sections of the road to SANRAL, while Gauteng province has not yet done so. The Committee was, however, concerned about the slow progress of this originally planned five year upgrade project and also noted that the rail portion of the Development Corridor project has slowed despite the PRASA Corporate Plan of 2018/19 indicating that for 2018/19 the entity will target to finalise funding with the Department and National Treasury by the Second Quarter. It was further noted with concern that neither the budget allocation nor the Department's APP for 2019/20 makes any mention of the Moloto (Rail) Development Corridor.

The Department indicated to the Committee that fiscal constraints were affecting the rail portion of the Moloto Corridor project and that the focus had been shifted to prioritise the R573 Moloto Road project. Treasury had

not allocated funds to the rail project due to affordability concerns and there had been discussions that this project may have to move to the Presidential Infrastructure Coordinating Commission (PICC). In this regard, the Department indicated that the Minister of Transport and the Minister of Finance will be meeting to discuss this issue.

During the 2018/19 budget briefing, the Department indicated that it has concluded a review and assessment of the Putco Moloto subsidised bus services contract, which included a detailed census to determine current demand. The outcome of this review and whether or not a new contract would be introduced to replace the current one based on the outcome of the passenger census and the current demand had not been presented to the Committee yet.

7.6 Non-toll road network

The budget allocation for the non-toll network increased (more than doubled) from R5.1 billion in 2018/19 to R12.3 billion in 2019/20. During the previous year, the Department had to ensure that SANRAL does not default on payments related to the GFIP and therefore had to shift/transfer funds in order to do so. This year, the funding allocation to the GFIP project has been significantly reduced and allowed for the increase in budget to the non-toll road network.

The Committee noted that the following non-toll road projects were planned for the MTEF 2019 – 2022:

- N12 Johannesburg to Klerksdorp
- N2 Richards Bay to Ermelo
- N2 Botrivier to Port Elizabeth
- N12 Benoni to Witbank
- R72/N2 Port Elizabeth to East London
- R300 Cape Town Ring Road

7.7 Vacancies and Acting Positions

The Committee noted that the end of term for members of boards at various entities are near, that some boards were not fully constituted which may affect their performance and reporting, that some advertisements were already published for filling these vacancies, and that PRASA still had an interim board.

The Committee highlighted a serious concern regarding the Ports Regulator's expenditure that is expected to increase at an average annual rate of 10.2 percent, from R31.1 million in 2018/19 to R41.7 million in 2021/22, mainly driven by two additional personnel to its economic regulation programme. The Committee was of the view that it is concerning that such a massive increase is intended to only be used for two additional personnel.

It was further noted that numerous vacancies also still exist in the Department and in the executive of its entities, which led to an increase in the reliance on acting placements and could have contributed to further instability in the Department and entities. This remains a concern to the Committee as these issues have been highlighted over several years by the Committee, as well as the Auditor-General of South Africa (AGSA).

In this regard the Committee wanted to highlight that the recommendations made by the AGSA for the Budget Review of 2017/18 as expressed in the Annual Report(s) of 2017/18 indicated that the root causes for entities with negative outcomes were:

- Key management posts are vacant or filled with staff in acting positions, which contributes to lack of accountability;
- The governance structures in some of the entities are not fully constituted which results in ineffective oversight;
- Where an action plan had been put in place, it was not monitored at the appropriate level and the lack of progress was not escalated for further intervention by senior management;

- There is a slow response in addressing ongoing deficiencies with compliance to laws and regulations and lack of consequence management in respect of staff that do not perform their allocated responsibilities; and
- Some entities lack the discipline of ensuring that internal controls to ensure that accurate and complete financial reporting and compliance to laws and regulation are adhered to.

The Department reported on progress in filling board vacancies, as well as senior management vacancies in the Department. The Committee was concerned that the Department could not indicate a timeframe by when these vacancies will be filled.

7.8 Scholar Transport

The Committee noted the increase in budget allocation to the Rural and Scholar Transport sub-programme under Programme 7. However, the Committee also noted the emphasis in the Budget Review documents, under the headline of Portfolio Committee on Basic Education, that together with relevant authorities, the department should fast track the implementation of plans to allocate ring-fenced funds for learner transport. The National Treasury is part of the task team on this issue. The ring fencing can only happen once a policy decision is taken on whether the function lies with the Department of Basic Education or the Department of Transport.

Furthermore, under the heading of Scholar Transport, it was indicated that government conducted a study on the delivery of scholar transport services during 2018. A steering committee with members from the Department of Basic Education; the Department of Transport; the Department of Planning, Monitoring and Evaluation; and the National Treasury has been established to take this work forward. The report revealed several data gaps and inconsistencies in the way services are delivered and reported on in different provinces, making it difficult to establish a common national approach to improving the service. Two work streams were indicated to be established

during 2019. The first will deal with the data gaps and attempt to determine whether the function should be led by the transport or basic education sector. The second work stream will deal with the costing of the service and will provide input during 2020.

The Committee raised concerns regarding the challenges faced by rural learners in obtaining access to scholar transport. Furthermore, concerns were raised regarding the modes or types of transport provided to learners which are not suitable or safe for the transportation of learners and often leads to overloading and contraventions of road traffic laws.

Concerns were also raised regarding the lack of uniformity in scholar transport provision in the various provinces and challenges faced in the management, financing, implementation and oversight over scholar transport.

7.9 SANRAL funding concerns as well as impact of GFIP thereon

The Committee continues to raise concerns regarding the going concern status of SANRAL due to poor collection on GFIP e-toll project. The Committee also noted the massive decrease in funding to the SANRAL: GFIP from R6.3 billion in 2018/19 to R550.5 million in 2019/20.

The Committee was hopeful that delays would be minimised in implementation of critical projects which were in the past delayed due to toll resistance. The Committee also noted delays in various SANRAL projects due to contractors withdrawing from some sites because of local community protest regarding these projects. The Committee indicated that the Department should ensure that projects rolled out in communities make use of the skills within that community and that SANRAL and provincial departments responsible for roads and transport matters implement an Inter-Governmental Relations Strategy to assist in resolving these issues. The Committee was optimistic about the possible progress in rolling out the possible R128 billion investment in road infrastructure projects which includes:

- N1-N2 Winelands Project

- N2 Wild Coast Highway Project
- N2 Durban South to North Project
- N3 Gauteng Durban Corridor Project/Van Reenen Development Project (formerly indicated as the De Beers Pass project)
- N3 Pietermaritzburg to Durban Project

The Committee was concerned that one of the key focus areas indicated by SANRAL for 2018/19 was the cooperation with the Department on developing a fresh Toll Roads Policy and that this has not yet been finalised.

7.10 PRASA Modernisation project

The Committee noted a significant increase in budget to PRASA Capital from R91.9 million in 2018/19 to R600 million in 2019/20, as well as the PRASA: Rolling Stock Fleet Renewal budget going from R4.7 billion in 2018/19 to R5.8 billion in 2019/20.

The Committee expressed the hope that the current interim board will not allow the allocated funds to PRASA Capital to lie idle again as in previous years but that this will be wisely spent where services are in most dire need.

The Committee was of the view that until and unless the current service and safety concerns are adequately addressed, the modernisation project will not be able to progress as more budget has to be spent on refurbishment of vandalised and outdated coaches and infrastructure to ensure services are able to run.

The Committee noted with concern that the performance in and expenditure of budget of R2.4 billion for the station modernisation programme runs the risk of being delayed due to the cancellation by National Treasury of all station modernisation contracts.

The Committee was adamant that the signalling system and telecommunication upgrades projects were of utmost importance to prevent a repeat of the rail collisions experience during the last two years.

7.11 Taxi Recapitalisation Project (TRP)

The Committee noted the targeted implementation of the recommendations of the TRP by March 2020. However, the revised policy has to date not been presented to the Committee. The revision and implementation of the policy therefore appears to be delayed and the targets set for implementation of the project have failed to be accurate in recent years due to a reduced uptake thereof by the industry. The current project has no termination date which creates no urgency for compliance or uptake of the project.

Furthermore, the Committee is concerned that the Department may not be utilising the data it has from the operating licence and permit databases to identify and contact owners of vehicles that may be qualifying for scrapping. The Committee indicated that the value allocated for pay out to the industry in terms of the project is perceived as insufficient by the industry to warrant an uptake in the project and hopes were expressed that the reviewed project will remedy this, as well as the need to ensure a taxi (maintenance) services value chain exists.

The Committee also noted the recent Public Protector Report 37 of 2018/19 on the Illegal Conversion of Toyota Quantum Panel Vans into Mini Bus Taxis and that the findings might impact this programme. (The Committee must still consider this report and table their own report in the House).

7.12 Funding Models and Turn-around Strategies of Entities

The Committee is concerned that the funding models and/or turn-around strategies of the entities are not being processed or implemented as a matter of urgency (or that there appears to be new strategies submitted every six months), which, if left to continue as is, will lead to financial ruin of these entities and a lack of service delivery to citizens.

7.13 Legislative Programme impact on Entities

The Committee noted that a review was planned of the founding legislation of road entities by March 2020. It further noted that the Civil Aviation

Amendment Bill that was tabled in November 2018 may need to be revived by the 6th Parliament, as well as the Road Accident Benefit Scheme (RABS) Bill and National Land Transport Act (NLTA) Amendment Bill that were not finalised during the tenure of the 5th Parliament.

The Committee also indicated its anticipation for the tabling of the long-awaited Single Transport Economic Regulator (STER) Bill and noted the progress reported by the Department on this.

The Committee noted that there is a need to receive a full and comprehensive list of legislation that is proposed which would include the current status of progress on these matters.

From the Department's amended Strategic Plan (presented in 2018/19), the Committee also noted that in the current 2019/20 financial year, the Department intended to bring the Merchant Shipping Bill to Parliament, as well as the Transport Appeal Tribunal (TAT) Amendment Bill. The Committee also noted that during the next financial year the Department intended to meet the following targets:

- Submitting the draft Maritime Transport Sector Development Council Bill to Cabinet by March 2020;
- Developing the Railway Safety Bill for submission to Cabinet by March 2020;
- Submitting the draft National Road Traffic Amendment Bill to Cabinet by March 2020;
- Submission of the Transport Appeal Tribunal Amendment Bill to Cabinet by March 2020;
- Submitting the Single Transport Economic Regulator (STER) Bill to Parliament by March 2020;
- Submitting the Air Services Licencing Amendment Bill and International Air Services Amendment Bill to Cabinet by March 2021;
- Implementation of the National Rail Act by 2020/21;
- Implementation of the Railway Safety Act by 2020/21;
- Draft Bill for Founding Legislations of Road Entities to Parliament by 2020/21; and

- Developing the South African Maritime and Aeronautical Search and Rescue Amendment Bill for submission to Cabinet by March 2021.

The Committee continues to urge the Department to plan for the tabling of legislation to Parliament early enough in the five-year planning cycle to prevent the lapsing of bills and the rush to process these in the outer years of the Parliament cycle.

7.14 Optimal use of revenue generating streams of entities

The Committee noted that some entities, such as ACSA and PRASA, that have access to property do not make optimal use of possible advertising revenue or retail revenue generating streams.

7.15 Road Safety Programmes

The Committee noted the reported decrease in the 2019 Easter Holiday Road Death statistics, even though this year the holiday fell outside of the school holiday time period and that may have affected the statistics. The Committee noted the implementation of road safety programmes by various road transport entities.

7.16 Increased Promotion Required of Universal Access

The Committee noted the Department's commitment in the medium term, to continuing with the planning and construction of universally accessible IPTNs and Bus Rapid Transit (BRT) systems in identified local and metropolitan municipalities.

However, universal access is the goal of enabling all citizens to reach every destination served by their public street and pathway system and is not limited to access by persons using automobiles. Travel by bicycle, walking, or wheelchair to every destination is accommodated in order to achieve transportation equity, maximize independence, and improve community

liveability. Wherever possible, the Committee continues to urge that the Department ensures the promotion of the need to have road and transport facilities designed to allow safe travel by young, old, and disabled persons who may have diminished perceptual or ambulatory abilities. By using design to maximize the percentage of the population who can travel independently, it becomes much more affordable for society to provide paratransit services to the remainder with special needs.

The Committee, therefore, was of the view that the Public Transport, Road and Rail Programmes do not make sufficient provision for the promotion of universal access as the 2018/19 APP appeared to only focus on the IPTN rollout with such service considerations and that this type of access may be further constrained with scaling down of IPTN infrastructure with regard to stations or stops as well as the suspension of some rail station modernisation contracts.

8. COMMITTEE RECOMMENDATIONS

The Committee recommends that the Minister of Transport ensure that:

8.1 General

The Department correct all errors and inconsistencies or contradictions pointed out in their tabled APP for 2019/20.

8.2 Use of consultants

The use of consultants is monitored by the Department, and that the Department ascertains whether the services rendered provided good value for money. In addition, the Department should indicate whether the consultants transfer relevant skills to the employees of the Department. The Department must furthermore brief the Committee on all consultants used with reference to their scope of work and the expenditure linked to these appointments within 30 days of the adoption of this report by the House.

8.3 Public Transport Network Grant (PTNG)

The Department monitors the spending of the funds by the 13 IPTN/BRT implementing cities and ensures that the funds are spent as per the Division of Revue Act to warrant that value for money is achieved and services are delivered to the citizens. Quarterly reports on progress should be delivered to the Committee, as well as indications on whether or not any of the cities stand a real chance of having their funding allocation stopped due to a lack of progress.

8.4 Provincial Roads Maintenance Grant (PRMG): Road maintenance component

The Department monitor the expenditure of the Roads maintenance component of the PRMG and briefs Parliament quarterly on progress, as well as the breakdown of the 2019/20 budget allocation per province.

8.5 Moloto Road upgrade and Development Corridor

The Department deliver quarterly updates to the Committee on the progress made regarding the Moloto Road upgrade and Moloto Development Corridor (Rail) programme.

8.6 Non-toll road network

The Department ensure that the budget allocation for the SANRAL road maintenance programme respond to the challenges of unemployment, poverty alleviation and inequality.

8.7 Vacancies and Acting Positions

That the appointments are made with due consideration of gender parity principals for all critical vacancies that need to be filled in Senior Management as well as throughout all levels of the Department, executive of the entities as well as board vacancies.

That Board members of entities are appointed without delay so that the entities are able to discharge their legislative mandates optimally. The Minister is also requested to report to the Committee on this matter, as well as the Department's plan for ensuring future Board member vacancies are filled timeously within 30 days of the adoption of this report by the House. Furthermore, that the Minister ensure that all other vacancies in senior management in the Department and the executive in the entities are filled and reported on to the Committee within 60 days of the adoption of this report by the House.

8.8 Scholar Transport

Once the work-streams have determined the best suited Department for the project, that the Scholar Transport Policy and regulation thereof is rolled out uniformly and monitored by the relevant Department.

Until such determination is finalised, the Department must ensure that one set of regulations is set out and implemented nationally on scholar transport norms and standards, which must be done through regular meetings with and cooperation with the Department of Basic Education. The Department should also hold regular engagements with Provincial Departments with which the function resides to assist in improving scholar transport, as well as report back to the Committee on progress on a quarterly basis.

8.9 SANRAL funding concerns, as well as impact of GFIP thereon

That SANRAL is assisted with formulating a suitable funding model that could aid in resolving the impact on its finances from the rollout of the GFIP project, as well as manage current project stoppages related to the general objections on all toll projects by finalising the development of a fresh Toll Roads Policy. The Minister also needs to address the going concern issues raised for SANRAL by arranging meetings between the entity, the Department, as well as the National Treasury.

SANRAL should also be assisted with support towards the achievement of its Strategic Objective to foster cooperative working relationships with all spheres of Government and the Southern African Development Community (SADC) member countries through the possible expanding of its scope towards becoming a road agency for the SADC as this could help support the development of infrastructure in the region, as well as economic integration.

The Department is to report to the Committee on a quarterly basis regarding the above recommendations.

8.10 PRASA Modernisation project

That PRASA improves their current services and safety through the rollout of the turnaround strategy in a manner that would allow for the entity to focus further on the modernisation project. The entity should also indicate progress towards the devolution of authority to regions for effective management and rail operations through quarterly reports on the above to the Committee. PRASA should ensure that quarterly briefings are presented to the Committee regarding updates and progress on its rolling stock fleet renewal programme, the refurbishment of coaches, as well as the upgrading of signalling systems.

8.11 Taxi Recapitalisation Project

That the revision of the policy is finalised as soon as possible and ensure that value chain aspects are covered in the revised project model. That targets for the project are set more accurately in order to reduce the over-reliance on underspent funds from this project to cover over expenditure in others. The Department must present the reviewed policy to the Committee within 90 days of the adoption of this report by the House.

8.12 Funding Models and Turn-around Strategies of Entities

That all entities with turn-around strategies and new funding models are given the required assistance, guidance and oversight required in order to implement these strategies and models that would allow them to be self-funding and reduce the increasing reliance on the national fiscus in the pursuit of service delivery. The Minister also needs to address the going concern issues raised for entities by arranging meetings between the entities, the Department, as well as the National Treasury.

The Department is to report to the Committee on a quarterly basis regarding the above recommendations.

8.13 Legislative Programme impact on Entities

That the Department and its entities ensure that their planning for legislation to be submitted to Parliament for processing is done in such a manner that would allow for the thorough processing thereof during the Parliament Cycle and not to rush submissions in the outer years of the MTSF.

The Department is requested to submit a full and comprehensive list of legislation that is proposed which would include the current status of progress on these matters within 60 days from the adoption of the report by the House.

8.14 Optimal use of revenue generating streams of entities

That entities with ownership of property which could serve as a source of additional revenue through advertising or retail rentals, ensure that all spaces are used optimally in order to increase revenue generated by the entities towards self-reliance.

8.15 Road Safety Programmes

That the Department ensure that there is synergy pertaining to the implementation of the road safety programmes by the various entities so

that the programmes can complement each other in achieving a reduction in the carnage on the roads, as well as ensuring that budgets for these programs are optimally allocated and not duplicated.

8.16 Increased Promotion Required of Universal Access

That the Department and its entities increase the implementation of projects and/or programmes aimed at increasing Universal Access to all modes of public transport and for all transport and road infrastructure.

Report to be considered.

ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation/Acronym	**Meaning**
ACSA	Airports Company South Africa
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATNS	Air Traffic Navigation Services
AU	African Union
BRT	Bus Rapid Transport
C-BRTA	Cross-Border Road Transport Agency
GFIP	Gauteng Freeway Improvement Project
ICT	Information and Communications Technology
IPTNs	Integrated Public Transport Networks
IT	Information Technology
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework (2014-19)
NDP	National Development Plan
NLTA	National Land Transport Act
PABX	Private Automated Business Exchange

PICC	Presidential Infrastructure Coordinating Commission
PPP	Public-Private Partnership
PRASA	Passenger Rail Agency of South Africa
PRSA	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
RABS	Road Accident Benefit Scheme
RAF	Road Accident Fund
SADC-RIDMP	Southern African Development Community Regional Infrastructure Development Master Plan
RRAMS	Rural Roads Asset Management Systems
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
SACAA	South Africa Civil Aviation Authority
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SANRAL	South African National Roads Agency Limited
SANTACO	South African National Taxi Council
SDGS	Sustainable Development Goals
SONA	State of the Nation Address
STER	Single Transport Economic Regulator
TAT	Transport Appeal Tribunal
TRP	Taxi Recapitalisation Programme

2. Report of the Portfolio Committee on Mineral Resources and Energy on the Annual Performance Plan for 2019/ 2020 and the Budget Vote No. 29 of the Department of Mineral Resources dated 05 July 2019

The Portfolio Committee on Mineral Resources and Energy (PCMRE), having considered the 2019/2020 Annual Performance Plan (APP) and Budget Vote 29: Mineral Resources, reports as follows:

1. Introduction

The purpose of this report is to report back to the National Assembly (NA) on the Portfolio Committee on Mineral Resources and Energy's findings after evaluating and assessing the Annual Performance Budget Vote No .29 of the Department of Mineral Resources.

The purpose of Vote 29: Mineral Resources is to:

- "Promote and regulate the minerals and mining sector for transformation, growth, and development"; and to
- "Ensure that all South Africans derive sustainable benefits from the country's mineral wealth."

The Budget was tabled on 20 February 2019 and the Annual Performance Plan (APP) of the Department of Mineral Resources (DMR), which provides specific performance targets for 2019/20, was tabled on 01 July 2019.

The mining industry, and the economy as a whole, remain in a poor state. In the first three quarters of 2018, real value added in the mining sector contracted by 1.4 per cent compared with the same period in 2017, lowering overall Gross Domestic Product (GDP) growth by 0.1 percentage points. The Treasury notes that uncertainty around government policy and regulation have contributed to the weak performance of the minerals and petroleum sector in recent years.

However, "the President's economic stimulus and recovery plan has resolved much of this uncertainty". The plan included finalizing a new Mining Charter and the withdrawal of "controversial amendments to the Mineral and Petroleum Resources Development Act (2002) [which were] no longer in keeping with the policy intent".

Relations between the industry and the DMR, which had deteriorated beyond measure by January 2018, have now improved, fueling hope of greater investment. In addition, government confirmed that separate legislation for the regulation of oil and gas is being developed in consultation with stakeholders. The 6th Parliament will be asked to consider the promised new bill on petroleum exploration and production.

The Budget Review 2019 notes that "At the Investment Summit in October 2018, mining commitments amounted to about R100 billion".

Despite a more positive policy environment, mining remains under extreme pressure due to high operating costs, fluctuating commodity prices, unsteady labour relations and persistent threats to both the affordability and reliability of Eskom power. Approximately 75,000 mining jobs were lost between 2012 and June 2018— making the achievement of the growth goals set for the sector in the National Development Plan (NDP) unlikely.

According to the Fraser Institute's Mining Investment Attractiveness Index, South Africa ranked 48th out of 91 jurisdictions in 2017. The country was ranked 4th in Africa. In terms of mining policy, across 15 countries surveyed in Africa, South Africa ranked 13th. Only Zimbabwe and the Democratic Republic of Congo (DRC) had less favorable mining policy environments than South Africa, in the view of mining company executives.

There is a lot of talk about mining being a "sunrise" industry again. It possibly could be.

The revival and promotion of the mining sector is crucial if South Africa is to reduce unemployment, poverty and inequality.

Even in the face of an inadequate budget allocation, the DMR still has wide scope to improve its policy and implementation practices.

2. Overview of the 2017/18 financial year

The DMR had an available budget of R1.9 billion in 2018/19. This represented a nominal increase of R111.2-million over the previous year, but in real terms, when inflation was taken into account, the allocation represented a marginal 0.71 per cent increase in the value of the resources available to the Department, compared with 2017/18. This was part of the implementation of the government plan, first announced by the Minister of Finance in the Budget Speech in 2016, to moderate government expenditure to compensate for the continued weak performance of the SA economy.

The 2018/19 Annual Report of the Department, covering the full financial year ending 31 March 2019, will be available at the end of September 2019. The third quarter expenditure report shows that at the end of December 2018 the DMR had spent 78.0 per cent of its available budget. This compares with 77.3 per cent at the same point of the previous year. The DMR has a solid record of managing its budget well and spending exactly 100 per cent, or very slightly less, by the end of each financial year.

Transfers and Subsidies accounted for R1,007.3 million of the available budget and, of this amount, the Department had transferred by December 2018, R798.7 million, or 79.3 per cent, mainly to public corporations and private enterprises and departmental agencies and accounts. By December 2018, the Department had spent R 676.1 million, or 76.5 per cent, of the remaining budget, the majority of which was used on compensation of employees and goods and services.

The Annual Performance Plan (APP) for 2018/19 identified **legislative policy objectives for 2018/19**, that included two new bills that were scheduled to be referred to the Portfolio Committee on Mineral Resources (PCMR) by the end of the financial year, in March 2019.

a) **Then existing bill:** Review the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA) (including its regulations) – following the conclusion of the MPRDA Bill. This was expected by June 2018. (However, in order to create certainty, government announced that it would ask Parliament not to proceed with these "controversial amendments".)

b) **New bill:** Legislative establishment of the Mining Company of South Africa (MinCo) as the state-owned mining company. The African Exploration Mining and Finance Corporation (AEFMC) Bill was published for public comment in January 2016 and was to be tabled in Parliament during the 2018/2019 financial year, if approved by Cabinet. (The bill was not tabled).

c) **New bill:** The amendment bill to the Mine Health and Safety Act, No. 29 of 1996 (MHSA) (including its regulations) was to have been "processed and finalized" by the fourth quarter of 2017/18. It was also in the APP for 2018/19, but the timeline was not explicit.[19] It was scheduled initially for 2014/15.[20] (The bill was never tabled – a draft bill had completed the Nedlac consultation process in March 2016).

In addition, the DMR APP obviously included the Mining Charter in its legislative programme. The press reported that a June 2018 target was set for finalization of the re-reviewed Mining Charter by the new Minister of Mineral Resources, Mr. Gwede Mantashe MP, who was appointed on 26 February 2018. As it happened, "Mining Charter, 2018" was gazetted in September and amended in December 2018. The 1st March 2019 is the implementation date for the new Charter. All right holders were bound to the terms of the 2010 Charter until then.

The DMR also undertook to issue MHSA Chapter 9 guidelines and review the housing and living standards. (The latter is under development, following the finalization of the Charter, which incorporates housing issues).

Several medium term undertakings – which were promised for the term of the 5th Parliament from 2014 to 2019 – were not mentioned in the 2018/19 APP and have been set aside. These include reviews of the Diamonds Act, No. 56 of 1986 and the Precious Metals Act, No. 37 of 2005 and development of the "PASA Bill" (PASA is the Petroleum Agency of SA – the regulator for the petroleum sector, the "designated agency" provided for in Chapter 6 of the MPRDA. PASA is a subsidiary of the CEF Group SOC, which presently reports to Parliament through the Department of Energy).

The DMR – and Parliament – failed to process any mining laws at all during the 5th Parliament, despite the legislative programme laid out explicitly five years ago, in the Strategic Plan for 2014 to 2019. The 6th Parliament will need to take note of how the Department refused to commit itself to any timetable for introducing legislation – as was requested by the PCMR on many occasions.

A strategic priority of Vote 29 during the 5th Parliament, was to finalize changes to the legislation and regulations for minerals and petroleum that had been delayed since 2010. In addition, the DMR had to implement the policy of transformation in the mining sector, particularly by setting performance targets for right holders for the period after 2014.

Neither of these objectives was achieved. The amendments to the mining legislation remained in Parliament, with the National Council of Provinces, because of a decision of the DMR to introduce complex additional changes to the Bill that was passed by Parliament in 2014. The third iteration of the Mining Charter was gazetted in 2017, but immediately challenged by stakeholders in a series of court cases.

The National Treasury has not acted on the recommendations of the PCMR that were forwarded to it in the **2018 Budgetary Review and Recommendation Report (BRRR)**, related to Vote 29, the budget of the DMR. (The Treasury responded to two of the BRRR points in an Appendix to the 2019 Budget Review, but did not grant the main requests – for funding for the Council for Geoscience geological programme and a working cadastral aspect the SA Mineral Resources Administrative Database – which manages the process of granting and recording rights to minerals.)

3. Policy Priorities for 2019/20

Policy priorities for 2019/20 have been clearly stated. The aim is to place mining on a new trajectory for growth – based on the transformation agenda in the Mining Charter and on an enhanced emphasis on research and development.

Details of specific actions can therefore be expected under these headings (from Vote 29) in the forthcoming APP for 2019/20:

- Promoting investment in the mining sector – and in development of onshore and offshore oil and gas resources.
- Transforming the mining sector
- Rehabilitating derelict mines and protecting the environment

Parliament has provided the instruments for transformation in the Mine Health and Safety Act, No. 29 of 1996 (MHSA) and the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA), which are the main legislative measures supported by Vote 29.

Equally, the vital tasks of dealing with the legacy of derelict mine sites and protecting the environment are supported by the One Environmental System for mining, ushered in by operation of law after December 2014. This compels every mine to set aside funds to pay for rehabilitation, should it close unexpectedly. It also promotes the concept of continuous rehabilitation and the planning for land uses after mining has ended.

The DMR's policies and strategies are aligned to the National Development Plan but the implementation of critical aspects of the Plan – such as an improved regulatory environment
– have been long delayed, despite the financial support given under Vote 29 (Vote 32 in previous years).

In the Nine Point Plan, the DMR is listed as the lead department for Operation Phakisa in mining (including aspects of the Oceans Economy Phakisa).

4. Budget Analysis

Programme	**Budget**				Nominal Rand change	Nominal % change	**Real % change**
R million	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2018/19-2019/20**	**2018/19-2019/20**	
1 Administration	335.0	345.5	365.7	387.9	10.5	3.12 per cent	-1.98 per cent
2 Promotion of Mine Safety and Health	205.0	218.6	230.6	249.9	13.5	6.60 per cent	1.33 per cent
3 Mineral Regulation	393.6	443.7	474.0	502.2	50.1	12.72 per cent	7.15 per cent
4 Mineral Policy and Promotion	957.0	997.5	1 052.7	902.9	40.5	4.23 per cent	-0.92 per cent
TOTAL	**1 890.7**	**2 005.2**	**2 123.0**	**2 042.8**	**114.6**	**6.06 per cent**	**0.82 per cent**

Table 1: Vote 29: Mineral Resources

Source: *National Treasury (2019a) Vote 29: Mineral Resources 2019*

It is the task of the DMR to help South Africa to harness its mineral wealth for development. The budget of the Department is comparatively small. It amounts to 0.2 per cent of the total appropriation by vote in 2019/20. But the DMR plays a critical role in wisely applying laws and fostering the contributions of several state agencies to enhance the growth of the minerals and petroleum sector, which is still experiencing the most adverse economic climate since the 1990's.

The budget of the DMR for the 2019/20 financial year is R2.0-billion. This represents a nominal increase of R114.6-million over the previous year, but in real terms, when inflation is taken into account, the allocation represents a marginal 0.82 per cent increase in the value of the resources available to the Department, compared with the previous year.

As can be seen from Table 1, a hefty share of the "increase" is in Programme 3, where there is a significant increase in the budget allocation for PASA, an entity that does not report to the DMR but to the Department of Energy.

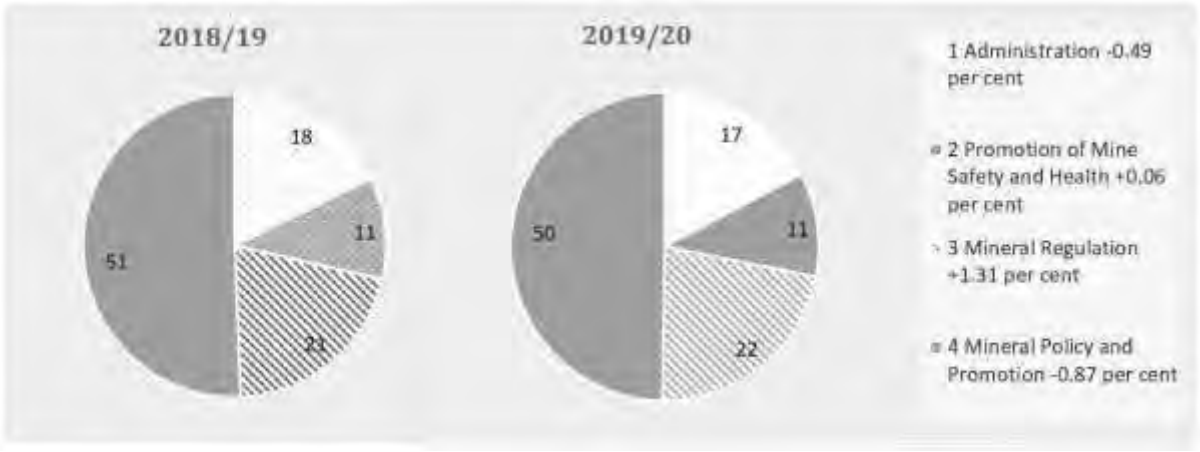
There has been no structural change from the pattern of past DMR budgets. Half (45.6 per cent) goes to current payments, half (53.8 per cent) to transfers (mainly to the CGS and Mintek), with a negligible proportion going to capital expenditure.

The compensation of employees makes up 33 per cent of the total budget and goods and services 12 per cent. These proportions are not significantly different from 2018/19.

The weighting of the programmes as a percentage of the total Vote allocation is indicated in Figure 1, below, for 2018/19 and 2019/20, with the percentage changes in the size of the 'slices' indicated next to each programme name:

[The pie charts shows there is a small decline in Administration and Mineral Policy and Promotion in the share which each of four programmes has in the total budget for the Department. On the other hand, there is a 1.3 per cent shift towards Mineral Regulation.]

Figure 1: Vote 29: Comparison of the split of the Mineral Resources budget between Programmes



Source: calculated by the Research Unit from National Treasury (2019a).

4.1 Programme Analysis

4.1.1. Programme 1: Administration

The purpose of the Administration Programme is to " provide strategic leadership, management and support services to the Department".

Table 2: Programme 1 - Administration

Sub-Programme R thousands	**Budget**		**Nominal Increase / Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
	2018/19	**2019/20**			
Ministry	27,276	30,674	3,398	12.46 per cent	6.90 per cent
Corporate Services	133,175	137,309	4,134	3.10 per cent	-1.99 per cent
Department Management	30,050	24,058	(5,992)	-19.94 per cent	-23.90 per cent
Financial Administration	96,793	102,925	6,132	6.34 per cent	1.08 per cent
Internal Audit	12,916	13,750	834	6.46 per cent	1.19 per cent
Office Accommodation	34,790	36,738	1,948	5.60 per cent	0.38 per cent
TOTAL	**335,000**	**345,454**	**10,454**	**3.12 per cent**	**-1.98 per cent**

Source: National Treasury Vote 29: Mineral Resources 2019

Overall, there is a 2 per cent real decrease in the budget allocation for Administration, with R10-million more being spent on this function compared with 2018/19.

Administration: Over the medium term, to 2021/22, compensation of employees will grow by
6.8 per cent on average each year. There were 365 funded posts in Administration in the 2018 budget, 360 of which were filled by the end of 2018/19. The number of employees is planned to be 357 by 2021/22.

4.1.2. Programme 2: Mine Health and Safety

The purpose of the Promotion of Mine Health and Safety programme is "to ensure the safe mining of minerals under healthy working conditions".

Table 3: Programme 2 - Mine Health and Safety

Sub-Programme R thousands	**Budget**		**Nominal Increase / Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
	2018/19	**2019/20**			
Governance Policy and Oversight	59,782	65,473	5,691	9.52 per cent	4.11 per cent
Mine Health and Safety Regions	140,452	148,711	8,259	5.88 per cent	0.65 per cent
Mine Health and Safety Council	4,803	4,386	(417)	-8.68 per cent	-13.20 per cent
TOTAL	**205,037**	**218,570**	**13,533**	**6.60 per cent**	**1.33 per cent**

Source: National Treasury Vote 29: Mineral Resources 2019

Overall, the budget allocation for Mine Health and Safety has maintained the real level of the previous year, following real declines of 6 per cent in 2016/17 and 2017/18.

Mine Health and Safety: Over the medium term, to 2021/22, compensation of employees will grow by 7.3 per cent on average each year. This needs to be compared against the 3.7 per cent provision for the growth in expenditure on travel and subsistence, which is below the

5.3 per cent anticipated increase in prices over the period. The number of employees for mine health and safety is set to stabilize at levels of 274 to 277, although there are 303 "funded posts". 274 out of 303 posts will be filled in Programme 2 by the end of 2018/19. The salary bill increases are partly because learner inspectors have been moved to higher salary grades.

Eight thousand health and safety inspections and 396 audits are to be commissioned in 2019/20, the same target as in the previous year, and the same numbers are projected per year up to 2021/22. Inspectors have to travel to do their work. The number of inspectors and the amount of inspections are constant, yet the budget for travel and subsistence needs is weakened every year.

The Mine Health and Safety Council (MHSC) will be supported by a transfer from the Department of R4.4-million in 2019/20, and totaling R9.7-million over the Medium Term Expenditure Framework (MTEF) period. MHSC income is mainly levies from the mines. The Council has a significant accumulated surplus which it is planning to use over the next 2 years to fund activities associated with the Centre of Excellent, to promote the "Zero Harm" philosophy.

4.1.3 Programme 3: Mineral Regulation

The purpose of the Mineral Regulation Programme is to "regulate the minerals and mining sector to promote economic development, employment and ensure transformation and sustainable development" [44].

This represents a change from 2016, when the stated purpose of the programme included "environmental compliance"[45]. New environmental compliance responsibilities were transferred from the Department of Environmental Affairs to the DMR in December 2014, with the introduction of the One Environmental System for Mining.

These responsibilities still remain in place and the DMR has trained a cohort of Environmental Mineral Resource Inspectors (EMRIs) in the new regulations which the DMR environmental inspectorate has to enforce.

Table 4: Programme 3 - Mineral Regulation

Sub-Programme R thousands	**Budget**		**Nominal Increase / Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
	2018/19	**2019/20**			
Mineral Regulation and Administration	206,711	223,541	16,830	8.14 per cent	2.80 per cent
Management Mineral Regulation	29,351	31,133	1,782	6.07 per cent	0.83 per cent
SA Diamond & Precious Metals Regulator	59,105	61,544	2,439	4.13 per cent	-1.02 per cent
Petroleum Agency South Africa (PASA)	98,439	127,446	29,007	29.47 per cent	23.07 per cent
TOTAL	**393,606**	**443,664**	**50,058**	**12.72 per cent**	**7.15 per cent**

Source: National Treasury Vote 29: Mineral Resources 2019

Overall, there is a 7.2 per cent real increase in the budget allocation for Mineral Regulation in 2019/20, compared with the previous year. Significant budget increases, approaching R90- million a year, which began in 2017/18 are explained by the need for government to fund the operations of the PASA – the regulator of the oil and gas sector – after its reserves of funding were exhausted. Transfers to PASA from the budget of the DMR are less than the R150-m per year previously anticipated in the MTEF, following Cabinet-approved deductions. Nevertheless, it is the increased PASA allocation that gives the illusion of a real budget increase for the programme.

Mineral Regulation: Over the medium term, to 2021/22, compensation of employees will grow by 7.7 per cent on average each year. This needs to be compared against the 5.5 per cent, provision for the growth in goods and services. Both of these numbers are above the expected

5.3 per cent annual increase in prices over the MTEF period. The number of employees is set to stabilize at 361 to 363, compared with the 386 funded posts in the programme. (The number of employees for Mineral Regulation was previously planned to rise to 415 by 2018/19).

Despite the declared intention of the DMR to "protect and enhance our environmental assets", government has reduced the number of derelict and ownerless mines rehabilitated per year from 45 to 43 across the MTEF. This is now well below the previously planned level of 50 per year, which was itself inadequate for making meaningful progress in rehabilitating the thousands of hazardous mine sites for which government is responsible.

To ensure compliance with environmental legislation, the Department plans to conduct 1,275 environmental verification inspections per year, at an estimated cost of R723-million over the MTEF period. In 2015/16, the annual number of environmental inspections set for performance targets was reduced by a quarter, to its present level of 1,275 from 1,700. This target was itself reduced from 1,856 in 2014/15. The reduction in the performance measure was said to be due to budgetary constraints. The DMR became fully responsible to implement more rigorous, national environmental standards in the mining sector from December 2014. There is no evaluation of how successfully the Department has implemented the new environmental laws for mining and of the quality of the Departmental Environmental Management Plan prepared by DMR in terms of the National Environmental Management Act, No. 107 of 1998 (NEMA).

4.1.1 *Programme 4: Mineral Policy and Promotion*

The purpose of the Mineral Policy and Promotion programme is to "develop relevant mineral policies that promote South Africa's mining and minerals industries to attract investment".

Table 5: Programme 4 - Mineral Policy and Promotion

Sub-Programme R thousands	**Budget**		**Nominal Increase / Decrease in 2019/20**	**Nominal Percent change in 2019/20**	**Real Percent change in 2019/20**
	2018/19	**2019/20**			
Management	22,294	23,327	1,033	4.63 per cent	-0.54 per cent
Mineral Policy	20,007	21,628	1,621	8.10 per cent	2.76 per cent
Mineral Promotion and International Coordination	63,806	76,695	12,889	20.20 per cent	14.26 per cent
Assistance to Mines		-6,206	6,206		
Council for Geoscience (CGS)	405,983	414,062	8,079	1.99 per cent	-3.05 per cent
Mintek	420,368	436,022	15,654	3.72 per cent	-1.40 per cent
Economic Advisory Services	957,018	997,532	40,514	4.23 per cent	-0.92 per cent
Mine Environmental Management	22,294	23,327	1,033	4.63 per cent	-0.54 per cent
TOTAL	**20,007**	**21,628**	**1,621**	**8.10 per cent**	**2.76 per cent**

Source: National Treasury Vote 29: Mineral Resources 2019

Overall, there is a 2.8 per cent real increase in the budget allocation for Mineral Policy and Promotion in 2018/19, compared with the previous year.

Mineral Policy and Promotion: Over the medium term, to 2020/22, compensation of employees will grow by 7.4 per cent on average each year. This needs to be compared against the -1.2 in payments for goods and services. The number of employees will vary between 103 to 106, compared with the 113 approved posts at the end of March 2019.

The largest operational budget changes for Mineral Policy and Promotion relate to the sub- programmes that deal with Mineral Policy and with Mineral Promotion and International Coordination.

A 20 per cent (R13-million) increase is proposed in the Mineral Promotion and International Coordination sub programme which "promotes mineral development and advises on trends in the mining

industry to attract additional investment". It produces "publications, participates in mining conferences, and supports the implementation of national mineral beneficiation initiatives." The 2018/19 increase, comes on top of a 50 per cent (R24-m) increase in 2018/19 increase and a 58 per cent (R28-m) annual increase that was effected in 2017/18. Expenditure will rise from R48-m in 2018/19 to R87-m by 2021/22.

Mineral Policy and Promotion is the largest programme of the DMR, absorbing half of its budget. Some 85 per cent of the programme budget consists of transfers to Mintek and the Council for Geoscience (CGS), two national science councils that are funded through Vote 29.

The base allocation to **Mintek** will grow from R436-m to R485-m over the next three years. The average annual growth rate of 4.9 per cent is unlikely to match inflation.

The base allocation to **CGS** for operational expenditure, on the other hand, will be cut substantially – from R414-million in 2018/19 and R436-m in 2020/21, to R251-m in 2021/22.

Anomalies in the estimates for CGS

Information in the electronic publications on Vote 29 state that additional allocations for CGS are expected of R188 million in 2019/20 and R198.3 million in 2020/21 through the economic competitiveness and support package for improvements to the Council's digital information systems, geoscientific equipment and infrastructure; and to improve the quality of the council's analytical and research work on concrete geopolymers, groundwater vulnerability, acid mine water, petro physical properties of rocks and soil, and whole rock geochemistry.

There is no indication of a similar allocation for 2021/22.

In fact, according to the Estimates of National Expenditure (ENE), government support for CGS will be slashed by R184.5-m (43 per cent) in 2021/22. The number of CGS staff will fall from 536 in 2020/21 to 353 in 2021/22.[50] This loss of 183 staff (a job loss of 34 per cent) is nevertheless not supposed to impact on the planned increase in deliverables to promote exploration and prospecting.

Although it will have **fewer staff and less income in 2021/22**, the Council expects to increase the number of digital maps produced per year from its current level of 45 in 2018/19 to 150 in 2020/21 and 210 in 2021/22. It also plans to operate with a surplus of R42.1 million.

The "Statements of estimates of financial performance and position" for CGS do not make
obvious sense and require an explanation from DMR.

(259.3 million in 2018/19, R494.7 million in 2019/20 and R521.9million in 20/21) mainly towards the operations of the entity. Cabinet has approved an additional allocation of R90 million through the Economic Competitiveness and support package in 2018/19 for the council's digital information system, building, equipment and facilities that are aimed at improving the services and quality of analytical and research work offered by the entity. Additionally, the department will be transferring R1 million in 2017/18, R1 million in 2018/19 and R1 million in 2019/20 through the Expanded Public Works Programme for the rehabilitation of derelict and ownerless mines.

The department did not act upon the following recommendations:

- The development of an annual report for the new Environmental Mineral Resource Inspectorate (EMRI).
- Appropriate performance measures that reflect on the role of the SA Mineral Resource Administrative Database (SAMRAD).
- The finalisation and implementation of the Women in Mining Strategy.

5. Observations and findings

The Committee following its deliberations noted the following concerns:

- There is no proper plan on what the Department will do to address the issue of illegal mining, especially the approach that addresses the whole value chain of illegal dealings in precious metals.
- As much there is multi departmental structure of illegal mining, regrettably that structure is not effective.
- The APP does allude to the Beneficiation Strategy, however there is no clear time frame on when it will be implemented and how will roles be shared between the Department of Trade and Industry and that of Mineral Resources and Energy.
- There is a need to ensure that benefits from mining flow to communities, this cannot be possible without ensuring that communities are fully informed on what to expect from mining projects.
- It is not clear how the issuing of bursaries by the Department deals with the problem of scarce skills in the industry, which can eventually reduce the country's dependence on foreign skills.
- The issue of occupational diseases continues to negatively impact the mining industry, there is still a need for investment on research and development, to ensure that the disease burden is drastically reduced.
- The roadmap for the execution of the legislative agenda needs a more specific commitment in terms of dates and deadlines.
- Rock mechanics and seismicity studies are important disciplines in ensuring that the rate of fatalities in the industry continue to fall, however there is a minimal consideration given to other critical skills which are also crucial in dealing with emergencies in the industry like mine rescue services.
- The slow pace in the modernization drive for SAMRAD, is inconsistent with the goal of realizing a transparent and efficient mineral rights allocation regime.

- The legacy of Lily mine incident remains unresolved; it is important to ensure that a final resolution is realized as soon as possible.
- Retrenchments by the mining sector remains the problem within the department.
- About 60 mining projects are in the pipeline.
- Huge backlogs in processing licensing in Mpumalanga remains a concern by the Committee
- Compliance and enforcement in the department of Mineral Resources and Energy remains the problem.

- The effort by the department to utilise of health care facilities by the communities residing nearby the mines was welcomed by the committee.
- Social Labour plans in their current form are not being used to change the life of the community.

6. Recommendations

Having considered the Budget Vote No 29 of the Department of Mineral Resources, the Committee on Mineral Resources and Energy recommends that the House support the Budget Vote 29: Mineral Resources and further recommends that,

The Minister of Mineral Resources and Energy:

- Should report on the comprehensive strategy that will deal with the whole value chain of illegal mining, including artisanal miners.
- Should clarify the stage of its Beneficiation strategy and present it to the Committee in due course.
- Should invest more in publicity drives on the Mining Chatter three and its associated benefits to mining employees as well as host communities.
- Should have a balanced approach in financing studies related to mining scarce skills, focus also needs to be given to mine rescue skills.

- Should continue to invest on occupational disease related research in order to drastically reduce the burden of occupational disease in the industry.
- Should produce a timeframe specific legislative program, with a binding time frame.
- Should also invest in mine rescue training over and above issuing of bursaries for rock mechanic and seismicity studies, in order to deal comprehensively with the fatalities and injuries in the industry.
- Should continuously brief the Committee on the challenges on Mine Health and safety issues including fatalities.
- Should explore all possible funding avenues (including approaching Treasury) to speed up the modernization of the SAMRAD database.
- Should continue to facilitate a resolution to the Lily Mine tragedy, and continuously provide progress report to the Portfolio Committee.
- Should present plans on how to mitigate the retrenchments in the mining sector, and plans to increase investment attractiveness.
- Should ensure that the legislative programme is submitted to the Committee by 31 July 2019.
- Should present to the Committee the strategies which are outstanding from the previous financial year's commitments, namely the Woman in Mining and Coal Strategy etc.
- Should present a plan to the Committee clearly demonstrating how it is going to address the backlog on the MTSF goal for rehabilitation of derelict and ownerless mines.

7. Conclusion

The Portfolio Committee on Mineral Resources and Energy will continue to fulfil its Constitutional mandate. It is guided by the Parliamentary rules in conducting the oversight on the functioning of the Department of Mineral Resources and Energy. This is done to ensure proper and effective functioning and compliance with the legislation and policy requirements.

Report to be considered.

3. Report of the Portfolio Committee on Mineral Resources and Energy on the Annual Performance Plan for 2019/20 and Budget Vote No. 26 of the Department of Energy, Dated, 05 July 2019

1. INTRODUCTION

1.1 Subject of the report

The subject of this report is to report back to the National Assembly (NA) on the Portfolio Committee on Mineral Resources and Energy's findings after evaluating and assessing the Annual Performance Budget Vote No 26 of the Department of Energy.

1.2 Background

Annual Performance Plans (APPs) identify the performance indicators and targets that the institution will seek to achieve in the upcoming budget year. The annual budget sets out what funds an institution is allocated to deliver services. The Annual performance plan shows funded service-delivery targets or projections. The annual budget indicates the resource envelope for the year ahead, and sets indicative future budgets over the Medium Term Expenditure Framework (MTEF). The budget covers the current financial year and the following two years.

At the beginning of every year, the Minister of Finance tables before Parliament, a detailed outline of the State's Budget, how much money will be or ought to be spent, on what, in that financial year.

Thereafter, various government Departments present their budget votes before Parliament -specifying how they intend reconciling their resources with service delivery imperatives as outlined by the President of the Republic of South Africa in the State of the Nation Address (SONA). One of the main statutory functions of Parliament is to discuss, pass and oversee the State's Budget. The Department of Mineral Resources and Energy's Budget (Vote No. 26) was referred to, for consideration and reporting.

In compliance with the referral by the National Assembly, the Portfolio Committee on Mineral Resources and Energy (PCMRE) held an Annual Performance Plan and Budget Vote briefing on 03 July 2019 with the Department of Mineral Resources and Energy (the Department) to consider its APP and the Budget Vote.

1.3 Objectives of the report

The objectives of the report are as follows:

- To describe and analyse the budget of the Department of Energy (DoE) over the 2019/20 financial year;
- To conclude on implications and make recommendations.

2. Mandate of the Department

The core business of the Department is premised amongst others on the Energy White Paper of 1998 as well as the National Energy Act, 2008 (Act No. 34 of 2008) which, amongst others mandates the Department to ensure that diverse energy resources are available, in sustainable quantities and at affordable prices, to the South African economy in support of economic growth and poverty alleviation, while taking into account environmental management requirements and interactions amongst economic sectors.

In carrying out this mandate, the Department develops legislation; undertakes programmes and projects; and in some instances, transfer resources to various implementing agencies and state owned entities (SOEs).

3. Entities reporting to the Department

Table 1 below provides a list entities reporting to the DoE and their mandates. It is important to note that some entities have their own subsidiaries. For instance, Central Energy Fund has eight subsidiaries,

such as the Petroleum, Oil and Gas Corporation of South Africa (PetroSA), Strategic Fuel Fund (SFF), Petroleum Agency of South Africa (PASA), African Exploration Mining and Finance Corporation (AEMF) and the South African Gas Development Company (iGas), amongst others.

Similarly, the South African Nuclear Energy Corporation (NECSA) has three subsidiaries, Nuclear Technology Radioisotopes (NTP), which supplies radiation-based products and services, Pelchem, which is a producer and supplier of fluorochemicals in the Southern Hemisphere, and Pelindaba Enterprises.

Table 1: Entities Reporting to the Department and their mandates

Name of Public Entity	**Mandate**
National Nuclear Regulator (NNR)	The NNR is established in terms of the National Nuclear Regulator Act, 1999 (Act No. 47 of 1999).The act establishes the regulator as a competent authority for nuclear regulation in South Africa. The purpose of the NNR, as outlined in Section 5 of the National Nuclear Regulator Act, 1999 (Act No. 47 of 1999) is to essentially provide for the protection of persons, property & the environment against nuclear damage through the establishment of safety standards & regulatory practices.
Central Energy Fund (CEF)	To finance and promote the acquisition of research into and exploitation of oil, gas and renewable/clean energy-related products and technology.
South African Nuclear Energy Corporation (NECSA)	NECSA is established in terms of Section 3(1) of the Nuclear Energy Act, 1999 (Act No. 46 of 1999). The act provides for the commercialisation of nuclear and related products and services, and delegates specific responsibilities to the corporation, including the implementation and execution of national safeguards and other international obligations. The Nuclear Energy Policy of 2008 reinforced NECSA's mandate relating to Research and Development (R&D) and Nuclear Fuel Cycle (NFC) responsibilities.

Name of Public Entity	Mandate
National Radioactive Waste Disposal Institute (NRWDI)	NRWDI is a Nuclear Waste Disposal Institute established in terms of Section 3 of the National Radioactive Waste Disposal Institute Act, 2008 (Act No. 53 of 2008). The act provides for the establishment of an NRWDI in order to manage radioactive waste disposal on a national basis and to provide for its functions and for how it is to be managed.
National Energy Regulator of South Africa (NERSA)	NERSA is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Gas Act, 2001 (Act No. 48 of 2001) & the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
South African National Energy Development Institute (SANEDI)	SANEDI is an applied energy research institute established in terms of Section 7(1) of the National Energy Act, 2008 (Act No. 34 of 2008).

Source: DoE APP 2019/20

4. Annual Performance Plan for 2019/20

The Department has six programme areas, Administration, Energy Policy and Planning, Petroleum and Petroleum Products Regulation, Electrification and Energy Programme and Project Management, Nuclear Energy, Clean Energy. Below is an overview of the abovementioned programmes, including their annual performance targets as espoused in the APP and presented by the Department to the Committee.

4.1 Programme 1: Administration

This programme provides overall management and administration of the DoE and ensures that SOEs that report to the Department comply with good governance principles, norms and standards, and that their corporate plans are aligned with the strategic objectives of the DoE.

This programme is also geared to support high–level policy prioritisation of the Department through the following:

- Conduct political oversight and accountability to Parliament.
- Providing guidance and direction for the development of strategic plans and annual performance plans for the Department and its public entities.
- Supporting and ensuring good corporate governance practices by entities reporting to the Department.
- Coordinating engagement programmes with entities through the established management structures.
- Submitting /tabling strategic plans, annual performance plans and annual reports for the Department and its public entities in Parliament.
- Ensuring effective communication between the Department and its key stakeholders, and creating awareness of the Department's key objectives and activities through community engagement sessions.

Planned Targets for the Governance and Compliance:

- SOEs Strategic Plans, Corporate Plan and Shareholder Compacts submitted for approval.
- Advance energy agenda with the rest of the world and multilaterals.

4.2 Programme 2: Energy Policy and Planning

The programme seeks to ensure evidence-based planning, policy setting and investment decisions in the energy sector to improve the security of energy supply, regulation and competition.

Programme's strategic objectives as per the MTSF:

- Improved energy security.
- Improved Liquid Fuels energy security.
- Policy and Regulations to ensure security of supply.
- Bulk electrical infrastructure required for universal access to electricity. Security of supply through additional power

Planned Targets

- Annual Energy Balance report
- Gas Strategy Report
- Gas Amendment Bill certified by State Law Advisor.
- Biofuels Regulatory Framework Gazetted
- Proposals of the 'end-state' of the electricity sector
- Proposal on the National Energy Regulator Bill certified by State Law Advisor.
- Municipal Assets Management programme roll-out framework developed
- Grand Inga Hydropower: Negotiations of the Off-take Agreement with the project developer concluded.

4.3 Programme 3: Petroleum and Petroleum Products Regulation

The Programme's aims to regulate the petroleum and petroleum products industry to ensure the optimal and orderly functioning of the petroleum industry to achieve government's developmental goals.

The programme include the following sub-programmes:

- Petroleum Compliance monitoring and enforcement,
- Petroleum Licensing and fuel supply,
- Fuel Pricing and Regional Petroleum Regulation Offices.

Programme's strategic objectives as per MTSF:

- Compliance monitoring and enforcement in the petroleum sector.
- Petroleum and Liquid Fuel Sector Transformation.
- Promote Petroleum Licensing.

4.4 Programme 4: Electrification and Energy Programme and Project Management

Programme purpose is to manage, coordinate and monitor programmes and projects focused on access to energy.

The programme include the following sub-programmes:

- Integrated National Electrification
- Programme Energy Regional Offices

Programme and Project Management Office

- Electrification Infrastructure/ Industry Transformation/ Community Upliftment programmes and projects

Programme's strategic objectives as per MTSF:

- Access to Electricity by Households.
- Enhancement Programme and Project Management.
- Energy Infrastructure Development Monitored

Planned targets:

- 4 Quarterly reports on additional households to be electrified with grid electrification towards the 2019/20 target of 195 000 in the National Electrification Plan.
- 4 Quarterly reports on building/ upgrading of electrification infrastructure projects towards the 2019/20 targets, as contracted with Eskom and municipalities.
- New bulk substation build
- Additional Substations upgraded
- 50 KM New MV Power lines constructed
- 50 KM of the existing MV power lines upgraded
- 20 000 additional households electrified with non-grid electrification in the National Electrification Plan.
- 2 Reports on interventions and support provided to municipalities regarding electricity

4.5 Programme 5: Nuclear Energy

Purpose of the branch is to manage the South African nuclear energy industry and control nuclear material in terms of international obligations, nuclear legislation and policies to ensure the peaceful use of nuclear energy.

The programme include the following sub-programmes:

- Nuclear Safety and Technology
- Nuclear Non-Proliferation and Radiation
- Security Nuclear Policy

The following are the programme's strategic objectives as per Medium Term Strategic Framework:

- Improved Security of Energy Supply.
- To Strengthen the Control of Nuclear Material and Equipment
- Improved Nuclear Safety and Security
- 70% of authorization applications processed with the 8 week time period.
- Draft Decommissioning and Decontamination Policy Submitted to Cabinet.
- National Nuclear Regulator Amendment Bill submitted to Cabinet.
- Draft Radioactive Waste Management Fund Bill submitted to Cabinet.

4.6 Clean Energy

The Programme seeks to manage and facilitate the development and implementation of clean and renewable energy initiatives, as well as Energy Efficiency and Demand-Side Management (EEDSM) initiatives.

The programme include the following sub-programmes:

- Energy Efficiency
- Renewable Energy
- Climate Change Response, Environmental Compliance and Designated National Authority

The following are the Programme's strategic objectives as per Medium Term Strategic Framework:

- Implementation of the EEDSM measures across all sectors coordinated and monitored.
- Renewable Energy.

	2018/19	2019/20			
PROGRAMMES	**Final ENE Allocation**	**Indicative Baseline**	**ENE Allocation**	**Variance**	
Rand thousand	**R'000**	**R'000**	**R'000**	**R'000**	**%**
Administration	305,329	299,108	308,264	9,156	3.06
Energy Policy and Planning	46,073	56,232	54,668	-1,564	-2.78
Petroleum & Petroleum Products Regulation	79,242	92,697	91,269	-1,428	-1.54
Electrification & Energy Prog & Prog Man	5,380,591	5,845,439	5,531,825	-313,614	-5.37
Nuclear Energy	875,486	870,269	1,045,912	175,643	20.18
Clean Energy	476,811	409,901	408,083	-1,818	-0.44
TOTAL	**7,163,532**	**7,573,646**	**7,440,021**	**-133,625**	**-1.76**
Administration					
Ministry	42,424	35,359	34,335	-1,024	-2.90
Departmental Management	79,434	77,825	79,757	1,932	2.48
Financial Management Services	40,539	41,809	41,291	-518	-1.24
Audit Services	8,453	8,982	8,864	-118	-1.31
Corporate Services	85,302	83,286	87,651	4,365	5.24
Office Accommodation	49,177	51,847	56,366	4,519	8.72
TOTAL	**305,329**	**299,108**	**308,264**	**9,156**	**3.06**

- Implementation of Energy Related Climate Change Response measures and Environmental Compliance coordinated and monitored.
- Measurement, Reporting and verification system of climate change parameters.

5. Financial information

This section provides an overview and analysis of the budget allocation for the Department of Energy during the 2019/20 financial year.

Table 2: Overall Budget Allocation for 2019\20
Source: DPMRE presentation 03 July 2019

Changes to the baseline which either increased or reduced the final budget allocation in Programmes were effected as follows:

- **Programme 1** increase in property payment related costs, computer services costs and annual increase for salaries inclusive of a provision for vacant DDG positions.
- **Programme 2** net-budget reduction of R1.56 million (2.78%) is attributable to the Compensation of Employees (CoE) budget realignment in order to align the budget with the headcount in the Programme.
- **Programme 3** also affected by the CoE budget realignment, hence a net-decrease of R1.43 million (1.54%)
- **Programme 4** budget reduction is attributable to reductions of INEP Municipality grant and INEP Eskom grant
- **Programme 5** budget increase is as a result of upward adjustments in NECSA's and NRWDI's budget allocations
- **Programme 6** the downward adjustment is due to CoE budget realignment.

Table 3: 2019/20 –Allocation – per economic classification

VOTE 26 - ENERGY	2018/19	2019/20			
	Final Budget Allocation	Indicative Baseline	Final Allocation	Variance	
Economic Classification	**R'000**	**R'000**	**R'000**	**R'000**	**%**
Compensation of Employees	360,075	384,278	384,278	0	0,00
Goods and Services	419,116	272,098	287,266	15,168	5,57
Transfers and Subsidies	6,378,197	6,912,485	6,763,692	-148,793	-2,15
Payments for Capital Assets	6,140	4,785	4,785	0	0,00
Interest and rent on land	1	-	-	-	-
Payments for financial assets	3	-	-	-	-
TOTAL	**7,163,532**	**7,573 646**	**7,440,021**	**-133,625**	**-1.76**

Source: DPMRE presentation 03 July 2019

The Department is appropriated R7.44 billion for the 2019/20 financial year, with 90.91% allocated to transfer payments and the remaining balance of 9.09% for operational purposes.

The 2019/20 budget allocation increased by R276.49 million, translated as 3.86% compared to 2018/19 final budget allocation of R7.16 billion. The final budget allocation reflects an overall budget reduction of R133.63 million translated as 1.76% in comparison with the indicative baseline.

Changes in the final allocation are attributable to:

- **Goods and Services** A net increase of R15.17 million or 5.57% was implemented from the indicative baseline of R272.10 million to final allocation of R287.27 million.

- The above increase is largely due to an additional allocation of R8.40 million to INEP for the development of the electrification master plan and additional allocations of R6.77 million for office accommodation related costs and for SITA license fees.
- **Transfer Payments** – Final budget is R6.76 billion with a net-reduction of R148.79 million being 2.15% of the baseline made up of:
- R264.60 million budget reduction on the INEP-Municipalities grant and R58.40 million reduction on the INEP-Eskom grant.

Budget increases were simultaneously implemented for NRWDI, R4 million, in order for the entity to achieve its mandate and NECSA R170.21 million for Stage 1 of the decommissioning and decontamination of past strategic nuclear facilities projects.

Table 4: MTEF allocation and outer years indicative baselines

Programmes	**2019/20**	**2020/21**	**2021/2022**	**Total Budget**
	ENE Allocation	**Indicative Baseline**	**Indicative Baseline**	
	R'000	**R'000**	**R'000**	**R'000**
Administration	308,264	327,049	344,649	979,962
Energy Policy and Planning	54,668	57,663	60,787	173,118
Petroleum & Petroleum Products Regulation	91,269	96,401	104,289	291,959
Electrification & Energy Prog & Prog Man	5,531,825	5,350,612	6,269,953	17,152,390
Nuclear Energy	1,045,912	1,102,700	1,163,743	3,312,355
Clean Energy	408,083	440,319	465,357	1,313,759
Total	**7,440,021**	**7,374,744**	**8,408,778**	**23,223,543**

Economic Classification				
Compensation of Employees	384,278	409,249	435,850	1,229,377
Goods and Services	287,266	310,800	318,393	916,459
Transfers and Subsidies	6,763,692	6,649,647	7,649,209	21,062,548
Payments for Capital Assets	4,785	5,048	5,326	15,159
Total	**7,440,021**	**7,374,744**	**8,408,778**	**23,223,543**

Source: DPMRE presentation 03 July 2019

- The 1.76% net-reduction in 2019/20 is carried through to subsequent years of the 2019 MTEF period, decreasing by 7.79% in 2020/21 and by 0.92% in the outer year.
- The significant reduction in the 2020/21 year is attributable to a high reduction in the INEP-Eskom grant of R558.75 million.
- The above brings indicative allocations to R7.37 billion in 2020/21, increasing by 14% in 2021/22 to R8.41 billion.
- Factored adjustments are:
    - **Goods and Services** – An increase of R13.92 million in 2020/21 was implemented, consisting of R8.75 million additional for the electrification master plan project and an upward adjustment in property related payments and SITA fees of R5.17 million.
    - In the outer year 2021/22, the goods and services budget increases by R5.19 million as budget increases for property related payments and SITA fees are carried through to this year.

Transfer Payments:

- 2020/21- A net reduction of R636.78 million was implemented as follows:
    - R558.75 million reductions on the INEP-Eskom grant
    - R267.60 million reductions on the INEP-Municipalities grant
    - R179.57 million baseline increase for decommissioning and decontamination of past strategic nuclear facilities programme in NECSA and
    - R10 million increase for NRWDI's operational activities.

- 2021/22 - A net reduction of R82.87 million consisting of:
    - R282.32 million reductions on the INEP-Municipalities grant
    - Baseline increases of R189.45 million for NECSA and R10 million for NRWDI.

Table 5: 2019 - MTEF: Transfer Payments schedule

DETAILS	2019/2020	2020/21	2021/2022	Total Budget
	ENE Allocation	Indicative Baseline	Indicative Baseline	
Rand Thousand	**R'000**	**R'000**	**R'000**	**R'000**
Households	480	507	535	1,522
SETAs	1,170	1,234	1,302	3,706
International Membership fees	29,478	31,099	32,809	93,386
Prg 4 - INEP Non-Grid	212,941	224,653	237,009	674,603
Prg 4 - INEP Eskom	3,374,053	3,062,738	3,820,670	10,757,461
Prg 4 - INEP Municipalities	1,863,328	1,977,364	2,131,018	5,971,710
Prg 5 - NECSA	890,431	939,419	991,088	2,820,938
Prg 5 - NNR	43,096	45,467	47,968	136,531
Prg 5 - NRWDI	47,499	49,397	51,564	148,460
Prg 6 - SANEDI	74,151	78,215	82,517	234,883
Prg 6 - EEDSM: Municipalities	227,065	239,554	252,729	719,348
Total	**6,763,692**	**6,649,647**	**7,649,209**	**21,062,548**

Source: DPMRE presentation 03 July 2019

6. Observations and findings

- The long awaited Integrated Resource Plan (IRP) will be finalised (gazetted) by the end of September 2019. The finalisation of the IRP will ensure policy certainty in the energy sector.
- Seventy (70) percent of electricity generation in South Africa is from coal and this is going to be the case in the foreseeable future.
- The Minister stated that the focus should be on working towards the realization of a diversified energy sector in which there is a supply of various types of energy.
- The lifespan of the Koeberg Nuclear Power Plant is 2024. There are plans to extend the lifespan by 20 years, to 2045. This is to give government the opportunity to explore new nuclear energy options
- It was suggested that smaller nuclear power plants might be an option to consider for South Africa than focusing on big nuclear plants. The Minister agreed and indicated that the draft IRP is in fact considering these options.
- The National Development Plan proposed that government makes a decision on building a new petroleum refinery. There is consensus that indeed a new refinery is needed. The Minister stated that the process is currently "stuck', relating to issues of the location of the plant. Government wants it to be located in Coega, but the investor has identified Richards Bay as its preferred location.
- Government is in the process of opening a Liquefied Natural gas (LNG) plant in Coega, where it will have access to the PetroSA plant in Mosselbay, with the intention of creating a gas sector in the country.
- The Minister acknowledged that "all the SOEs reporting to the Department of Energy are in trouble". Examples include uncertainty as to where PASA belong – either Energy or Mineral Resources. Whose interest is NERSA looking after, such as the

public's or Eskom? PetroSA's main challenge is that there currently is no sustainable feedstock for the Mosselbay Gas-to-liquid plant. For PetroSA to survive, it has to find the feedstock and/or diversify its products/business.

- On fuel prices (petroleum), the Department will be reviewing the price formulation to possibly identify areas where South Africans could be cushioned against fuel price increases.
- South Africa is one of the global leaders in the production of medical radioisotopes (nuclear medicine) through NTP, NECSA subsidiary.
- On the issue of buying electricity from the renewable energy Independent Power Producers (IPPs), the Minister stated that the Bid Windows 1 to 3.5 and to a certain extent Bid Window 4, will have to be revisited to address issues relating to its costs. It was stated that Eskom buy electricity from the IPPs at a higher price and sell it at lower price. For instance, buy for R2.26 per kilowatt-hour (kWh) and sell it at R0.89 kWh.
- Governance issues relating to the Central Energy Fund and its subsidiaries is major concern for the department.
- The storage of renewable energy remains a challenge and it is an area which Research and Development (R & D) in South Africa need to look at.
- Corrupt activities might be taking place at the department with regard to the issuing of petroleum licenses – especially at the regional offices. The Minister stated that employees need to undergo training on ethics and ethical leadership. The Minister acknowledged that this is not a deterrent, but it speaks to the consciousness of these employees. A huge percentage of the department's budget, 91.91 percent, is allocated to Eskom and municipalities (and other departmental agencies) through the Integrated National Electrification Programme (INEP). Members raised concern as to how the department is tracking whether the funding given to Eskom and the municipalities are utilized as intended. According to the department, accountability measures

have been put in place. The department stated that the municipalities have to submit business plans – which identifies areas to be addressed - which are signed-off by the Accounting Officer of a municipality. This is also applicable to Eskom. The department further stated that the funding is given in tranches, such as quarterly.

- A concern was raised about the illegal connection of electricity and the fact that the government has no plan to respond to this issue.
- The Committee is concerned that Eskom is reporting to the Department of Public Enterprises not the DoE. The DoE has no jurisdiction on Eskom, whilst Eskom is the main supply of electricity in South Africa and the bulk of the DoEs budget is transferred to it.
- On the Grand Inga Hydropower Project, the department stated that the country is a signatory to the project, thus it is a commitment which the country is required to fulfil.
- The Committee resolved that it needs to arrange for 2-3 day workshop, where the department and all entities reporting to it are invited. Members further agreed that other stakeholders such as the Department of Public Enterprises, Eskom, Department of Cooperative Governance and Traditional Affairs, South African Local Government Association (SALGA) need to be invited as well.

7. Conclusion

The Portfolio Committee on Mineral Resources and Energy will continue to fulfil its Constitutional mandate. It is guided by the Parliamentary rules in conducting the oversight on the functioning of the Department of Mineral Resources and Energy. This is done to ensure proper and effective functioning and compliance with the legislation and policy requirements.

8. RECOMMENDATIONS

Having considered the Budget Vote No 26 of the Department of Energy, the Portfolio Committee on Mineral Resources and Energy recommends that the House support the Budget Vote 26: Energy and further recommends that,

The Minister of Mineral Resources and Energy, within the current financial year:

1. Present to the Committee the approach towards the finalisation of the Integrated Resource Plan (IRP) and the Integrated Energy Plan (IEP), including the restructuring of the energy mix.
2. Prioritise and address governance challenges which exists at Central Energy Fund and its subsidiaries.
3. Ensure a decision on the location of the proposed new oil refinery is reached.
4. Address the issue of various energy technology costs, cost implications currently and in the future.
5. Ensure that measures are in place to address issues of corruption within the Department's petroleum licensing units.
6. Prioritise the review of the fuel price formulation.
7. Present the legislative programme of the Department for the 2019/20 financial year.
8. Ensure the finalisation of the 'end state' of the South African electricity sector proposals.

Report to be considered.

4. Report of the Portfolio Committee on Higher Education, Science and Technology on Budget Vote 30: Science and Technology (2019/20), dated 5 July 2019.

The Portfolio Committee on Higher Education, Science and Technology, having considered Budget Vote 30: Science and Technology and the 2019/20 Annual Performance Plan (APP) of the Department of Science and Technology, reports as follows:

1. Introduction

The Constitution of the Republic of South Africa, 1996 and the Rules of Parliament mandates the Portfolio Committee on Higher Education, Science and Technology (hereafter, the Committee) to oversee the activities and performance of the Department of Higher Education, Science and Technology. Following the 2019 national election, the Cabinet was reconfigured and the Departments of Higher Education and Training, and Science and Technology were merged to form the Department of Higher Education, Science and Technology. However, the 2019/20 budget allocation represents the final year of the current 2014 – 2019 Medium Term Strategic Framework (MTSF) and Vote 30: Science and Technology pertains to the Department of Science and Technology (hereafter, the Department) as constituted before the Cabinet was reconfigured.

The Department briefed the Committee on 3 July 2019, providing an overview of the strategic context within which it functions, discussed priority performance indicators and their concomitant targets and the 2019/20 budget allocation.

2. Strategic Overview of the Department of Science and Technology

2.1. Policy mandate

The Department derives its mandate from the 1996 White Paper on Science and Technology, which introduced the concept of the National System of Innovation (NSI). The NSI is defined as a network of institutions, organisations and policies that work together to achieve a common set of

social and economic goals and objectives. A coherent and well-co-ordinated NSI would help South Africa achieve its development priorities; hence, the Department supports the NSI by:

- Co-ordinating the development of policies and strategies, which identify specific priority areas for the country where science, technology and innovation (STI)-related support is required.
- Creating systems and structures to co-ordinate the STI-related work of Government and agencies.
- Developing measurement systems and undertaking analyses to create an evidence base for improving the performance of the NSI.
- Optimising the governance of publicly-funded STI institutions to support Government's priority outcomes.
- Funding research, development and innovation (RDI) infrastructure.
- Funding human capital development at postgraduate level.
- Unlocking STI resources through partnerships with international, continental and multilateral agencies.
- Supporting the technological competitiveness of firms and industry sectors through focussed research and development (R&D) programmes.

In March 2019, Cabinet approved a new White Paper on Science, Technology and Innovation that sets the current long-term policy direction for the NSI and seeks to ensure an increasing role for STI to accelerate inclusive economic growth, increase the competitiveness of the economy, and improve the livelihoods of South Africa's citizens.

The development of a new White Paper on STI was informed by two main reasons. Firstly, while significant progress was made through the implementation of the 1996 White Paper, challenges remain and; hence, South Africa has not yet fully benefitted from the potential of STI to

advance the economy and improve the livelihoods of its people. Secondly, global developments and rapid technological change require new STI policy approaches to ensure South Africa benefits from the opportunities and mitigates the threats of such change.

The key challenges constraining the performance of the NSI are the inadequate and non-collaborative means of national STI agenda setting, insufficient policy coherence and co-ordination, weak partnerships between NSI actors (particularly the inadequate involvement of business and civil society), inadequate monitoring and evaluation (M&E), inadequate high-level science, engineering and technology (SET) and technical skills for the economy, an undersized research system, a poor environment for innovation, and significant levels of underfunding. Some of the achievements include the expansion of the STI institutional landscape, a significant increase in knowledge production, the increased participation of black people and women in the R&D workforce, and an increase in the doctoral graduation rates.

To build on the progress achieved through the 1996 White Paper and to realise the full potential of STI to South Africa's development, the vision of the new 2019 White Paper is, "Science, technology and innovation enabling inclusive and sustainable South African development in a changing world". The 2019 White Paper hinges on three high-level goals; namely:

- To take advantage of opportunities presented by megatrends and technological change;
- To expand policy approaches that have worked and propose new approaches, where necessary; and
- To promote a more inclusive economy at all levels.

2.2. Policy context

The National Development Plan (NDP) characterises STI as crucial for development since countries that have effectively alleviated poverty by growing their economies, have done so by investing in and developing

strong STI environments and capabilities. Hence, the NDP states that South Africa's NSI needs to be expanded as well as be more effective. This requires that South Africa invest more in R&D, that the STI institutional arrangement must improve the link between innovation and the productive needs of industry, and that Government should collaborate with the private sector to raise the level of R&D in companies.

The 2014-2019 MTSF represents the first phase of implementation of the NDP and commits Government to 14 key outcomes. The Department contributes to Outcomes 3 (safety), 4 (economy), 5 (skills), 6 (economic infrastructure) and 10 (environment); as well as the Nine-Point Plan that seeks to stimulate and diversify South Africa's economy.

The President, in his June 2019 State of the Nation Address, indicated that unless "extraordinary measures" are implemented, South Africa will not realise the NDP targets. Hence, South Africa needs to focus on those actions that will have the greatest impact. Therefore, all programmes and policies across all departments and agencies will be directed at the following seven priorities:

- Economic transformation and job creation;
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services;
- Spatial integration, human settlements and local government;
- Social cohesion and safe communities;
- A capable, ethical and developmental state; and
- A better Africa and World.

While specific reference is not made to STI within the planned initiatives and challenges mentioned by the President; STI by its very nature, offers crucial support to achieving the objectives set for these initiatives. These are:

- Unemployment (especially the youth) – The Department has initiatives that seek to create new industries and develop specific industrial capability through research and development (R&D); initiatives that increase the productivity and competitiveness of existing industries; and programmes that provide skills and experience to STI-graduate job seekers within industry-supported programmes. New industries create employment and expand economic infrastructure. Revitalising existing industries expands its employment base and allows it to be competitive in the current industrial climate. The provision of work experience affords graduates the opportunity to hone and match their skills with what is needed within industry.

- Attracting foreign and private sector investment – Government continues to work towards the target of spending 1.5% of Gross Domestic Product (GDP) on STI. The Department is working on, or has finalised a number of strategies that seek to derive greater economic impact and value from the investment in STI. Including initiatives that encourage increased spending on R&D, hosting international projects that attract foreign funding and skills; and using existing investments to leverage external funds in support of national priorities.

- Infrastructure investment – The Department, through its STI Infrastructure Roadmap, is year-on-year growing the investment into developing/acquiring new (for example, the Square Kilometre Array (SKA) Telescope), and upgrading and maintaining existing STI infrastructure. This infrastructure is crucial for skills development and ensuring that individuals attracted to careers in the STI sectors can work at the cutting-edge of research and knowledge production in their respective fields.

- Revitalise the mining sector – Mining is an industry where South Africa possesses both historical and comparative advantage.

Research and development within the mining sector focusses on methods of mining, mine and mining safety, mitigating environmental impacts and adding value to South Africa's mineral wealth though beneficiation, as well as developing mining methods that can extend the operational life of mines.

- Small and medium enterprises (SMEs) – Here, the Department's initiatives focus on enhancing the competitiveness of SME's by providing support through industry development centres, and driving a technology localisation programme where certain goods are targeted to be produced locally; hence, enhancing manufacturing ability and capacity and expanding employment. In addition, specific funding initiatives to help start-ups bring new innovations and inventions to market are also contributed to and managed by the Department. Here the focus is on technological innovation as well as social innovation.

- Agriculture – Research and development focusses on better farming practice and methods, ensuring food security, enhanced crop yield and new crops, and improving and preserving the quality of crops, among others.

- Fourth Industrial Revolution (4IR) – The Department implements key initiatives and provides funding to support and advance STI so that South Africa will have the necessary skills, infrastructure, and capability to participate in a global economy driven by knowledge production and the ability of nations to use knowledge to build new industries and enhance and sustain development.

- Regional and international matters – The Department is South Africa's custodian of its regional and international co-operation on STI. South Africa actively works, with its regional partners, to enhance the global value and standing of Africa's STI sector.

- Health (with specific reference to eliminating HIV) – The Department supports various research platforms looking to develop an HIV vaccine, rapid-test kits, and improved anti-retroviral treatments, among others.

- Service delivery – The Department develops various decision-support tools to help local government improve service delivery and the deployment of resources.

2.3. 2015-2020 Strategic goals

The Department's 2015-2020 Strategic Plan states that the Department will direct its efforts and resources toward the following five strategic outcome-orientated goals:

- Goal 1: Responsive, co-ordinated and efficient NSI – build on previous gains to create a responsive, co-ordinated and efficient NSI.
- Goal 2: Increased knowledge generation – maintain and increase the relative contribution of South African researchers to global scientific output.
- Goal 3: Human capital development – increase the number of high-level graduates and improve their representivity.
- Goal 4: Using knowledge for economic development – derive a greater share of economic growth from R&D-based opportunities and partnerships.
- Goal 5: Knowledge utilisation for inclusive development – accelerate inclusive development through scientific knowledge, evidence and appropriate technology.

3. Vote 30: Science and Technology (2019/20)

The 2019 Budget, tabled amid a weak economic outlook, is built around six prescripts; namely, achieving higher economic growth, increasing tax collection, restraining expenditure, stabilising and reducing debt, reconfiguring state-owned enterprises, and managing the public sector wage bill.

The 2019/20 consolidated government expenditure for the innovation, science and technology function is R16.5 billion (R15.4 billion in 2018/19), which represents 1% of the total Medium Term Expenditure Framework (MTEF) and 7.7% of the consolidated economic development expenditure.

Over the medium-term and in line with the NDP, the Department will use its budget allocation to produce new knowledge, use this knowledge to stimulate economic and social growth and development, develop human capacity, fund research and innovation, and fund the acquisition and provision of infrastructure. The Department's budget allocation increases by R192.6 million from R7.8 billion in the 2018/19 financial year to ***R8.1 billion in the 2019/20*** financial year. This denotes, when adjusted for inflation, a real decrease of 2.6%, a trend that has persisted since 2016/17. The effects of these below inflation increases is intensified due to the fact that science related inflation is higher than standard inflation due to, amongst others, the high cost and maintenance of R&D equipment/facilities, which are mostly imported and where costs hinge on the prevailing exchange rate. Therefore, allocations that grow in line with standard inflation only marginally assist the STI objectives. Allocation increases below standard inflation further exacerbate the sub-optimal funding environment that prevails. The Department's budget allocation is projected to increase to R8.6 billion in 2020/21 and R8.9 billion in 2021/22. However, over the medium-term, Cabinet has approved further budget reductions of R322.8 million (R186.1 million in 2018/19) to the Department's baseline budget.

In terms of economic classification, the apportionment of the Department's 2019/20 budget allocation of R8.1 billion remains the same as in previous years and comprises Current payments of R635.3 million (7.8%), Transfers and subsidies of R7.5 billion (92.2%) and Payments for capital assets of R2.7 million (0.03%). The Department's 2019/20 APP states the vacancy rate at 28 February 2019 was 16.7%. The 2019/20 APP also states that the compensation budget for employees is inadequate; hence, the Department will have to consider how to mitigate the impact of its human resource challenges on service delivery. The 2019 White Paper on Science,

Technology and Innovation will also require the Department to assess whether its current organisational structure is sufficient to implement the new White Paper. In 2019/20, compensation of employees is expected to be R380.5 million, increasing to R435 million by 2021/22, with only two additional posts being added to the establishment (444 to 446). Notable changes to allocations include; property payments increasing from R24 million in 2018/19 to R71.5 million in 2019/20, then decreasing to approximately R14 million for the remainder of the medium-term; external audit fees decreasing from R20.4 million in 2018/19 to R4.5 million in 2019/20, where the lower amount correlates to expenditure in previous years; and space science research – economic competitiveness and support package increasing from R9.2 million in 2018/19 to R30 million in 2019/20 (R45 million in 2017/18). The latter allocation being the next tranche of funding for the further development of South Africa's next earth observation satellite, EO-Sat1.

3.1. 2019/20 Budget allocation per Programme

The Department's budget funds five major programmes, namely:

- Programme 1 – Administration
- Programme 2 – Technology Innovation
- Programme 3 – International Co-operation and Resources
- Programme 4 – Research, Development and Support
- Programme 5 – Socio-economic Innovation Partnerships

These programmes fulfil the Department's mandate of realising the full potential of science and technology in social and economic development through the development of human resources, research and innovation. The percentage budget allocation to the Programmes (Table 1) and sub-programmes remains virtually the same as in previous financial years.

Table 1: Budget summary of the Department of Science and Technology

Programme R' million	2018/19 Adjusted appropriation	2019/20 Expenditure estimate	Percent of total budget	Nominal percentage change in 2019/20	Real percentage change in 2019/20 (inflation-adjusted)
1. Administration	379.5	380.3	4.7	0.21	-4.74
2. Technology Innovation	1 131.7	1 224.3	15.0	8.18	2.83
3. International Co-operation and Resources	137.9	149.0	1.8	8.05	2.71
4. Research, Development and Support	4 531.0	4 573.0	56.1	0.93	-4.06
5. Socio-economic Innovation Partnerships	1 778.3	1 824.4	22.4	2.59	-2.48
Total	**7 958.4**	**8 151.0**	**100**	**2.4**	**-2.64**

The budget allocation is aligned to the priorities of strengthening and expanding STI human capital development and ensuring that innovation and knowledge underpin the government's growth strategy. Hence, Programmes 2, 4 and 5, receives 93.5% of the Department's total budget allocation. In terms of allocations to programmes, only Programmes 2 and 3 receive a real (inflation-adjusted) increase in their funding. Over the medium-term, Programme 2 will allocate approximately R3.9 billion towards the production of new knowledge and the development and commercialisation of technology. Programme 4 will, over the medium-term, allocate R8.2 billion towards postgraduate bursaries, support for researchers, and to strategic human capital development instruments. Programme 4 will also allocate R2.2 billion over the medium-term to ensure the provision of R&D infrastructure to the NSI. Programme 4 will allocate R749 million over the medium-term to support the Science Missions; namely research areas defined by South Africa's geographic advantage. The Science Missions include astronomy, palaeosciences, climate change, indigenous knowledge, and marine and polar sciences. Of the amount allocated to the Science Missions, R258 million will be used to fund activities that seek to advance the public understanding of science. This allocation supports the newly legislated science engagement mandate prescribed by the National Research

Foundation Amendment Act (Act 19 of 2018). Programme 5 will, over the medium-term, allocate R3.3 billion to initiatives that seek to enhance South Africa's economic competitiveness, and R124 million to the technologies that characterise the Fourth Industrial Revolution (4IR).

For the 2019/20 financial year, the Department has 23 strategic objectives that have been translated into 46 performance indicators.

3.1.1. Programme 1: Administration

Programme 1 provides strategic leadership, management and support services to the Department and has four sub-programmes. These are Ministry, Institutional Planning and Support, Corporate Services, and Office Accommodation. The work of this Programme focuses on administration, and policy and planning.

In terms of economic classification, Programme 1's R380.3 million will mainly be spent on salaries (R174 million) and on Goods and services (R188.5 million), where Property payments increases from R23 million to R70.6 million. Transfers and subsidies to non-profit institutions amounts to R15.1 million.

In terms of sub-programmes, the most notable increase occurs in the allocation to Office Accommodation, which increases from R5 million to R63.3 million for a feasibility study on the design and construction of a new building and for the refurbishment of the existing headquarters of the Department. In addition, Programme 1 also administers and funds the operations of the National Advisory Council on Innovation (NACI).

Key initiatives that will continue in 2019/20 is the modernisation of the Information Technologies (IT) unit, processes to mitigate the effects imposed by the constraints on the salaries budget, and efforts to reconfigure the Directorate: Strategy and Planning to better serve the Department and the NSI.

To date, the administrative mechanisms implemented by Programme 1 have ensured unqualified or clean audits for the Department and its entities, as well as recognition from the Presidency as being one of the best managed national departments. The intention to reposition and redefine the administrative function so that it improves on the support provided to the Department and its entities has resulted in the creation of the Institutional Planning and Support sub-programme.

3.1.2. Programme 2: Technology Innovation

Programme 2 enables R&D in space science and technology, energy security, the bioeconomy, and in the areas of nanotechnology, robotics, photonics and indigenous knowledge systems (IKS), and promotes the realisation of commercial products, processes and services from these R&D initiatives. In addition, through the implementation of enabling policies and interventions along the entire innovation value chain, promotes the protection and utilisation of intellectual property (IP), technology transfer and technology commercialisation. Programme 2 has four sub-programmes and one specialised service delivery unit (SSDU). These are Space Science, Hydrogen and Energy, Bio-innovation, Innovation Priorities and Instruments (IPI) and the SSDU: National Intellectual Property Management Office (NIPMO).

Programme 2 receives R1.2 billion (R1.1 billion in 2018/19) of the Department's total allocation, which is a real increase of 2.8% when adjusted for inflation. Approximately 92% (R1.1 billion) is allocated to Transfers and subsidies, where the entities, the Technology Innovation Agency (TIA) and the South African National Space Agency (SANSA) receive the largest allocations, receiving R440.9 million and R143.5 million, respectively. The IPI sub-programme continues to receive the largest share of Programme 2's budget, that is 50% (R605.4 million). The IPI sub-programme supports and strengthens the policy initiatives that aim to create and sustain an enabling environment for innovation, technology development and the commercialisation of products from publicly funded

R&D. The lowest allocation, approximately 4.4% (R53.6 million), goes to NIPMO. The remaining funds are relatively equally distributed between the Space Science (R189.4 million), Hydrogen and Energy (R178.5 million), and Bio-innovation (R193.3 million) sub-programmes. All the sub-programmes receive above-inflation allocation increases. However, the Space Science sub-programme, due to the funding allocated for the further development of EO-Sat1, receives the largest real increase in its allocation; that is 11%.

Strategic initiatives that will receive specific attention in 2019/20 include continuing the work to establish the SME Innovation Fund, presenting the economic case for the National Space Programme to Cabinet, and continuing support to the Offices of Technology Transfer and the IP Fund.

3.1.3. Programme 3: International Co-operation and Resources

Programme 3 supports South Africa's foreign policy through science diplomacy. Hence, it develops, promotes and manages international relationships, opportunities and science and technology agreements that both strengthen the NSI and enable an exchange of knowledge, capacity and resources between South Africa and its international partners, with a focus on supporting STI capacity building in Africa. Programme 3 has three sub-programmes; namely, Multilateral Co-operation and Africa, International Resources and Overseas Bilateral Co-operation.

Programme 3 is allocated R149 million (R137.9 million in 2018/19), with R77 million allocated to Current payments and R72 million allocated to Transfers and subsidies. The Transfers and subsidies allocation is further broken down into R16 million allocated to the National Research Foundation (NRF) who manages bilateral co-operation agreements on behalf of the Department, R46 million for International multilateral agreements and R10 million for African multilateral agreements. The International Resources sub-programme receives R66.9 million (45%), the largest share of this Programme's allocation, followed by Overseas Bilateral

Co-operation receiving R44 million (29%) and Multilateral Co-operation and Africa receiving R32.7 million (22%). Overall, the increase in allocation to Programme 3 represents a real increase of 2.7%, despite the Multilateral and Overseas Co-operation sub-programmes allocations decreasing in real terms. The overall real increase in allocation is attributable to a R5.6 million allocation to the Office of the Deputy Director-General for Programme 3.

Key outputs for Programme 3 include securing international investment for STI research and human capital development, securing access to international training programmes and STI infrastructure for South African students, facilitating funding for and supporting regional and continental STI initiatives, and occupying leadership positions and influencing decisions at intergovernmental STI fora.

Programme 3 needs a budget that will allow for strategic co-investment with international partners. The Department has previously shown that for every R1 it invests, it can secure up to R10 from an international partner. Bilateral and multilateral co-operation initiatives also require South Africa to fund its own costs under bilateral agreements and cover its membership in multilateral organisations.

3.1.4. Programme 4: Research, Development and Support

Programme 4 seeks to provide an enabling environment for research and knowledge production that promotes the strategic development of basic sciences and priority science areas through science promotion, human capital development and the provision of research infrastructure and relevant research support, in pursuit of South Africa’s transition to a knowledge economy. Programme 4 has four sub-programmes; namely, Human Capital and Science Promotions, Science Missions, Basic Science and Infrastructure, and Astronomy.

Programme 4 is allocated R4.6 billion (R4.5 billion in 2018/19) of the Department's total allocation. The marginal increase in Programme 4's budget, once adjusted for inflation, represents a real decrease of 4% (real decrease of 5% in 2018/19), with the Basic Science and Infrastructure sub-programme, which receives 22% of the Programme's total allocation, being subjected to a R102 million decrease (R49 million decrease in 2018/19) in its allocation. The allocation to the Human Capital and Science Promotions sub-programme, which receives 57% of the Programme's total allocation, increases from R2.5 billion to R2.6 billion, and is the only sub-programme to receive a real increase in its allocation. Budget cuts within Programme 4 have meant that the upper limit in terms of the number of students who receive bursaries, the number of students who receive work preparation (interns), the number of researchers who are supported, and the number of infrastructure grants awarded have all had to remain stagnant.

Programme 4's allocation is largely for Transfers and subsidies (R4.5 billion). The NRF and the Academy of Science of South Africa (ASSAf) receive their baseline allocations from Programme 4, that is R943.4 million and R26.9 million, respectively.

Strategic initiatives that will receive specific attention in 2019/20 include implementing the recommendations of various studies pertaining to the enhancement of human capital development initiatives, tabling the Natural Scientific Professions Amendment Bill in Parliament, launching the Cofimvaba Science Centre, continued implementation of the South African Research Infrastructures Roadmap (SARIR), continuing with the installation of 64 ultra-high frequency science mode receivers on the Karoo Array Telescope (MeerKAT), and finalising the regulations for the Protection, Promotion, Development and Management of Indigenous Knowledge Bill once it is enacted.

3.1.5. Programme 5: Socio-Economic Innovation Partnerships

Programme 5 seeks to enhance the growth and development priorities of government through targeted STI interventions and the development of strategic partnerships with all levels of government, industry, research institutions and communities. Programme 5 has four sub-programmes;

namely, Sector Innovation and Green Economy, Innovation for Inclusive Development, Science and Technology Investment, and Technology Localisation, Beneficiation and Advanced Manufacturing.

Programme 5 receives R1.8 billion (R1.78 billion in 2018/19) of the Department's total allocation. The marginal increase in Programme 5's allocation once adjusted for inflation, represents a real decrease of 2.5%. Approximately 97% (R1.77 billion) is allocated to Transfers and subsidies. The entities, the Council for Scientific and Industrial Research (CSIR) and the Human Sciences Research Council (HSRC) receive their baseline allocations from Programme 5, that is R965.8 million and R313.9 million, respectively.

The Sector Innovation and Green Economy sub-programme receives 57% (R1 billion) of the total allocation to establish high impact science research that would support the growth of environmental technologies and services in South Africa. The Technology Localisation, Beneficiation and Advanced Manufacturing sub-programme receives 20% of the total allocation to identify and grow STI capabilities that will improve the competitiveness of existing industries and facilitate the development of new R&D-led industries. R367.8 million is allocated to the Innovation for Inclusive Development sub-programme to support the use of science and technology-based innovations to address the triple challenge of poverty, unemployment and inequality by creating sustainable jobs, building sustainable human settlements and enhancing service delivery.

Strategic initiatives that will receive specific attention in 2019/20 include evaluating the economic impact of the R&D Tax Incentive, ensuring greater synergies and alignment between various initiatives supported by the Department and by other economic sector departments, developing a Converging Technologies Platform around the technologies that drive the 4IR, and the identification and development of performance indicators in line with the new White Paper on STI, which will inform future investments.

The 2019 Estimates of National Expenditure, under the sub-programme's list, now includes a designation for the Offices of the Deputy Director-Generals for Programmes 2 to 5, where Programme 2 is allocated R4.2 million, Programme 3 is allocated R5.6 million, Programme 4 is allocated R3.4 million and Programme 5 is allocated R3.5 million. The total allocation for these Offices is R16.7 million.

3.2. Entities of the Department of Science and Technology

The entities are funded through a Parliamentary grant, specific project and/or contract funds, or from income generated from research and commissioned projects, or from income generated from royalty, publishing, membership, registration and/or facility fees. The Parliamentary grant (also called the baseline allocation) is the guaranteed, annual allocation from the Department to its entities.

Table 2: The 2019/20 budget transfer to entities from the Department of Science and Technology (excludes external income).

Entity	2019/20 Parliamentary grant (R'million)	2019/20 Total allocation from Department[#] (R'million)	2017/18 Total revenue (R'million)	Parliamentary grant as a % of 2017/18 total revenue
Academy of Science of South Africa	26,9	26,9	48,9	52
Council for Scientific and Industrial Research	965,8	1 277,5	2 498,5	29
Human Sciences Research Council	313,9	326,3	556,7	48
National Research Foundation	943,4	3 198,8	4 725,9	20
South African National Space Agency	143,5	143,5	319,8	41
Technology Innovation Agency	440,9	440,9	489,0	81
Total	**2 834,4**	**5 413,9**	**8 638,8**	**Average = 45%**

[#] Parliamentary grant plus project and/or contract funds.

In total, six of the eight entities that report to the Department are allocated R5.4 billion (52%) of the Department's R8.1 billion 2019/20 allocation, with the NRF and CSIR receiving the bulk of this allocation (Table 2). The Department's allocation to the entities comprises the Parliamentary grant and specific project funds.

4. Committee Deliberations

The below inflation increases and the further reduction to the Department's baseline budget is concerning given the required need to produce new knowledge to stimulate the country's economic and social growth and development.

Some of the key cost drivers for STI include funding for: attracting and retaining the necessary skills, skills development and transformation, STI entities to fulfil mandates, infrastructure acquisition and maintenance, and funding for new responsibilities. One can thus deduce that the implementation of the STI mandate will be constrained by the current levels of funding.

The Minister is encouraged to convince the National Treasury against the reduction of funds for this key portfolio.

In concluding its deliberations on Budget Vote 30: Science and Technology, the Committee noted the following:

- The Committee commended the Department for the work they do and for formulating coherent strategies and performance plans.

- Transformation of the STI sector in terms of human capacity, organisational composition, and the R&D focus areas; requires deliberate, well considered, and adequately resourced interventions. Hence, the Committee welcomes the new STI White Paper and the plans to develop the next STI Decadal Plan.
  The Committee is keen to receive briefings by the Department on these important policy interventions, which aim to chart a new trajectory for the future development and enhancement of South African STI.

- Crucial to the transformation of the human capacity in the STI sector, is the creation and continued growth of a pipeline of students pursuing careers in science, mathematics and engineering.

  Discussion around curricula involving the Departments of Basic Education, Higher Education and Training as well as Science and Technology, is necessary to assess and input on how this contributes to what is required for the science, technology and innovation system.

- Intergovernmental co-ordination and partnerships are instrumental in ensuring that the work done by the Department and the entities is used and implemented. These relationships are crucial to ensuring that crosscutting activities are better co-ordinated, resources are optimally utilised and solutions that improve the quality of life of the people are implemented.

- Enhanced co-ordination is also necessary at Parliamentary level among the various Portfolio and Select Committees in instances where science and technology issues are transversal.

- The Department has a mandate to deliver on Government's national priorities. In this regard, the Committee raised its concern about the evident financial sustainability challenges and highlighted the example of the Research Chairs funding which necessitated forming partnerships to source external support funding. The challenge posed is that this may deflect the research and innovation focus away from national interest to that of the funder.

- The Fourth Industrial Revolution (4IR) became topical in the context of how the Department's new plans will accommodate this in relation to the threats and opportunities it poses. The Committee noted the establishment of the Department of Higher Education, Science and Technology (DHEST) Inter-Ministerial

Task Team on the 4IR in Post School Education and Training, as well as the World Economic Forum's (WEF) 4IR Affiliate Centre hosted at the CSIR. Specific attention should be toward the rural poor.

- The Committee proposed hosting a colloquium on the subject of the 4IR, preceded by a briefing by the DHEST that would highlight the work it is undertaking in this regard.

- The Committee is concerned about the work alignment around the merger of the two departments, stressing that given the enormity in size and the nature of the issues that the education portfolio has to deal with, the science portfolio agenda not be reduced.

- The Committee advised that when considering an APP, its focus is on programmes, targets and allocations. Going forward, the Department is requested to submit more financial detail when they report on the budgetary aspects of their plans.

- The current total investment in R&D is inadequate to drive the economic transformation agenda of South Africa and would need to be increased to effectively meet the goals of NDP Vision 2030.

5. Committee Recommendations

The Portfolio Committee on Higher Education, Science and Technology, having considered the proposed Budget Vote 30: Science and Technology, recommends that:

- The Minister of Higher Education, Science and Technology engages with the National Treasury to advocate for additional funding for the science and technology portfolio and advises against all proposed future funding reductions

- The Department brief the Committee on the work and plans of the DHEST Inter-Ministerial Task Team on the 4IR in the 2nd Parliamentary term

- The Department ensures that when it enters into agreements to secure contract funding for research and development, these agreements do not compromise the intentions of the research agenda to address national priorities.

- The Department provide the Committee with a detailed briefing on its financial position, which should also include the effects of the budget reductions on its programmes, initiatives and entities.

- The House adopts Budget Vote 30: Science and Technology.

The Democratic Alliance has reserved their right to an opinion on the Vote.

Report to be considered.

5. Report of the Portfolio Committee on Human Settlements, Water and Sanitation on Budget Vote 38: Human Settlements, on the Strategic Plan for the coming Medium Term Expenditure Framework (MTEF) period and Annual Performance Plan 2019/20, dated 5 July 2019

The Portfolio Committee on Human Settlements, Water and Sanitation, having considered Budget Vote 38: Human Settlements, the strategic plans for the MTEF period and the annual performance plans of the Department of Human Settlements (later referred to as the Department) on 3 July 2019, referred to it, reports as follows:

1. Introduction

The Constitution of the Republic of South Africa (1996) places an obligation on the State to provide access to adequate housing to its citizens. As the custodian of the housing sector, the Department derives its core mandate and responsibilities from section 3 of the Housing Act (1997), which allows the Department, in collaboration with provinces and municipalities, to establish and facilitate a sustainable national housing development process. The Department does this by, determining the national policy, national norms and standards for housing and human settlements development, setting broad national housing delivery goals, and monitoring the financial and non-financial performance of provinces and municipalities against these goals, building the capacity of provinces and municipalities and promoting consultation with all the stakeholders in the housing delivery chain, including civil society and the private sector.

In order to ensure the progressive realization of its mandate and the goal of sustainable and integrated human settlements, the Department has subsequently developed strategies, policies and programmes. The comprehensive plan for the development of sustainable human settlements, approved in 2004 and the revised Housing Code, published in 2009, mark a conceptual shift away from the mandate of providing shelter, to supporting

the residential property market. The Housing Code allows for access to housing and services for low-income families and ensures greater choice in quality, location and ownership. Subsequently, chapter eight of the National Development Plan (NDP) provides a roadmap for the achievement of sustainable human settlements in South Africa by 2030. Consequently, the Department has strategically aligned its plans with the NDP.

To ensure its oversight role, the Committee received briefings from the Department and its entities on their strategic plans, budgets and annual performance plans. The Department was also requested to present the business plans from nine Provincial Departments of Human Settlements.

2. Department of Human Settlements

2.1 Aim and mandate of the Department

The mandate and core business of the Department is underpinned by the Constitution and all other relevant legislation and policies applicable to government, the Breaking New Ground Policy (BNG). In addressing the mandate for the provision of access to adequate housing, the following policies, legislation and regulations were enacted to give effect to the Constitutional housing rights of all South Africans in Section 26, which states that "Everyone has the right to have access to adequate housing". The Constitution requires the state to take reasonable legislative and other measures, within its available resources, to achieve this right. Furthermore, no one may be evicted from their home, or have their home demolished, without an order of court made after considering all relevant circumstances. No legislation may permit arbitrary evictions.

2.2 National Development Plan

Chapter 8 of the National Development Plan (NDP) outlines the vision for human settlements and housing towards 2030. The emphasis in the NDP is on a government-led strategy to fast-track the development of housing and

human settlements whilst at the same time improving the quality of life of citizens. Key recommendations contained in the NDP are:

- Strengthen the spatial planning system.
- Initiate a national conversation about cities, towns and villages – the media and civil.
- Institute bolder measures to achieve sustainable human settlements.
- Develop a more coherent and inclusive approach to land.
- Radically revise the housing finance system.
- Revise the regulations and incentives for housing and land use management.
- Recognize the role of informal settlements and enhancing the existing national programme for informal settlement upgrading by developing a range of tailored responses to support their upgrade.
- Support the transition to environmental sustainability.
- Support rural spatial development.
- Initiate spatial interventions to support agricultural development.
- Building an active citizenry to rebuild local place and community.

2.3 Medium Term Strategic Framework

The Medium Term Strategic Framework (MTSF) serves as the principal guide to the planning and allocation of departmental resources across all spheres of government. The MTSF outlines a vision of sustainable human settlements and an improved quality of household life. Priorities for 2014 – 2019 are:

- 1,495 million more households living in new or improved housing conditions by 2019.
- 110 000 new housing units delivered in the affordable gap market by 2019.

- 49 municipalities assigned or accredited with the housing function.
- 63 000 new subsidy units would receive title deeds and the backlog of 900 000 title deeds in the integrated residential housing programme would be transferred over the five-year period.
- 750 000 households would benefit from the informal settlement upgrading programme, ensuring basic services and infrastructure in about 2 200 informal settlements.

In addition, the MTSF indicates that the following will be addressed:

- Existing housing instruments and subsidies to be reviewed and improved to better direct housing and human settlements investments.
- Public transport planning aligned with residential development is key to achieving social and economic transformation.
- A multi-segmented social-rental housing programme envisaged, which includes backyard rentals.
- Barriers to more rapid residential construction will be addressed, together with support for broadening access to housing credit, especially for first time home buyers.
- In mining towns, housing solutions would be sought thought partnership between Government, municipalities, employers and financial institutions.
- Improving access to affordable housing within the public service and private sector could be supported through remuneration allowances or credit enhancement.

2.4 Revision of Legislative and other mandates

The mandate and core business of the Department is underpinned by the Constitution and all other relevant legislation and policies applicable to the department. In addressing the mandate for integrated sustainable human settlements, the review of policies particularly the development of the White

Paper for Human Settlements and the revision of the Housing Act to Human Settlements Act would enhance the Departments' efforts in the provision of adequate housing by:

- Providing a framework for the realisation of sustainable human settlements and improved quality of household life.
- Providing a foundation for the establishment of a viable, socially and economically integrated communities that are located in areas allowing convenient access to economic opportunities as well as health, educational and social amenities.

Policies

The mandate of the Department is set out in the Housing Act. Section 2 of the Housing Act compels all three spheres of government to give priority to the needs of the poor in respect of housing development. In addition, all three spheres of government must ensure that housing development:

- Provides as wide a choice of housing and tenure options as is reasonably possible;
- Is economically, fiscally, socially and financially affordable and sustainable;
- Is based on integrated development planning; and
- Is administered in a transparent, accountable and equitable manner, and upholds the practice of good governance.
- The legislative mandate of the Department remains the same except for the inclusion of the following:

  Estate Agency Affairs Act, 1976.

Following a Presidential Proclamation, the Department took over the oversights function of the Estate Agency Affairs Act, 1976 from the Department of Trade and Industry during May 2012. The objectives of the Act are to:

- Establish the Estate Agency Affairs Board (EAAB) to regulate the conduct of estate agents;
- Establish the Estate Agents Fidelity Fund;
- Monitor trends within the real estate industry; and
- Render education and training to estate agents and consumers

Policy Mandates

Other specific constitutional, legislative and policy mandates of the Department including government policy frameworks are:

- Constitution of the Republic of South Africa
- Housing Act, 1997 (Act No 107 of 1997)
- Comprehensive Plan for the Creation of Sustainable Human Settlements (BNG)
- The Housing Consumer Protection Measures Act, 1998 (Act No 19 of 1998)
- The Housing Development Agency Act, 2008 (Act No 23 of 2008)
- Public Finance Management Act, 1999 (Act No 1 of 1999-as amended by Act No 29)
- The Social Housing Act, 2008 (Act No 16 of 2008)
- The Division of Revenue Act, 2011 (Act No 6 of 2011)
- The Rental Housing Act, 1999 (Act No 50 of 1999)
- Home Loan and Mortgage Disclosure Act, 2000 (Act No 63 of 2000)
- Inclusionary Housing Bill
- Sectional Titles Schemes Management Act (Act 8 of 2011)
- Community Schemes Ombud Service Act (Act 9 of 2011)

- Intergovernmental Relations Framework (Act No 13 of 2005)
- National Development Plan (NDP)
- Spatial Planning and Land Use Management Act, 2013 (Act No 16 of 2013)

Relevant Court Rulings

There are court rulings affecting the operations of the human settlements sector, though they are not impacting directly to the national department but they affect delivery and the achievement of targets. These cases are but not limited to the following;

- Government of the republic of South Africa v Irene Grootboom and Others: CCT 11/00. (Right of access to adequate housing).
- Thubelitsha Homes, Minister of Housing and Minister of Local Government &Housing, Western Cape v Various Occupants.
- HLA 8/3/2/109 - 2014 CASE NO. 2011/19 The EMM had brought a joinder application in the Constitutional Court seeking to join the Department in the proceedings instituted by Bapsfontein Community.
- The City of Cape Town and FirstRand Bank Limited: CCT 22/08 (eviction of 20, 000 residents of Joe Slovo informal settlement) Bio-watch Trust v registrar Genetic resources and others: CCT 80/08 (Promotion of access to information Act) Dingaan Hendrik Nyathi v MeC for the Department of Health, Gauteng, and Minister of Justice and Constitutional Development: CCT 19/07.
- Occupiers of erven 87 & 88 Berea and Christiaan Frederick De Wet N.O. Roynath Parbhoo N.O. and The Poor Flat Dwellers Association Case No: CCT 108/16.
- The City of Johannesburg and Changing Tides 74 (Pty) Ltd. The Unlawful Occupiers of Tikwelo House, No 48 and 50 Davies Street, Doornfontein, Johannesburg. The Socio-Economic Rights Institute of South Africa Case No: 735/2011.

- Isaac Rasepitle Pitje and Josiah Oupa Shibambo/ Esther Veleminah Shibambo City of Tshwane Metropolitan Municipality Case CCT 144/15.

Planned policy initiatives

The review of housing legislation, regulations, policies and the development of the new legislation, policies and programmes which respond to the need to transform the space economy is at the core of the government strategic agenda of creating sustainable Human Settlements. The following remain the key policy initiatives:

- Development of the Human Settlements Code: Various policy programmes were revised and would continue to be revised and new ones added in order to produce a responsive Human Settlements Code.

- Amendment of the Housing Act to Human Settlements Legislation: The Housing Act require repeal and aligned with the mandate approved by Cabinet to deliver sustainable human settlements in line with the Comprehensive Plan for the provision of sustainable human Settlements.

- Repealing the Housing Consumer Protection Measures Act: This Bill seeks to strengthen the regulatory function of the NHBRC.

- Drafting the Human Settlement Development Bank Bill: This Bill would serve as a key legislation to guide operations of the Consolidated Human Settlements Financial Institutions (DFIs) and contribute to access to credit to enable the provision of sustainable human settlements.

- Amending the Prevention of Illegal Evictions and Unlawful Occupation of Land Act Revision of the Social Housing policy and Regulations.

- Policy Review and Evaluations: Evaluations would be undertaken in partnership with DPME and in line with the key priorities of the Mandate paper. These would be used to strengthen work by the Department around macro policies including the appointment of a panel of experts and core working group that would review the key thrust as described in the 1994 Housing White Paper and the 2004 Breaking New Ground Strategy.

2.5 Outcome 8: Sustainable human settlements and an improved quality of household life

While the timeframe of targets stated in Outcome 8 ended in 2014, the Department is of the view that the policy approach and focus of the document remains relevant.

The following targets apply:

- Accelerated delivery of housing opportunities with a focus on the upgrading of informal settlements and providing affordable rental housing stock.
- Access to basic services as part of the National Bulk Infrastructure Development Programme.
- More efficient land utilisation with a target of acquiring 6 250 hectare of State-owned land.
- An improved property market through the supply of affordable housing finance.

2.6 State-of-the-nation address (SONA) and the Budget Speech

During SONA 2018 the only reference to the human settlements sector was made as part of a vision of a South Africa that is focused on prospering and creating jobs, housing opportunities and safe communities.

During the SONA in February of 2019, the President made several specific references to the sector by stating that:

- Within the context of land reform, Government's policy and legislative interventions would ensure that more land is made available for agriculture, industrial development and human settlements.

- Strategically located land would be released to address human settlements needs in urban and peri-urban areas.

- Infrastructure provision remains too fragmented between the different spheres of Government, while not new housing development are not fully integrated with economic opportunities, the building of dams, water pipelines, schools and other amenities.

- Cabinet has adopted a new infrastructure implementation model to address several challenges. It would be underpinned by the new Infrastructure Fund announced in September 2018.

- Government would strengthen its technical capacity to ensure that projects advance at a more rapid pace, developing a pool of engineers, project managers, spatial planners and quantity surveyors – an action team that can ensure greater momentum at implementation level.

- Government would give effect to its commitment to build human settlements in well-located areas that bring together economic opportunities and all the services and amenities that people need.

- The Housing Development Agency (HDA) would construct an additional 500,000 housing units in the next five years, and an amount of R30 billion would be availed to municipalities and provinces to enable them to fulfil their respective mandates.

- If the country is to effectively address the substantial housing backlog, it needs to develop different models of financing for human settlements.

- The Human Settlements Development Bank would be established. It would leverage both public and private sector financing to aid in housing delivery.

- Government would also be expanding the People's Housing Programme, to enable households to construct their own housing units on allocated serviced stands, either individually or through community-led housing cooperatives.

During the SONA in June of 2019, the President outlined seven priorities that would receive focus over the next five years. These were:

- Economic transformation and job creation.
- Education, skills and health.
- Consolidating the social wage through reliable and quality basic services.
- Spatial integration, human settlements and local government.
- Social cohesion and safe communities.
- A capable, ethical and developmental state.
- A better Africa and World.

2.7 The difference between SONA 2018 and SONA 2019

As stated previously, there were no substantial reference to the human settlements sector in SONA 2018. However, the sector was a key focus area in both the February and June SONA in 2019. Within this context, the increase in specific references to the housing sector illustrates the important role that the sector can play in achieving an inclusive economy and societal transformation.

An overall theme in the February SONA 2019 was the need for investment and economic development, including infrastructure projects for inclusive growth. Within this context, several references were made to the facilitation

of investment in infrastructure in the human settlements sector, including the establishment of the Human Settlements Development Bank and the infrastructure implementation model and Infrastructure Fund. Apart from a focus on funding and investment, attention was also paid to the execution of projects. Increased technical capacity in Government, as a means to ensure that projects progress at a faster rate, as well as a new infrastructure implementation model to address the fragmented nature of infrastructure development, shows the support for human settlements projects at planning, funding and construction phases to ensure the success of such developments.

In order to address the legacy of spatial inequality, government would also ensure that strategically located land be released to address human settlements needs in peri-urban and urban areas to ensure access to economic opportunities. A concerted effort would be made to address the housing backlog, including an additional 500 000 housing units delivered through the Housing Development Agency (HDA), as well as an additional R30 billion to local and provincial spheres over a five-year period. The People's Housing Programme would also be expanded.

In the June SONA of 2019, a key message was the need for realignment with the NDP. Spatial integration, human settlements and local government was identified as one of seven key priority areas for the new administration. It was emphasised that over the next five years, government plans to accelerate the provision of well-located housing and land to poor South Africans.

The President further stated that he has a dream for an entirely new city to be built with skyscrapers, schools, universities, hospitals and factories. Reference was made to how China was building a new Beijing and that this had assisted in consolidating the dream. Within the context of urbanisation and the fact that 70% of South Africans were expected to live in urban areas

by 2030, the cities of Johannesburg, Tshwane, Cape Town and Ethekwini were expected to run out of space to accommodate the influx of people. The President alluded to the fact that a new city, founded on the technologies of the Fourth Industrial Revolution could assist with this foreseeable challenge.

2.8 Summary of the Strategic Plan

The strategic objectives relating to the human settlements sector in SONA 2019 correspond with the NDP, the MTSF and the Medium Term Budget Policy Statement (MTBPS) as these objectives relate to transformation, inclusion and infrastructure development.

Chapter 8 of the NDP focuses on the transformation of human settlements and the national space economy. Its human settlements trajectory proposition states that by 2050 South Africa's human settlements would have transformed into equitable and efficient spaces with citizens living in close proximity to work and having access to social facilities and essential infrastructure. It also envisages that by 2030, measurable progress towards breaking apartheid spatial patterns would have been made. One way in which the issue of transformation in the sector is prioritised in SONA 2019, is through the focus on releasing well-located land in peri-urban and urban areas to ensure that people are located close to social amenities and economic opportunities.

The focus on addressing the fragmented nature of infrastructure projects and the allocation of R30 billion to municipalities and provinces to ensure that they fulfil their mandates could, in part, address the vision for a strong and efficient spatial planning system that is integrated across the spheres of government. However, this would require strong parliamentary oversight to ensure apartheid spatial patterns are not reinforced.

The MTSF (2014-2019) forms part of the 5-year plan for implementation of the NDP and it is based on the NDP. One of the key focus areas for the human settlements sector is access to adequate human settlements and quality basic services. The planned 500 000 housing units over the next five

years and the establishment of the Human Settlements Development Bank to aid in housing delivery, directly relates to this focus area.

In the Medium Term Budget Policy Statement (MTBPS) 2018, the only direct mention of the housing sector was made in relation to housing subsidies amounting to R1 billion that would be centralised to help low- to middle income households access affordable home loans, which would result in more South Africans acquiring their own homes.

2.9 Updated Situational Analysis

The Department of is committed to facilitating and supporting the creation of sustainable and integrated human settlements across the country. This commitment is in response to the NDP proposal and is outlined in the MTSF 2014 – 2019, and includes the promotion of social inclusion, economic growth and spatial restructuring.

Though government has delivered more than 3, 9 housing opportunities since the dawn of democracy, adequate housing continues to be one of the main problems facing the country. In 2016, Statistics South Africa (Stats SA) reported that the household size had decreased to 3.3 persons resulting to about 16.9m households. Stats SA also predicted that the number of households particularly in provinces that are mostly urban would continue to grow as the household size drops. It is also estimated that by 2020 there would be about 3.6 million new household formations, with more than 2m falling within the income category of less than R3500 per month which would contribute to an increasing demand for housing and also government support. The demand for adequate housing is estimated at about 2.2 million households, which includes households in informal settlements and backyard shacks. Of these, about 1.7m are registered in the Departments' Housing Needs Database.

There was also an increasing number (±25%) of South African population particularly in metropolitan areas that require affordable rental accommodation. With the country's total population that was projected to grow to about 58.5 million by 2030, there would be more demand for

affordable rental which the Department and its delivery partners must provide particularly in the metropolitan areas. With only 30% of South Africans that are able to purchase a house of more than R500 000, high inflation rate, high rate of urbanization all perpetuate the demand for housing for various income categories thus pushing the department-government and other stakeholders to collaborate in delivering housing across various markets, address the fractured market, pay attention to the development of infrastructure and public spaces and provide transactional support on the title deeds programme.

To address these, the Department through the policy frameworks is in the process of directing programmes to respond to the needs of poor households whilst also ensuring that government's efforts to deliver on housing and human settlements are realised through integrated planning and good governance that supports optimal land use and stimulates private investment. While there is an acknowledgement that the human settlements sector is reliant on good infrastructure, such as public transport, water, energy sources and public spaces, the shrinking of the public sector allocation is hampering the up scaling of delivery and not enabling the achievement of delivery targets.

During this MTSF period, the department focused on strengthening accountability and oversight to ensure improved planning and delivery. As a result, planning frameworks are under revision, stronger reporting mechanisms are developed and efficiency in allocations has improved. To address these challenges, the Department has prioritized:

- The implementation of catalytic programme that would direct investment to areas with potential for economic development and growth.

- The acquiring of well-located land.

- Establishing partnerships with mining houses to deal with housing and infrastructure challenges in mining communities and securing of well-located land.

- Establishment of a single development finance institution that would provide sustainable infrastructure finance for human settlements including increasing access to affordable finance.
- Scaling up of the Informal Settlements Upgrading Programme.
- Accelerating the eradication of title deeds backlog and issuing of title deeds for new subsidy market.
- Accelerating the delivery of Social Housing to improve delivery on affordable rental.
- Invest in infrastructure and services vital for the functioning of settlements.

2.10 Performance Delivery Environment

The Department is implementing its 2015-2020 Strategic Plan. In order to position DHS within the framework of the NDP, the 2015-2020 DST Strategic Plan is structured around three strategic outcome-oriented goals that drives the work of the Department over the five years. These goals are as follows:

- Enhanced efficiency and effectiveness of the department.
- Integrated and responsive human settlements sector planning and policy environment.
- Increased delivery of adequate housing in quality living environments.

3. Budget analysis

3.1 Budget allocations per programmes

3.1.1 Overview of the 2018/19 Budget & MTSF Estimates

The overall budget allocation increased from R32.2 billion in 2018/19 to R33.8 billion in 2019/20. This represents a real percent decrease of 0.13 percent. The allocations to the Department did therefore not keep

abreast of inflation. The table below provides the budget allocation across the 2019 MTEF period (2018/19 – 2021/22), while showing the nominal and real increase/ decrease comparison between 2018/19 and 2019/20.

Table 1: Expenditure Estimates

Programme	Budget				Nominal change in 2019/20 (Rand' million)	Real change in 2019/20 (Rand' million)	Nominal % change in 2019/20	Real % change in 2019/20
R million	2018/19	2019/20	2020/21	2021/22				
Programme 1: Administration	439,8	464,7	495,2	523,9	24,9	1,9	5,66 %	0,44%
Programme 2: Human Settlements Policy, Strategy and Planning	92,7	104,7	111,8	119,1	12,0	6,8	12,94 %	7,36%
Programme 3: Human Settlements Delivery Support	236,0		327,1	346,5	22,7	9,9	9,62%	4,20%
Programme 4: Housing Development Finance	31 477,4	33 051,1	34198,0	35681,4	1 573,7	- 60,0	5,00 %	-0,19%
TOTAL	32 245,9	33 879,2	35 132,1	36 670,9	1 633,3	- 41,3	5,1%	-0,13%

Source: National Treasury (2019) and own calculations

Programme 4 (Housing Development Finance) received 97.6 percent of the total budget allocation for the Department. This programme funds the major conditional grants located within the Department. Although the programme's allocation shows a nominal increase of 5 percent, the allocation decreased in real terms with 0.19 percent. Programmes 1-3 grew above inflation from the previous year; the strongest growth recorded for Programme 2 which increased by 12.94 percent nominally (or 7.4 percent, when adjusted for inflation).

3.1.1.1 Strategic Objectives

3.1.1.2 Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. It consists of 5 sub-programmes as listed in Table 2 below.

The total budget allocations for Programme 1 has increased from R439.8 million in 2018/19 to R464.7 million in 2019/20, representing a nominal increase 5.7 percent (a real increase of 0.44 percent).

TABLE 2: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME

Programme	Budget		Nominal change in 2019/20 (Rand' million)	Real change in 2019/20 (Rand' million)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Ministry	58,2	55,6	- 2,6	- 5,3	-4,47 %	-9,19%
Departmental Management	87,3	89,0	1,7	- 2,7	1,95%	-3,09%
Corporate Services	197,7	211,7	14,0	3,5	7,08%	1,79%
Property Management	41,1	43,3	2,2	0,1	5,35%	0,15%
Financial Management	55,5	65,0	9,5	6,3	17,12%	11,33%
TOTAL	439,8	464,7	24,9	1,9	5,7 %	0,44 %

Source: National Treasury (2019)

The Corporate Services sub-programme received the largest allocation of the sub programmes with an allocation of R211.7 million. This shows a nominal increase 7.08 percent from the previous financial year, or a real increase 1.79 percent.

The Ministry sub programme experienced a nominal decrease of 4.5 percent (real decrease of 9.2 percent).

3.1.1.2 Programme 2: Human Settlements Policy, Strategy and Planning

The objectives of Programme 2 are to:

- Ensure compliance with frameworks on the governance of human settlements by developing and maintaining policies, programmes and norms and standards for human settlements development on an ongoing basis.
- Promote the sustainable development of human settlements by drafting a new human settlements policy and legislation by March 2020.

- Facilitate the national rollout of human settlements programmes and related projects by managing and monitoring the planning frameworks and processes of the programmes on an ongoing basis.

- Improve cooperation and collaboration in the sector by managing intergovernmental and sector relations with all stakeholders in the value chain of human settlements development and coordinating 32 intergovernmental forums and 14 stakeholder partnerships by March 2022.

TABLE 3: ALLLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 2

Programme	Budget		Nominal change in 2019/20 (Rand' million)	Real change in 2019/20 (Rand' million)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Management for Policy, Strategy and Planning	8,1	8,4	0,3	- 0,1	3,70%	-1,42%
Human Settlements Policy Frameworks	33,4	38,7	5,3	3,4	15,87%	10,14%
Human Settlements Strategy and Planning	51,2	57,6	6,4	3,6	12,50%	6,94%
TOTAL	92,7	104,7	12,0	6,8	12,9%	7,36%

- Programme 2 received an allocation of R104.7 million in 2019/20, compared to R92.7 million the previous year. This represents a nominal increase of 12.9 percent increase (7.36 percent when adjusted for inflation).

- The largest allocation was made to the Human Settlements Strategy and Planning sub-programme, with an allocation of R57.6 million. This represents a nominal increase of 12.5 percent from the previous year (6.94 percent real increase). Human Settlements Policy Frameworks sub-programme experienced a nominal increase of 15.8 percent, or, when adjusted for inflation, a real increase of 10.1 percent.

- However, the Management for Policy, Strategy and Planning sub-programme's allocation did not keep track of inflation, and thus experienced a real decline of 1.42 percent.

TABLE 4: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 3

Programme	Budget		Nominal change in 2019/20 (Rand' million)	Real change in 2019/20 (Rand' million)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Management for Human Settlements Delivery Support	9,0	8,9	- 0,1	- 0,5	-1,11%	-6,00
Programme Management Unit	189,0	202,2	13,2	3,2	6,98%	1,70
Chief of Operations	48,0	47,6	- 0,4	- 2,8	-0,83%	-5,74%
TOTAL	246,0	258,7	12,7	- 0,1	5,2 %	-0,04%

- The Programme Management Unit is the only sub-programme experiencing a positive growth from the previous financial year (6.98 percent nominal and real increase 0.04 percent).

- Both the Management for Human Settlements Delivery Support and the Chief of Operations sub-programmes experienced nominal and real declines from the previous year.

- Over the past three years, Programme 3 has consistently underperformed when compared to other programmes. For the 2017/18 financial year, only 31.5 percent of targets were met, while 76.32 percent of the final appropriated budget for the programme was spent. This is compared to 2016/17, where 41.2 percent of targets were met and 69.7 percent of the final appropriated budget was spent. There has therefore been an improvement in expenditure, but a regression in terms of performance.

Targets that were not met during 2017/18 include:

- Out of a target of 50 catalytic projects, only 48 were approved, thereby not achieving the target.

- Out of a planned 400 informal settlements that were planned to be assessed (feasibility studies conducted), only 61 were assessed. Reasons for the deviation were not clear.

- Out of a planned 300 informal settlement upgrading plans that had to be developed, only 109 were completed. Reasons for the deviation were not clear.

- Out of a planned 1700 non-statutory military veterans that had to be adequately housed, only 480 received adequate housing. A lack of prioritisation on the delivery of housing for military veterans by provinces was offered as an explanation for the poor performance.

- Out of a target of 6000 social housing units, only 3 535 units were delivered. Poor performance by the provinces was offered as an explanation for the poor performance for this target.

3.1.1.3 **Programme 3: Programme Monitoring and Delivery Support**

The purpose of Programme 3 is to support the execution, monitor and evaluate the implementation of human settlements programmes and projects, as well as to manage the building of capacity and skills in the sector and provide oversight of public entities. The objectives of Programme 3 are to:

- Improve the delivery rate of housing projects, including blocked projects and informal settlements upgrading projects, by providing technical support to all provinces and municipalities for the planning and implementation of strategic programmes and projects on an ongoing basis;

- Promote better human settlements outcomes in informal settlements by implementing the National Upgrading Support Programme (NUSP) in 117 municipalities over the next three years;

- Ensure and verify the delivery of quality housing opportunities by monitoring and evaluating the performance of provinces and municipalities, as reported in the housing subsidy system, through project-level site visits, review sessions and workshops on a quarterly basis;

- Develop professional and institutional capacity to support roles and responsibilities at the provincial and municipal spheres by managing training and skills development programmes for officials and communities on an ongoing basis; and

- Manage the performance of public entities, provinces and municipalities by monitoring the performance of human settlements development and housing programmes on a quarterly basis.

3.1.1.4 Programme 4: Housing Development Finance

The purpose of Programme 4 is to fund the delivery of housing and human settlements programmes, and manage all matters related to improving access to housing finance and developing partnerships with the financial sector. This is the core service delivery mandate of the Department, as it received 97.56 percent of the total allocation to the Department.

The objectives of the Programme 4 are as follow:

- Manage the performance of provinces and municipalities by monitoring the expenditure and non-financial performance of human settlements development and housing programmes on a monthly and quarterly basis;

- Accelerate the delivery of housing and human settlements by providing funding from the Human Settlements Development Grant (HSDG), the Urban Settlements Development Grant (USDG), the Informal Settlements Upgrading Partnership Grant (ISUPG), the Title Deeds Restoration Grant (TDRG) and the Emergency Housing Grant (EHG) and transfers to public entities on an ongoing basis;

- Improve access to housing finance by collaborating with the private sector and related entities to develop mechanisms to increase market penetration and provides loans to low- and middle-income households on an ongoing basis; and

- Ensure equal access to housing finance through monitoring the lending practices of the financial sector by publishing an annual report on mortgage finance.

TABLE 5: ALLOCATION TO SUB-PROGRAMMES UNDER PROGRAMME 4

Programme	Budget		Nominal increase/ decrease in 2019/20 (R' million)	Real increase/ decrease in 2019/20 (R' million)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
Management for Housing Development Finance	4,5	4,6	0,1	- 0,1	2,22%	-2,83%
Chief Investment Officer	22,5	24,7	2,2	1,0	9,78%	4,35%
Human Settlements Development Grant	18 266,6	18 779,8	513,2	- 415,1	2,81%	-2,27%
Contributions	1 159,0	1 222,9	63,9	3,5	5,51%	0,30%
Urban Settlements Development Grant	11 306,1	12 045,4	739,3	143,9	6,54%	1,27%
Title Deeds Restoration Grant	518,7	547,7	29,0	1,9	5,59%	0,37%
Emergency housing Grant	400,0	426,0	26,0	4,9	6,50%	1,24%
TOTAL	31 677,0	33 051,1	1 374,1	- 259,6	4,3%	-0,82%

Expenditure under Programme 4 is mainly in the form of transfers through the HSDG (R18.7 billion) and the USDG (R12 billion). The HSDG allocation for 2019/20 is below inflation, and declines in real terms with 2.3 percent from the previous year.

Over the medium term, Cabinet has approved budget reductions of R3.4 billion to the HSDG and R200 million to the USDG. Despite these reductions, an additional R814.5 million is allocated over the medium term to the USDG to provide electricity to households in metropolitan cities; and additional allocations to the HSDG of R247 million in 2019/20 and R400 million in 2021/22 are earmarked for post-disaster relief in KwaZulu-Natal.

5. Delivery agreements for Outcome 8 for 2015/2016 (planned targets)

Objective of Outcome 8 was to manage a comprehensive human settlements programme with multiple projects that covers extensive geographical spread aiming to improve the workings of the space economy. This would be achieved by:

- Providing poor households with adequate housing in better living environments;
- Supporting the development of functional and equitable residential property market; and
- Improving the institutional capacity & coordination for better spatial targeting.

Housing delivery: In terms of the Outcome 8 MTSF for Human Settlements, a total number of 1, 5 million housing opportunities will be delivered over the MTSF period of five years. The 1. 5 million housing opportunities would consist of:

- 750 000 households in informal settlements upgraded;
- 563 000 individual units for subsidy market;
- 110 000 loans (70 000 FLISP plus 40 000 DFIs)
- 27 000 social housing;
- 10 000 CRU; and
- 35 000 affordable rentals.

Other targets

- 2 200 informal settlements would be assessed; and
- 10 000 ha of well-located land would be rezoned and released for new developments targeting poor and lower to middle income households.

6. Allocations over MTSF by economic classification

Total allocation R`000	**2019/20**	**2020/21**	**2021/22**	**Total MTEF**
Departmental Operations	**843 322**	**950 430**	**1 006 879**	**2 800 631**
Compensation of employees	405 680	436 107	464 454	1 306 241
Goods and services	434 219	510 716	538 618	1 483 553
Payment for Capital assets	3 423	3 607	3 807	10 837
Grants and transfer payments	**32 985 844**	**34 181 615**	**35 663 968**	**102 881 427**

Grants	**31 798 901**	**32 685 496**	**33 954 676**	**98 439 073**
Human Settlements Development Grant	18 779 815	15 936 617	15 397 240	50 113 672
Informal Settlements Upgrading Partnership Grant Provinces	-	3 015 286	4 321 909	7 337 195
Provincial Emergency Housing Grant	276 900	294 899	311 118	882 917
Title Deeds Restoration Grant	547 700	577 823	-	1 125 523
Urban Settlements Development Grant	12 045 386	9 716 794	9 373 053	31 135 233
Informal Settlements Upgrading Partnership Grant Municipalities	-	2 985 285	4 383 830	7 369 115
Municipal Emergency Housing Grant	149 100	158 792	167 526	475 418
Entities	**1 222 884**	**1 481 146**	**1 693 307**	**4 397 337**
Social Housing Regulatory Authority (SHRA): Operational	65 761	69 378	73 194	208 333
SHRA: Institutional Investment	21 259	22 428	23 662	67 349
SHRA: Consolidated Capital grant	723 706	762 747	804 646	2 291 099
Community Schemes Ombud Services	32 847	34 654	36 560	104 061
National Housing Finance Corporation (NHFC): Financed Linked Individual Subsidy Programme (FLISP)	95 000	334 250	480 000	909 250
NHFC: Operational support FLISP	5 000	15 750	20 000	40 750
National Housing Finance Corporation- Capitalization of the HSDB	50 000	-	-	50 000
Housing Development Agency	229 311	241 939	255 245	726 495

Departmental Transfers	**14 049**	**14 973**	**15 985**	**45 017**
Bursaries Scheme	7 474	8 078	8 715	24 267
UN Habitat	2 400	2 695	3 050	8 145
City Alliance	685	700	720	2 105
Mangosuthu University of Technology	3 500	3 500	3 500	10 500
Total	**33 879 166**	**35 132 045**	**36 670 847**	**105 682 058**

Source: Department of Human Settlements, 2019.

7. Grant allocation 2019

7.1 Emergency Grant Allocations:

MTEF ALLOCATIONS	**2019/2020**	**2020/2021**	**2021/2022**
	R'000	**R'000**	**R'000**
Provincial Emergency Housing Grant	**276 900**	**294 899**	**311 118**
Municipal Emergency Housing Grant	**149 100**	**158 792**	**167 526**
TOTAL	**426 000**	**453 691**	**478 644**

Source: Department of Human Settlements Strategic Plan.

7.2 Informal settlements upgrading programme allocations (UISP) for 2019

UISP GRANTS	**2019/20** R`000	**2020/21** R`000	**2021/22** R`000	**Total MTEF** R`000
Informal Settlements Upgrading Partnership Grant: **Provinces**	-	3 015 286	4 321 909	7 337 195
Informal Settlements Upgrading Partnership Grant: **Municipalities**	-	2 985 285	4 383 830	7 369 115
Total	**-**	**6 000 571**	**8 705 739**	**14 706 310**

Source: Department of Human Settlements Strategic Plan

7.3 Provincial Human Settlements Development Grant Business Plans and Urban Settlements Development Grant Analysis for the 2019/20 Medium Term Expenditure Framework

Province	2019/2020					2020/2021				2021/2022
	Total Allocation	Normal Projects	Mining Towns (Ring Fenced)	UISP (Ring Fenced)	Disaster	Total Allocation	Normal Projects	Mining Towns (Ring Fenced)	Disaster	Total Allocation
	R'000									
Eastern Cape	1 960 278	1 651 228	-	309 050	-	1 634 932	1 634 932		-	1 631 302
Free State	1 093 166	870 620	59 598	162 948	-	917 011	862 028	54 983	-	908 030
Gauteng	5 164 409	4 235 396	136 301	792 712	-	4 319 346	4 193 598	125 748	-	4 293 873
KwaZulu-Natal	3 485 407	2 727 841	-	510 553	247 013	3 100 921	2 700 921	-	400 000	2 694 924
Limpopo	1 301 677	971 182	148 725	181 770	-	1 098 807	961 598	137 209	-	1 079 035
Mpumalanga	1 296 059	989 883	120 906	185 270	-	1 091 658	980 113	111 545	-	1 075 145
Northern Cape	470 262	292 912	122 527	54 823	-	403 062	290 022	113 040	-	387 887
North West	1 934 947	1 367 126	311 944	255 877	-	1 641 426	1 353 635	287 791	-	1 601 428
Western Cape	2 073 610	1 746 693	-	326 917	-	1 729 455	1 729 455	-	-	1 725 616
Total	**18 779 815**	**14 852 881**	**900 001**	**2 779 920**	**247 013**	**15 936 618**	**14 706 302**	**830 316**	**400 000**	**15 397 240**
TOTAL					**426 000**		**453 691**			**478 644**

Source: Department of Human Settlements Strategic Plan.

8. Committee deliberations and observations

The Committee, having been briefed by the Department and its entities on its strategic plans, annual performance plans and budget, provincial business plans and the metropolitan municipalities, deliberated and made the following observations:

1. That municipalities did not comply with USDG policy parameters. There was a need for punitive measures for the lack of compliance. This would assist the Department to regulate the use of the grant.
2. That there was a practice of fiscal dumping of the USDG grant.
3. That the Department did not provide a list of informal settlements that need to be upgraded.
4. That there was a number of informal sale of RDP houses.
5. That there was a huge backlog in the beneficiary waiting list.
6. That there was a lack of capacity in some critical programmes within the Department, e.g. the Anti-Corruption Unit.
7. That there was an increase in land and home invasions.
8. That there was an increase in farm worker evictions.
9. That the Department and municipalities were not responding optimally to emergency situations.
10. That the issuing of title deeds was at a slow pace. In addition, that Indians and Coloured areas were still lagging behind.
11. That there were misconduct allegations against the Red Ants in the demolition of houses in Alexandra.
12. That there was an increase in community protests.
13. That accreditation of municipalities in building homes was at a slow pace, e.g. in Polokwane.
14. That the Department viewed the 2019/20 Annual Performance Plan as delivery contract with society. This would give space for society to monitor the work of the Department. In addition, this would assist the Committee with it monitoring work.

9. Recommendations

The Committee, having been briefed by the Department of Human Settlements on its strategic plans, annual performance plans and Budget Vote 38: Human Settlements, recommends that the Minister of Human Settlements should ensure that the Department of Human Settlements:

1. Put punitive measures for the municipalities that are lacking compliance in the utilisation of the Urban Settlements Development Grant (USDG). The funds should be ring-fenced and be utilised for the intended purpose. There should also be punitive measures in place to deal with poor performing municipalities.
2. Together with National Treasury improve the monitoring of the USDG grant and prevent fiscal dumping.
3. Provide a list of the informal settlements in South Africa, including their geographical location (the list of the informal settlements to be upgraded); distressed mining towns; list of blocked projects with the plans to unblock them. The department should also clarify the rectification programme.
4. Prevent the informal sale of state subsidy house. Conduct occupancy audit or studies to determine ownership of state subsidy houses (RDP). This would assist the Department to determine the effectiveness and responsiveness of the programme. Educate beneficiaries on their role in home ownership, importance of ownership and benefits.
5. Fast-track the release of suitable land for human settlements purpose. Densification strategies urban areas should be incorporated into departmental plans in urban areas.
6. Improve capacity in critical programmes with the Department.
7. Prevent land and home invasions.
8. Prevent illegal evictions of farm workers by farmers.
9. Improve the response rate in cases of emergency situations. The criteria on emergency grant must be clarified. Furthermore, the definition, parameters, and process of policy should be clarified. This would assist the Committee with monitoring and evaluation of the programme.
10. Fast-track the issuing of title deeds, including the eradication of the backlog (pre- and post-1994). Fast-track the issuing of tittle deeds in Indian and Coloured areas.

11. Conduct an investigation of alleged Red Ants misconduct.
12. Improve community involvement to ensure community satisfaction and reduce community protests.
13. Improve the accreditation process of municipalities.

9.1 General Recommendations

1. Upscale support to women and youth contractors. There should be plans to capacitate them to improve their performance.
2. Utilise the current legislation to prevent land and home invasions. Clarify on the utilisation of emergency grant, how is it administered, what constitute the emergency or prerequisite as most people affected by disasters were still out of shelter.
3. Monitor the management of the Housing Subsidy System (HSS) as the waiting list is still a challenge.
4. Provide plans to assist Military Veterans as some houses were built without amenities.
5. Submit its human resource plan to the Committee.
6. Start looking into future plans to realise the President's dream of building new smart cities.

Report to be considered.

6. Report of the Portfolio Committee on Employment and labour on Budget Vote 28: Labour, the Strategic Plan of the Department and the Annual Performance Plan of the Department 2019/20, dated 5 July 2019

Having considered the briefing on the budget review of the Department in line with its 2015 - 2020 strategic plan and annual performance plan which were presented on 03 July 2020, the Committee reports as follows:

1. INTRODUCTION

The Department of Labour derives its legislative mandate from the Constitution, particularly the Bill of Rights. Some of the relevant sections include section 9-Equality, section 10-Human dignity, section13-Slavery, servitude and forced labour, section 16-Freedom of expression, section 17, Assembly, demonstration, picket and petition, section 18—Freedom of association, section 22-Freedom of trade, occupation and profession, as well as section 23-Labour relations. These Constitutional rights are given effect through various legislation, including the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998), the Occupational Health and Safety Act (1993), Employment Services Act (2014) and National Minimum Wage Act (2018).

This report covers the Strategic Plan of the Department 2015-2020, Annual Performance Plan 2019/20 and the Budget Review of the Department. It is based on presentation made to the Committee on Employment and Labour on 3 July 2019. The report does not cover the reports of entities of the Department, except Supported Employment Enterprises.

2. The Strategic Plan of the Department of Employment and Labour 2015- 2020

2.1 Strategic Plan per programmes of the Department

The function of the Department is structured into four programmes, which are:

- Programme 1: Administration
- Programme 2: Inspection and Enforcement Service
- Programme 3: Public Employment Services
- Programme 4: Labour policy and industrial Relations

The Department also has the following public entities:

- Unemployment Insurance Fund (UIF)
- Compensation Fund CF)
- Commission for Conciliation, Mediation and Arbitration (CCMA)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Supported Employment Enterprises (SEE)

2.1.1. Strategic objectives for Programme 1: Administration

The strategic objectives for Administration programme are:

- Departmental interventions and initiatives communicated.
  This strategic objective is linked to outcome 12: An efficient, effective and development oriented public service.
- Effective financial management and governance
  The 5-year target for this objective is to produce 3 Interim Financial Statements (IFS) and 1 Annual Financial Statement (AFS) per annum.
- Effective supply chain management
  The 5-year target for this objective is to report 100% of detected cases of irregular, fruitless and wasteful and unauthorised expenditure.

2.1.2. Strategic objectives for Programme 2: Inspection and Enforcement Services

The strategic objectives for Inspection and Enforcement Services programme are:

- Workers protected through inspection and enforcement of employment law

  The 5-year target for this objective is to increase the number of inspections by 30%.

2.1.3. Strategic objectives for Programme 3: Public Employment Services

The strategic objectives for Employment services programme are:

- Work seekers registered

  The 5-year target for this objective is to register work-seekers on ESSA for opportunities.
- Work and learning opportunities registered

  The 5-year target for this objective is to register work and learning opportunities.
- Employment counselling provided

  The five-year target for this objective is to provide work-seekers with employment counselling.

- Work seekers placed in work and learning opportunities

  The 5-year target for this objective is to place work seekers in work and learning opportunities.

2.1.4. Strategic objectives for Programme 4: Labour Policy and Industrial Relations

- Employment equity in the labour market ensured and enforcement improved

  The 5-year target for this objective is to have at least 40% of middle and senior management being African.
- Establish basic standards and minimum wages

  The 5-year target for this objective is to cover 95% gaps in minimum wage determinations.

- Advance national priorities through bilateral relations

  The 5-year target is to have 8 signed MoUs implemented and 5 new MoUs signed.

- Promoting sound labour relations

  Five-year target is development of programmes to address workplace conflict through (a) improved communication, career mobility, skills development and fairness in workplaces, and (b) stronger labour-relations systems.

  Process implemented in 3 sectors and 10 workplaces.

  The share of unprotected strikes in total strike action decrease with 50%.

- Monitor the impact of labour legislation

  Five-year target-20 annual labour market trends and 8 final research reports will be produced and disseminated to internal and external stakeholders for decision making.

3. Annual Performance Plan of the Department of Employment and Labour 2019/20

3.1. Annual Performance Plan of Programme 1: Administration

Table 1: APP for Administration Programme

Performance Indicator	**Reporting Period**	**Target**
Effective communication and marketing of Departmental work	Quarterly and Annually	• Communication annual work plan approved • 100% implementation of the annual work plan
Number of Annual Financial Statements (AFS) and Interim Financial Statements (IFS) compiled per year that comply with guidelines issued by the National Treasury	Quarterly	• One AFS by 31 May and three IFS 30 days after each quarter
Cases of Irregular, Fruitless and Wasteful expenditure and Unauthorised expenditure, detected per financial year, reported to the Accounting Officer	Quarterly	• All cases which are detected, reported monthly

Source: Adapted from the Presentation of the Department dated 3 July 2019

Administration Programme has three performance indicators, which are effective communication and marketing of departmental work, number of AFS and IFS compiled per year that comply with National Treasury guidelines and cases of irregular, fruitless and wasteful and unauthorised expenditure detected per financial year, reported to the Accounting Officer.

The targets for the first performance indicator are communication annual work plan approved and 100% implementation of annual work plan. The target for the second are one AFS by 31 May and three IFS 30 days after each quarter. The target for the third performance indicator is to have all cases which are detected, reported annually.

3.2. Annual Performance Plan of Programme 2: Inspection and Enforcement Services

Table 2: APP for IES Programme

Performance Indicator	**Reporting Period**	**Target**
Number of employers inspected per year to determine compliance with employment law	Quarterly	220 692
Percentage of non-compliant employers of those inspected served with a notice in terms of relevant labour legislation within 14 calendar days of the inspection	Quarterly	85%
Percentage of non-compliant employers who failed to comply with the served notice referred for prosecution within 30 calendar days	Quarterly	60%
Percentage of reported incidents investigated and finalised within the prescribed time frames	Quarterly	70%

Source: Adapted from the presentation to the Committee dated 3 July 2019

The first performance target of the IES programme is to inspect 220 692 employers per year to determine compliance with employment law. The second performance target is to serve 85% of non-compliant employers of those inspected with notices in terms of relevant labour legislation within 14 calendar days of the inspection. The third one is to refer 60% of non-compliant employers who failed to comply with the served notices for prosecution within 30 calendar days. The fourth target is to investigate and finalise 70% of reported incidents within the prescribed time frames.

3.3. Annual Performance Plan of Programme 3: Public Employment Services

Table 3: APP for PES Programme

Performance Indicator	Reporting Period	Target
Number of work-seekers registered on Employment Services South Africa (ESSA) system per year	Quarterly	700 000
Number of work and learning opportunities registered on ESSA	Annually	90 000
Number of registered work-seekers provided with employment counselling per year	Annually	210 000
Number of registered work and learning opportunities filled by registered work seekers per year	Annually	45 000

Adapted from the presentation to the Committee dated 3 July 2019

The first performance target of PES programme is to register 700 000 work-seekers on ESSA system per year. The second target is to register 90 000 work and learning opportunities on ESSA per year. The third one is to provide 210 000 registered work-seekers with employment counselling per year. The fourth target is to fill 45 000 registered work and learning opportunities by registered work seekers per year.

3.4. Annual Performance Plan of Programme 4: Labour Policy and Industrial Relations

Table 4: APP of LP & IR programme

Performance Indicator	Reporting Period	Target
Number of policy instruments developed and promoted to enhance the implementation of EEA by 31 March 2020	Annually	2018-2019 Annual Employment Equity Report and Public Register published by 30 June 2019
	Annually	Annually 2019-2020 Annual Employment equity Report and Public Register developed by 31 March 2020
Review of the National Minimum Wage by 1 January 2020	Annually	Review the national minimum wage and recommend adjustment 2020
Number of progress reports on bilateral cooperation and multilateral obligations signed off by the minister annually	Annually	• Two reports on the implementation of bilateral cooperation and multilateral obligations signed off by the Minister by 31 March 2020

		• One Annual implementation report submitted to the Minister for sign-off by 30 April 2019 • One Mid-Term implementation report submitted to the minister by 31 October 2019 for sign-off
Percentage of collective agreements extended within 90 calendar days of receipt by 31 March each year	Quarterly	• 100% of collective agreements extended within 90 calendar days of receipt by end of March 2020
Percentage of Labour Organisation applications for registration approved or refused within 90 calendar days of receipt by end of March each year	Quarterly	• 100% labour organisation applications for registration approved or refused within 90 calendar days of receipt by end of March 2020
Moderating workplace conflict by amending the Labour Relations Act and measuring the impact thereof	Quarterly	• Report on impact of amendments on workplace conflict by 31 March 2020
Number of labour market trends reports produced annually	Annually	• Four Annual labour market trend reports produced by March 2020
Number of research service providers identified to deliver on Research, Monitoring and evaluation (RME) Agenda by 31 March 2020	Annually	• Two research services providers identified to deliver on the RME agenda by 31 March 2020 • Data collection tools for one research study within the RME agenda conducted internally presented to the DD Forum by 31 march 2020

Source: Adapted from the presentation to the Committee dated 3 July 2019

Some of the targets of the LP & IR programme are to review the national minimum wage and recommend adjustments by January 2020, to extend 100% of collective agreements within 90 calendar days of receipt by end of March 2020, approve or refuse 100% of applications for registration by labour organisation within 90 calendar days of receipt by end of March 2020, and report impact of amendments on workplace conflict by end of March 2020.

4. Budget Allocation of the Department for 2019/2020 and 2018/19 Financial Years

Table 5: Budget allocation of the Department for 2019/20 and 2018/19

Branch	**2019/20 Original Budget**	**% Allocation**	**2018/19 Original Budget**	**% Allocation**
	R'000	**%**	**R'000**	**%**
Administration	961 959	28%	917 385	28%
Inspection and Enforcement Services	631 133	18%	598 223	18%
Public Employment Services	611 198	18%	592 574	18%
Labour Policy and Industrial Relations	1 230 843	36%	1 197 061	36%
TOTAL	**3 435 133**	**100%**	**3 295 243**	**100%**

Source: Presentation to the Committee dated 3 July 2019

Table 5 above reflects that the Department received a total budget allocation of R3.4 billion in 2019/20 financial year, which translate to a nominal increase of R139. 9 million from the R3.3 billion allocated in 2018/19 financial year. Labour Policy and Industrial Relations received the largest share of the budget at R1.2 billion or 36% of the total departmental budget. This translates to a nominal increase of R33.8 million from the R1.19 allocated in the previous financial year. However, the percentage of the total allocation remained the same, at 36%.

Administration received the second largest allocation of R961.9 million or 28% of the total budget in 2018/19. This translates to a nominal increase of R44.6 million from the R917.4 million or 28% allocated in 2018/19.

The Inspection and Enforcement Services and Public Employment Services received equal share of the budget at 18% in 2019/20 as well as 2018/19. In monetary terms the IRS programme received R631.1 million, which translates to a nominal increase of R32.9 million from the R598.2 million allocated in 2018/19 financial year.

Public Employment Services received the least budget allocation at R611.2 million. However, this translates to an increase of R28.6 million from the R582.6 allocated in 2018/19 financial year.

4.1. Budget Transfers

4.1.1. Budget transfers from Programme 3: Public Employment Services

Budget transfers from Programme 3: Public Employment Services amounted to a total of R241.9 million in 2019/20 financial year. This translates to a nominal increase of R12.3 million from the R229.6 transferred in 2018/19. Subsidised work centres for the disabled received the largest share of the transfers at R148.9 million or 62% of total transfers. This is to an increase of R2.1 million from the R146.8 million transferred in 2018/19.

The second largest transfer in 2019/20, went to Productivity South Africa at R54.6 million or 23% of total transfers from the programme. This translates to a nominal increase of R1.3 million from the R53.3 million transfer received in in 2018/19.

Subsidised Workshops for the Blind received R21.5 million or 9% of the transfers in 2019/20 financial year. This translates to an increase of R9.1 million from the R12.4 million or 5% of total transfers received in 2018/19.

Compensation Fund received R16.9 million or 7% of the total transfers from the programme, which translates to an increase of R770,000.00 from the R16.1 million allocated in 2018/19.

Programme 3: Public Employment Services is there left with an operating budget of R369.3 million after transfers of R241.9 million.

4.1.2 Budget transfers from Programme 4: Labour Policy and Industrial Relations

Budget transfers from the programme amounted to R1.06 billion in the 2019/20 financial year. The total transfers in 2018/19 amounted to R1.04 billion, translating to an increase of R25.5 million in 2019/20.

The CCMA received the largest share of the budget transfers at R976.8 million or 92% of the total allocation. The entity received transfer amounting to R963.1 million, translating to a nominal increase of R13.7 million in 2019/20.

Nedlac received R40.7 million of the total transfers in 2019/20, which is an increase of R7.1 million from the R33.7 million transfer received in 2018/19.

International Labour Organisation (ILO) received R25.3 million transfers in 2019/20, which is an increase of R1.3 million from the R23.9 million transferred in 2018/19.

Strengthening Civil Society received R22.1 million transfers in 2018/19, which is a nominal increase of R1.2 million from the R20.9 million received in 2018/19.

African Regional Labour Council (ARLAC) received R1.3 million of the transfers in 2019/20, which translates to a nominal increase of R69,000.00 from the R1.2 million transfers received in 2018/19.

4.2. Operating Budget of the Department for 2019/20 Financial Year

When R 1.30 billion grand total of transfers is deducted from the departmental budget of R3.4 billion, the Department is left with an operating budget of R2.1 billion for 2019/20 financial year.

5. Supported Employment Enterprises

Table 6

Performance Indicator	Reporting Period	Target
Number of additional persons with disabilities provided with work opportunities in the SEE by the end of March 2020	Quarterly	150 additional persons with disabilities provided with work opportunities in the SEE by end of March 2020
Percentage of annual increase of sales revenue from goods and services by the end of March 2020	Annually	10% annual increase of sales revenue from goods and services by end of March 2020

Source: Presentation to the Committee dated 3 July 2019

Table 6 reflects that SEE plans to have 150 additional persons with disabilities provided with work opportunities in the SEE by end of March 2020.

SEE also plans to have 10% annual increase of sales revenue from goods and services by end of March 2020

6. COMMITTEE OBSERVATIONS

Having engaged with the Department, the Committee made the following observations:

6.1. That the Department incurred irregular expenditure amounting to R257 657.79 and fruitless and wasteful expenditure amounting to R129 091.84. There was no unauthorised expenditure detected.

6.2. That a mismatch between available job opportunities and available skills is one of the drivers of unemployment.

6.3. That Thusong Services Centres close too early, which makes them inaccessible to some community members.

6.4. That the reconfiguration of the Department, to include Employment, might lead to the expansion of its mandate, which might strain its budget. This might put more strain on the entire budget of the Department.

6.5. That the Occupational Health and Safety cases that require formal inquiries to be conducted get delayed because of court processes involved to the detriment of beneficiaries.

6.6. That attempts have been made to register bogus trade unions so as to represent aggrieved employees at CCMA proceedings at a fee.

6.7. That Productivity SA received R54.6 million for 2019/20 financial year while it is faced with a task of assisting struggling companies to turn-around so as avoid retrenchments.

7. COMMITTEE RECOMENDATIONS

In view of the above observations, the Committee recommends that the Minister of Employment and Labour considers the following:

7.1. Putting measures in place to ensure that irregular, and fruitless and wasteful expenditure are not incurred, and ensuring that the recommendations of the Auditor-General are taken into consideration.

7.2. Establishing partnerships between the Department of Employment and Labour and the Department of Higher Education, Science and Technology, as well as other government Departments to ensure that relevant skills are provided.

7.3. Ensuring that all the Department's Centres are accessible to the majority of the communities.

7.4. Increasing the budget of the Department to accommodate the possible expansion of its mandate.

7.5. Ensuring that the Department work with the Department of Justice and Correctional Services to address delays in Occupational Health and Safety cases.

7.6. Strengthening the office of the Registrar of Labour Relations to ensure that it discharges its mandate effectively.

7.7. Funding Productivity SA appropriately so that it can perform its duties.

Having satisfied itself in its engagement with the Department of Employment and Labour, on its Annual Performance Plan and Strategic Plan, the Committee recommends that the House approves the Budget Vote 28: Labour.

Report to be considered.

7. Report of the Portfolio Committee on Public Works and Infrastructure on Budget Vote 11: Public Works, the Property Management Trading Entity, and entities reporting to the Minister of Public Works, dated 5 July 2019

The Portfolio Committee on Public Works and Infrastructure, having considered the Annual Performance Plan (APP) and budget of the Department of Public Works (and Infrastructure)[1], the Property Management Trading Entity (hereafter, PMTE), and the entities reporting to the Minister of Public Works, reports as follows:

1. Introduction

The Portfolio Committee on Public Works and Infrastructure has the responsibility to do oversight over the Minister of the Department of Public Works and Infrastructure (hereafter, DPWI) as policy leader of the DPWI and PMTE. In addition, it exercises oversight over the entities that report to the Minister, namely the Independent Development Trust (IDT), the Construction Industry Development Board (CIDB), Agrément South Africa (ASA), and the Council for the Built Environment (CBE).

In order to do its oversight, the committee met with the Minister, Deputy Minister and the senior management teams of the DPWI, PMTE, and boards of the mentioned entities in public meetings held on 2 and 3 July 2019.

1.1. The mandate

The Constitution of the Republic of South Africa, 1996, and the Government Immovable Asset Management Act (No. 19 of 2007) (hereafter, GIAMA) describes the mandate of the DPWI and describes it as the custodian and portfolio manager of government's immovable assets.

[1] We place this in brackets here, as the budgetary allocations and functions for this deliverable has not yet been transferred. The report speaks to the matter in more detail.

As part of its turnaround strategy, in the 2015/16 financial year, the Minister of Public Works initiated a shift in the focus of the role of the DPWI. The practical implementation of the mandate has been shifted to the PMTE. This shift allows the DPWI to focus on:

- policy formulation,
- the setting of standards for the management of immovable assets,
- maintaining intergovernmental relationships with user/client departments,
- managing the coordination, standardisation, and regulation relating to the provision of accommodation, and public employment programmes, and expert built environment services to user/client departments,
- importantly, DPWI and PMTE has an oversight role over the standards and regulation that the Minister of Public Works and Infrastructure makes as leader of the functions that Schedule 4 of the Constitution confers to national, provincial departments of public works and infrastructure, and municipalities that also play these implementation roles.

With the mentioned split of functions, the PMTE implements the main mandate of the DPWI to manage immovable properties and the accommodation needs of client departments by implementing the GIAMA. The GIAMA puts in place "a uniform immovable asset management framework to promote accountability and transparency within government."[2] The Act defines all national and provincial departments as "user(s)" or clients of the DPW and PMTE's that "uses or intends to use an immovable asset in support of its service delivery objectives and includes a custodian in relation to an immovable asset that it occupies or intends to occupy,"[3]. The GIAMA stresses that immovable assets must be "kept operational to function in a manner that supports efficient service delivery"[4]; that the accounting officer of each department must prepare a user immovable asset management plan (UIAMP) and custodian immovable

[2] GIAMA, 2007, Section 3, **Objects of the Act**.
[3] GIAMA, 2007, Section 1, **Definitions**.
[4] GIAMA, 2007, Section 5, **Principles of Immovable Asset Management**.

asset management plan (CIAMP) that adheres to the principles or further principles that the Act stipulates.

The PMTE also manages the Immovable Asset Register (IAR) that records all immovable assets in line with the principles, best practice, and uniform immovable asset framework for the government as set out in the GIAMA, sections 7, and 13(1)(d)(i) to (vi). These set out the whole life cycle of each immovable asset from acquisition, the maintenance, to its disposal. Note that without the UIAMP and CIAMP of every immovable property being in place at municipal, provincial and national levels, the IAR cannot be claimed to be complete. UIAMPs and CIAMPs can be viewed as the building blocks of the IAR.

The IAR needs to be monitored and updated regularly to ensure that it provides a true record of government's immovable assets. This necessitates uniform, standardised methods of monitoring provincial, municipal and national immovable asset registers to reconcile properties across the three levels of government. In addition, it means keeping a check on the status and condition of properties and immovable assets that other departments including those that the Department of International Relations and Cooperation (DIRCO) uses at South African missions in foreign countries.

The trading and investment function of the PMTE requires more attention. As a precursor that forms the basis of a brief unpacking of the trading and investment challenge that the PMTE faces, we briefly refer to how Members of the Committee, during deliberations, robustly engaged the PMTE and the DPWI on the need to manage the IAR more effectively. They made it crystal clear that this is much needed so that the PMTE has the required knowledge of ownership, occupation, maintenance status, and security of government immovable properties.

They did this in the light of the policy needs expressed before and during the last elections, that informs government's work for the next five years.

These needs exist throughout the country for:

- vacant land for agricultural, and economic development;
- integrated human settlement in all villages, towns, and cities;
- social development that lags behind in previously neglected rural areas, and townships, that are spread across the country;
- security needs that are urgent in underdeveloped parts of villages, towns and cities and cause people to live in fear – often because government's immovable properties in underdeveloped parts of our country are not secured and maintained.

A correctly updated IAR is the foundation of the trading and investment function. The PMTE should be able to calculate and employ the "best value for money"[5] as defined in the GIAMA as "the optimisation of the return on investment in respect of an immovable asset in relation to functional, financial, economic and social return". One of the tasks of the PMTE is to unlock the financial value of the immovable assets held by government to the maximum benefit for the country.

This has yet to be fully realised since the PMTE's operationalisation in 2015/16. This is an important precursor to utilising the value locked within the IAR so that the PMTE can be less dependent on the allocated budget to the DPWI, and can generate funding through its optimal functioning. The PMTE faces challenges in this regard which will be further dealt with in the relevant sections of this report.

1.2. A Weakened Mandate

Before moving to further policies that stipulate what the allocated budget will be used on, it must be noted that the DPWI has been somewhat weakened in terms of its mandate.

This is partly due to, firstly, the absence of legislation that gives the DPW as 'landlord of the state' the necessary powers. These are powers that it

[5] GIAMA, 2007, Section 1, **Definitions**.

requires to act decisively, with enforceable powers, to ensure compliance to the GIAMA. A strengthened mandate becomes more urgent in the light of service3 delivery departments setting up their own maintenance and construction programmes that further weakens the DPWI mandate. In addition, during deliberations, the IDT reported that other government agencies were increasingly playing construction project management and maintenance functions that is the mandate of government's public works family.

Secondly, the weakened mandate is due to the DPWI not completing the review of the public works white papers 1997 and 1999[6] within the MTSF period of 2014-2019. This strengthened the phenomenon of other departments setting up their own construction and maintenance programmes and by so doing, eroding and weakening the actual mandate of the DPWI. This policy task was the duty of the bureaucratic team who worked in programme 4, Property and Construction Industry Policy and Research. In each annual performance plan (APP) that stretched across the term, the management reported that it faced capacity problems, that it had to stretch its completion targets, until eventually, late in the 2017/18 financial year it stated that it would be achieved only in the 2019/20 financial year – outside of the five-year term. This Portfolio Committee recorded its unhappiness in its Budgetary Review and Recommendation Reports that stretched across the 2014-19 administrative term but nothing concrete emerged from the DPWI to address the matter decisively.

1.3. Addressing the policy and mandate weakness

The white paper entitled "Public Works, Towards the 21st Century", was planned to lead to a draft bill that would have spelled out the mandate of the department so that it was able to set standards and regulate its role of landlord of the state with the powers that it required to collect management and maintenance fees. Without it, the PMTE, the DPWI, and the Independent Development Trust (IDT) continue to spend funds without

[6] DPW White Paper: Public Works, Towards the 21st Century, 1997.
DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999.

being able to recover it sufficiently enough from client or user departments – in the case of the IDT, its failure to recover management fees for completed social infrastructure projects is an on-going crisis that threatens its operability as an entity.

The second white paper would have resulted in two pieces of legislation, which would have been amendments to legislation that guide the focus, organisations and work of the Construction Industry Development Board (CIDB), and the Council for the Built Environment (CBE). These would have been draft bills that would have set out functions and powers of each entity to address their respective roles in transforming respectively the construction industry, and the professional built environment sector as per government's policy as driven by the Minister of Public Works. These pieces of legislation remain sorely required instruments that would further assist in strengthening the mandate along which the allocated budget would be spent.

2. Policy Priorities for the Department of Public Works, PMTE and Entities

One of the main policy tasks of government is fighting the scourge of poverty, and narrowing the growing inequality gap[7]. The World Bank reported that, "South Africa is one of the most unequal countries in the world. Inequality has increased since the end of apartheid in 1994. The country also has a high concentration of low income earners (the poor) and a few very high-income earners (the rich or elite), but only a small number of middle-income earners, resulting in a high level of income polarization." The President assigned the task to the DPWI to create employment opportunities for the currently unemployed but economically viable section of the population. In line with this policy directive, the DPWI coordinates job creation initiatives through government's Expanded Public Works Programme (EPWP). The EPWP is a multi-level programme. It is worthwhile to note that the DPWI do not initiate and manage EPWP programmes.

[7]Overcoming Poverty and Inequality - An Assessment of Drivers, Constraints and Opportunities, 2018, International Bank for Reconstruction and Development/The World Bank.

Different national and provincial departments as well as in municipal councils manage EPWP programmes. The DPW coordinates the collection of data from each department across the multi-level programme. It regulates the collection and verification of data on employment opportunities created through all EPWP projects across the country. Compliance to set standards and reaching agreed-to targets of total employment opportunities created, unlocks incentive grants to provinces and municipalities for further developmental initiatives. The DPWI also puts in place and monitors the implementation of national regulation that guides, and sets standards for the selection of beneficiaries across all provinces, municipalities and national departments. Similarly, it sets standards and regulation, and monitors the gathering and verification processes of employment numbers of the EPWP across the three levels of government.

Apart from this, in the 2019 State of the Nation Address (SoNA), the President identified the following policy focus for government departments, over which the Department of Public Works and Infrastructure plays a coordinating, implementing role with its entities:

- Expanding investment over the next five years to create new jobs, especially by enhancing demand for local goods.
- Increasing the proportion of local goods and services procured by government and the private sector.
- Creating jobs for those currently unemployed, and prepare workers for the jobs of the future.
- Adopting a new infrastructure model to address the fragmented infrastructure provision by the different spheres of government.
- Strengthening government’s technical capacity (through the creation of a pool of engineers, project managers, spatial planners and quantity surveyors) to ensure projects are implemented at a rapid pace.
- Supporting the work of the Constitutional Review Committee tasked with the review of Section 25 of the Constitution to set out provisions for expropriation of land without compensation.

- Addressing the corrosive effects of corruption and restoring the integrity of institutions.
- Focusing on policies and programmes in key parts of the economy that are labour intensive.
- Releasing strategically located land to address human settlements needs in urban and peri-urban areas.
- Harnessing the potential of the country's oceans to grow the economy.

The National Planning Commission highlighted that the main weakness of the post-apartheid government was the implementation of policies. Before it released the National Development Plan (NDP), it released the Diagnostic Report in June 2011. This highlighted the achievements and challenges that have been experienced from 1994 to 2011. It identified slow implementation progress in nine areas, of which the following apply specifically to Public Works[8]:

- The numbers of people who were employed remain low.
- The country's development is curtailed by poorly located, inadequate and under-maintained infrastructure.
- Apartheid-era geospatial divisions severely impedes inclusive development in every village, town, city, and metropolis.
- Too many people receive uneven and poor quality public services.
- Levels of corruption remain high.

The NDP emphasised the "provisions of income support to the unemployed through various active labour market initiatives such as public works programmes, training and skills development, and other labour market related incentives."[9] The focus referred to earlier through the DPWI's

[8] National Planning Commission (2012), p. 15.
[9] National Planning Commission (2012), p. 360.

function of coordinating work opportunities created through EPWP projects, attempts to deal with this challenge.

In the 2019/20 Annual Performance Plan (APP) the Department continues to be responsive to the following Sustainable Development Goals (SDGs)[10]:

> Goal 1: End poverty in all its forms everywhere.
>
> Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
>
> Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
>
> Goal 13: Take urgent action to combat climate change and its impacts.

The Medium Term Strategic Framework highlighted the following objectives that the DPW must reach during the medium term:

> 1. contribute towards the realisation of outcome 4 - decent employment through inclusive growth;
> 2. outcome 6 - an efficient, competitive and responsive economic infrastructure network; and
> 3. outcome 12 - an efficient, effective and development-orientated public service.

Deliberations made it clear that the DPWI, PMTE and the entities had to reconfigure itself to align itself with the seven policy tasks that the President outlined. These tasks are:

- **Economic transformation** and **job creation;**
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services is another important priority;
- **Spatial integration**, **human settlements and sanitation**, and **local government;**
- **Social cohesion and safe communities**;

[10] UNDP (2015).

- **Building a capable, ethical and developmental State;**
- A better Africa and world.

The deliberations remained firmly focused on this committee's oversight task to ensure that over the next five years, the budgetary allocation is properly applied so that the programmes in the Annual Performance Plans, have the desired impact on improving the lives of the people.

The following section focuses on budgetary allocations to the programmes of the DPWI and PMTE to implement the stated policy ideals.

3. Budget analysis:

This section of the report deals with the analysis of the Department of Public Works (DPW), and the Property Management Trading Entity (PMTE).

The budgetary allocation for the DPW:

Budget allocation for 2019/20 for the Department of Public Works (DPW)[11]

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
Administration	483,4	508,0	543,2	596,7	24,6	- 0,5	5,09 per cent	-0,11 per cent
Intergovernmental Co-ordination	56,1	60,9	63,4	70,7	4,8	1,8	8,56 per cent	3,19 per cent
Expanded Public Works Programme	2 547,3	2 680,8	2 844,7	3 259,3	133,5	1,0	5,24 per cent	0,04 per cent
Property and Construction Industry Policy and Research	4 246,5	4 443,8	4 680,1	4 871,0	197,3	- 22,4	4,65 per cent	-0,53 per cent
Prestige Policy	150,0	115,4	106,3	121,4	- 34,6	- 40,3	-23,07 per cent	-26,87 per cent
TOTAL	**7 483,3**	**7 808,9**	**8 237,7**	**8 919,1**	**325,6**	**- 60,4**	**4,35 per cent**	**-0,81 per cent**

The Department received a voted allocation of R7.8 billion for 2019/20 with which to accomplish the priorities identified in the NDP, and policy tasks listed by the President in the SoNA.

Note that the R7.47 billion allocated in 2018/19 was adjusted to R7.48 billion. The allocation for the 2019/20 financial year of R7.8 billion

[11] Figures are as provided by the National Treasury in the Estimates of National Expenditure (ENE) for 2019/20. Note that the budget allocation predates the change in the name of the DPW to DPWI.

represents an increase of 4.4% in nominal terms, and a decline 0.81% in real terms (calculating the impact of inflation) from the 2018/19 adjusted appropriation of R7.48 billion.

In terms of economic classification, the departmental budget includes transfers totalling 86.8% of the budget, with a total monetary value of R6.77 billion (compared to R6.47 billion the previous year). This constitutes a 4.7% nominal increase, but a decline 0.5% in real terms since the departmental allocation did not stay above of the effects of inflation.

R1.6 billion is in the form of conditional grants to Provinces and Municipalities, while a total of R4.39 billion is allocated to departmental Agencies and Accounts. For 2019/20, current payments amount to 12.9% (i.e. R1.01 billion) and capital payments to 0.3% of the budget (i.e. R23.2 million).

Compensation of employees increased by R47.5 million (from R510.3 million in the 2018/19 adjusted period) to R557.8 million for 2019/20.

Budgetary allocations per programme

Programme 1: Administration

Programme 1 provides strategic leadership, management and support services to the Department.

The Administration programme receives an allocation of R508.0 million, which proportionally represents 6.5% of the overall departmental budget. Its allocation increases by R24.6 million and constitutes (a nominal rate increase of 5.1%, but declines by 0.11% in real terms) from the previous allocation.

In terms of economic classification, the *Administration* programme budget includes current payments to the value of R499.6 million. R295.1 million is budgeted for compensation of employees that increases by R18.2 million or 6.6% in nominal terms and 1.3% in real terms in 2019/20.

Further, the Department allocates R204.5 million to goods and services. This is an increase of R13.1 million (or 6.8% in nominal terms and 1.6% in real terms) from the R191.4 million in 2018/19.

Programme 2: Intergovernmental Coordination

DPW is a coordinating department that must manage sound relations and strategic partnership with all client/user departments if it is to reach policy goals set out in the SoNA and the NDP. Programme 2 seeks to promote sound intergovernmental relations and strategic partnerships. It coordinates with provinces and municipalities on: Immovable Asset Registers; construction and property management; the implementation of the Government Immovable Asset Management Act (No. 19 of 2007); and the reporting on performance information within the Public Works Sector.

The allocation of R60.9 million to Programme 2 proportionally represents 0.8% of the overall departmental budget allocation for 2019/20. This constitutes an increase of R4.8 million from the R56.1 million allocated 2018/19 financial year. This is a nominal increase of 8.6% (and 3.2% in real terms) from the previous year.

Expenditure for Programme 2 for the 2019/20 financial year will fund these sub-programmes:

- *Monitoring, Evaluation and Reporting* receives an allocation of R8.2 million.[12] This is an increase of R1.0 million from the R7.2 million received in 2018/19, which constitutes a nominal increase of 13.9% (and 8.3% in real terms) from the previous year.

- *Intergovernmental Relations and Coordination* receives an allocation of R25.2 million. This is an increase of the R800 000 from the R24.4 million received in 2018/19, which constitutes a nominal increase of 3.3% (but a decline of 1.8% in real terms) from the previous year.

[12] National Treasury (2019), p. 221.

- *Professional Services*[13] is allocated R27.5 million. This is an increase of R2.9 million from the R24.6 million received in 2018/19, which constitutes a nominal increase of 11.8% (and 6.3% in real terms) from the previous year.

In terms of economic classification, R54.8 million is allocated to current payments. This constitutes an increase of R4.3 million or 8.5% in nominal terms (3.2% in real terms) from the previous year.[14] Of this amount:

- Compensation of employees consists of R40.6 million (an increase of R4.5 million).

Goods and Services is allocated R14.3 million (a decrease of R100 000 from R14.4 million in 2018/19).

Programme 3: Expanded Public Works Programme (EPWP):

The EPWP gives effect to the policy goals to create work opportunities for marginal people. It works on the coordination of the implementation of the Expanded Public Works Programme (EPWP) in public bodies, non-profit organisations, the non-state sector, across national, provincial and local government levels to create work opportunities; it also works on the provision of training for unskilled, marginalised and unemployed people in South Africa.

The medium term goals for EPWP are to:[15]

- Monitor, validate, set uniform processes and standards, and report on 4.4 million work opportunities to be created by Public Bodies implementing the EPWP.

[13] National Treasury (2018), p. 213. It should be noted that the Professional Services sub-programme is a new addition under Programme 2. The sub-programme receives an allocation of R89.4 million over the medium term, of which R37.1 million is for Compensation of Employees; R28 million for Goods and Services and R15.9 million towards Transfers to Households for Non-Employees Bursaries.
[14] National Treasury (2019), p. 220.
[15] National Treasury (2019), p. 222.

- Ensure Public Bodies report on the designated groups (with targets of 55 percent for women and youth respectively, and 2 percent for people with disabilities) in the programme, by producing six Data Quality Assessment Reports.

- Contract 350 non-profit organisations to implement non-State sector EPWP projects over the medium term.

A number of objectives are outlined, including increasing the Department's participation in the implementation of Public Employment Programmes within the EPWP by March 2020:[16]

- Public Bodies report 1 455 000 work opportunities on the EPWP Reporting System.

- Provide technical support to 290 public bodies participating in the EPWP.

R2.68 billion[17] allocated for this year proportionally represents 34.3% of the overall departmental budget. Expenditure under Programme 3 increases at a nominal rate of 5.2% (which translates into a real increase of 0.04%). The allocations for the *Expanded Public Works Programme* (EPWP) are mainly for the *Integrated Grant for Provinces and Municipalities*; and the *Performance Based Incentive Allocations*. The allocations are reported under these sub-programmes:

- EPWP: Monitoring and Evaluation receives R59.4 million. In real terms this sub-programme allocation increases by 0.11% from the previous year.

- EPWP: Infrastructure receives R1.27 billion. In real terms, this sub-programme allocation decreases by 0.14% from the previous year.

- EPWP: Operations receives R1.27 billion. In real terms, this sub-programme allocation decreases by 0.23% from the previous year.

[16] National Treasury (2019), p. 214.
[17] National Treasury (2019), p. 223.

- EPWP: Partnership Support receives R78.1 million. This sub-programme increased by 13.9% in nominal terms and 8.2% in real terms in the allocation from the previous financial year.

- EPWP: Public Employment Coordinating Committee receives R6.1 million. In real terms, this sub-programme allocation decreases by 1.7% from the previous year.

In terms of economic_classification, Programme 3's budget includes current payments to the value of R330.1 million, of which R174.9 million is allocated to compensation of employees. Compensation of employees increases with R14.7 million from the R160.2 million of the previous year. The increase in the compensation budget is to consolidate the finalisation of Phase III, and enhance the implementation of Phase IV of the EPWP as of April 2019, to provide technical support to departments, municipalities, and the non-State sector to ensure that labour intensive methods and skills training are being utilised in their programmes.

Expenditure on *Goods and Services* amounts to R155.2 million, (which translates into a real decrease of 0.6 % from the previous year).

The bulk of the allocated funds for Programme 3 are transfers and subsidies amounting to R2.35 billion, R1.6 billion of this is assigned for transfers to provinces and municipalities as follows:[18]

- R750.4 million is allocated to *Non-profit institutions*.

- R730.0 million towards the *Integrated Grant for Municipalities*.

- R437.4 million towards the *Integrated Grant for Provinces*.

- R430.8 million towards the *Social Sector Incentive Grant to Provinces*.

[18] National Treasury (2019), p. 223.

Programme 4: Property and Construction Industry Policy and Research[19]

Programme 4 promotes the growth and transformation of the construction and property industries, as well as a standardised approach and best practice in construction and immovable asset management in the public sector.

The programme transfers a large portion of the R4.44 billion across eight sub-programmes[20]. Of its total allocation, the *Property Management Trading Entity* (PMTE) receives R4.22 billion. This budget allocation is dealt with in further detail in section 3.2 of this report.

The rest of its funding are transferred to entities that report to the Minister. It has a policy task to research and develop[21] policies and legislative prescripts for the construction and property sectors. As stated in the introduction, this programme was unsuccessful in reviewing the white papers dated 1997 and 1999 that would have strengthened the mandate of the DPWI and the transformation of respectively the professional built environment, and the construction industry.

Once the review work is completed in the current financial year, the programme has to complete three legislative prescripts for the Public Works Bill, the Construction Industry Development Board Act (No. 38 of 2000) and the Council for the Built Environment Act (No. 43 of 2000) and the Council for the Built Environment Act (2000).

Other transfers from programme 4 is to its sub-programme Departmental Agencies and Accounts (non-business entities) that totals R4.38 billion. The funds are transferred to the following entities:

- Agrément South Africa is allocated R31.1 million, (an increase of R1.1 million) from the R30.0 million allocation of 2018/19.

[19] This programme was known as Property and Construction Industry Policy Regulation that promoted the growth and transformation of the construction and property industries, and uniformity and best practice in construction, and immovable asset management in the public sector.

[20] Previously, up until 2009/10 the two programmes: Construction Industry Development Programme and the Property Industry Development Programme) fell under Programme 3, but have since been renamed as of the 2014/15 financial.

[21] National Treasury (2019), p. 224.

- *Construction Industry Development Board* (cidb) is allocated R76.2 million, (a nominal increase of R2.9 million from R73.3 million), but decline of 1.2% in real terms from the previous year.
- *Council for the Built Environment* (CBE) receives an allocation of R52.8 million, (an increase of R2.7 million from R50.1 million) and 0.2% in real terms.
- *Construction, Education and Training Authority* (CETA) receives an allocation of R600 000, (an increase of R100 000 from the R500 000), which constitutes an increase of 14.1% in real terms.
- The PMTE (as noted above) receives an allocation of R4.22 billion, a decrease of 0.1% in real terms.

The Department also made a transfer to the:[22]

- Independent Development Trust (IDT), which receives an allocation of R5.0 million, (a decline of R23.4 million (or 83.3% in real terms) from the R28.4 million allocation of 2018/19. The IDT is a Schedule 2 entity, should be self-sustaining and not receive an allocation from the Department, as is the case for Schedule 3 entities. This allocation from the Department should be viewed as assisting in the continued operational functioning of the entity, in the context of the IDT having developed into a responsive development agency with a well-established presence across the country. The IDT's total budget for 2019/20 is R386.6 million.[23]
- Foreign Governments and International Organisations,[24] to the value of R26.6 million, an increase of R3.9 million (11.4% in real terms) from the R22.7 million allocated in 2018/19. This is mainly to address the

[22] National Treasury (2019), p. 224.
[23] National Treasury (2019), p. 230
[24] National Treasury (2015), p. 193. This payment is made to the Commonwealth War Graves Commission of which South Africa is a member. It is comprised of 6 member countries: Australia; Canada; India; New Zealand; South Africa and the United Kingdom.

fluctuations in the exchange rate when transferring the funds. The current weakening of the Rand against the major foreign currencies may result in the Department requiring an increase in its allocation from National Treasury.

Current Payments totals R35.4 million, which is an increase of R3.9 million (6.8% in real terms) from the R31.5 million adjusted allocation in 2018/19. Compensation of Employees receives an allocation of R19.0 million, which is an increase of R2.3 million (8.2% in real terms) from the R16.7 million adjusted allocation in 2018/19. Goods and Services totals R16.5 million for 2019/20. This constitutes an increase of R1.7 million (6.0% in real terms) from the R14.8 million allocation of the previous year.

Programme 5:[25] Prestige Policy

Programme 5 seeks to provide norms and standards for the Prestige Accommodation Portfolio and meeting the protocol responsibilities

The 2019/20 targets include the improvement of service delivery services to Prestige Clients over the medium terms:[26]

- Develop and monitor six Prestige Policies.
- Support 24 planned State events with movable structures.
- Provide movable assets to Prestige clients within 60 working days.
- Approve two Prestige Policies.[27]

The budget for Programme 5 equals R115.4 million in 2019/20 and proportionally represents 1.5%, of the overall departmental budget. The allocation declines by R34.6 from the R150.0 million in the previous year and represents a nominal of decrease of 23.1% and 26.9% in real terms.

[25] This programme was known as Auxiliary and Associated Services and sought to fund various services, including: compensation for losses on the Government-assisted housing scheme; assistance to organisations for the preservation of national memorials; and meeting protocol responsibilities for State functions.
[26] National Treasury (2019), p. 225.
[27] National Treasury (2019), p. 214.

A large portion of the budget is allocated to current payments, which amount to R91.4million. A total of R28.4 million is allocated towards compensation of employees. The transfer budget includes an allocation of R10.6 million to Departmental Agencies and Accounts (Parliamentary Villages Management Board); R200 000 to Households and R13.2 million to Payment for Capital Assets (Machinery and Equipment).

The Property Management Trading Entity (PMTE)

The DPW describes the purpose and functions of the PMTE as a government component that has been created "… to manage properties under the custodianship of the Department. In the prior years, the PMTE incurred all the expenses and collected the revenue for the properties (which was recognised by the Department) and not by the PMTE prior to the transfer of functions. The PMTE was operationalised in the 2015/16 financial year, and the Department transferred certain property management functions, (including the related assets, liabilities and staff), to the PMTE to align the expenses and revenue to the underlying assets."[28]

As mentioned in the introduction, the operationalisation of the PMTE in 2015 shifted the operational focus of the department to the PMTE. Its main focus is to execute all property management related functions for national government. The PMTE thus implements all public works related functions such as the maintenance of properties, and the payments of property rates on behalf of the DPWI. All accommodation-related costs were devolved to client departments when the PMTE was operationalised. This means that the department issues invoices and collect user charges from clients on a quarterly basis.

In addition to collecting user charges, the PMTE is correctly placed to unlock the value of the large property portfolio of government that is contained in the immovable asset register (IAR). The full operationalisation of the PMTE should lead to full cost recovery through the application of

[28] Department of Public Works (2016), p. 325.

business principles in the management of government's property portfolio. Together with the collection of user charges the PMTE should generate funds with which government could undertake maintenance as well as other crucial tasks in the public works sector. This remains a challenge that the DPW and PMTE is working to put into action in the medium to long term.

In its meetings with the PMTE during the 2014-2019 MTSF period, the committee found that it did not work efficiently as it lacked the relevantly qualified and experienced property specialists. The DPWI indicated to the committee that some of the vacancies required by the PMTE included property economists, property managers, specialist chartered accountants, property lawyers, and property valuators. The DPW reported that these positions were being filled.[29] Unfortunately, these specialist skills make it a very competitive terrain meaning that properly qualified and experienced personnel easily move from the PMTE to private property companies. The challenge is to fill and keep such personnel in positions in the PMTE. Failure to do this, means that the DPW and PMTE continue to operate at a disadvantage, particularly when signing lease agreements with landlords from the private sector.

Programme 2, Real Estate Investment Services (REIS), of the PMTE focuses on achieving an efficient and competitive Real Estate Portfolio for the State. It states that it does this through effective planning, analysis and informed investments. Understandably, it is only four years since the PMTE has been operationalised. The programme thus struggles to have an authoritative grasp of the value that is contained in the IAR and struggles to invest the property portfolio in manners that benefit the state and its beneficiaries. It has thus far not been able to unlock the value that sits within government's immovable asset portfolio. Measurement of the state property portfolio remains incomplete and in progress. The property values needs to be updated to comply with the Generally Recognised Accounting Practice (GRAP) requirements.[30]

[29] Department of Public Works (2013).
[30] The PMTE has three years from the date of transfer to measure all assets and liabilities transferred in terms of GRAP 105 and Directive 2.

The PMTE Budget:

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
1. Administration	1 303,5	887,7	940,3	990,7	- 415,8	- 459,7	-31,90 per cent	-35,26 per cent
2. Real Estate Investment Services	130,8	212,4	224,8	239,1	81,6	71,1	62,39 per cent	54,36 per cent
3. Construction Management Services	252,8	457,4	484,3	514,8	204,6	182,0	80,93 per cent	71,99 per cent
4. Real Estate Management Services	10 165,7	11 373,1	12 173,0	13 032,6	1 207,4	645,2	11,88 per cent	6,35 per cent
5. Real Estate Registry Services	95,0	104,6	107,7	61,6	9,6	4,4	10,11 per cent	4,66 per cent
6. Facilities Management Services	3 208,6	3 705,0	3 914,0	4 142,1	496,4	313,3	15,47 per cent	9,76 per cent
TOTAL	**15 156,4**	**16 740,2**	**17 844,1**	**18 980,9**	**1 583,8**	**756,3**	**10,45 per cent**	**4,99 per cent**

The PMTE receives an allocation of R16.74 billion for the 2019/20 financial year, which is an increase of R1.58 billion. This constitutes a nominal increase of 10.5% (or 5.0% in real terms) from the revised appropriation of R15.16 billion in 2018/19.

In terms of economic classification, the PMTE budget includes revenue with a total monetary value of R18.1 billion, an increase of R1.7 billion from the R16.5 billion adjusted allocation in 2018/19.[31]

Compensation of employees increased by R457.9 million (from R1.59 billion in the 2018/19 adjusted period) to R2.05 billion in 2019/20.

Programme 1, Administration:

This programme provides strategic management, governance and administrative support to the PMTE.

No targets have been reported on.

Programme 2, Real Estate Investment Services (REIS):

This programme works to achieve an efficient and competitive Real Estate Portfolio for the State through effective planning, analysis and informed investments.

[31] National Treasury (2019), p. 229.

R212.4 million were allocated which is an increase of R81.6 million. This constitutes a nominal increase of 62.4% (or 54.4% in real terms) from the revised appropriation of R130.8 million in 2018/19.[32]

The following targets are have been set for the 2019/20 financial year:[33]

- Establish four sites for Inner City Precinct development.
- Complete 90% valuations within scheduled timeframes.
- 800 facilities assessed in terms of identified performance areas.

Programme 3, Construction Project Management (CPM):

This programme focuses on providing effective and efficient delivery of accommodation needs for the Department of Public Works and User Departments through construction and other infrastructure improvement programmes.

The total allocation for Programme 3 equals R457.4 million for the 2019/20 financial year, which is an increase of R204.6 million. This constitutes a nominal increase of 80.9% (or 72.0% in real terms) from the revised appropriation of R252.8 million in 2018/19.

The following targets are reported for the 2019/20 financial year:[34]

- Complete 92 infrastructure projects within agreed construction period.
- Complete 92 infrastructure projects within agreed budget.
- Create 8 200 EPWP work opportunities through construction projects.
- Reduce infrastructure backlogs by 30%.

Programme 4, Real Estate Management Services (REMS):

This programme seeks to provide and manage government's real estate portfolio in support of stated social, economic, and political objectives that we stated in the first section of this report.

[32] National Treasury (2019), p. 228.
[33] National Treasury (2019), p. 227.
[34] National Treasury (2019), p. 227.

Real Estate Information and Registry Services (REIRS) seeks to develop and manage a complete, accurate and compliant Immovable Asset Register (IAR) to meet service delivery objectives for the State, Department and PMTE business requirements.

The total allocation for Programme 5 equals R104.6 million for the 2019/20 financial year, which is an increase of R9.6 million. This constitutes a nominal increase of 10.1% (or 4.7% in real terms) from the adjusted appropriation of R95.0 million in 2018/19.

The following target is reported for the 2019/20 financial year:[35]

- Assess nine Provincial Immovable Asset Registers for compliance.

The following targets are reported for the 2019/20 financial year:[36]

- Reduce private leases within the Security Cluster by 13.
- Increase revenue generation by 15% through the letting of State-owned properties (excluding harbour-related properties).

Programme 5, Facilities Management:

This programme seeks to ensure that immovable assets used by Government Departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic environment while contributing to job creation, skills development and poverty alleviation.

The total allocation for Programme 6 equals R3.71 billion for the 2019/20 financial year, which is an increase of R496.4 million. This is an increase of 15.5% in nominal terms (or a decrease of 9.8% in real terms) from the revised appropriation of R3.21 billion in 2018/19.

The following target is reported for the 2019/20 financial year:[37]

- 550 facilities prioritised with facilities management in place.

[35] National Treasury (2019), p. 227.
[36] National Treasury (2019), p. 227.
[37] National Treasury (2019), p. 227.

Programme 6, Facilities Management

The programme seeks to ensure that immovable assets used by government departments and the public, are optimally utilised and maintained in a safe, secure healthy and ergonomic environment while contributing to job creation, skills development and poverty alleviation.

The total allocation for Programme 6 equals R3.71 billion for the 2019/20 financial year, which is an increase of R496.4 million. This is an increase of 15.5% in nominal terms (or a decrease of 9.8% in real terms) from the revised appropriation of R3.21 billion in 2018/19.

The following target is reported for the 2019/20 financial year:[38]

- 550 facilities prioritised with facilities management in place.

Matters that emerged from deliberations with the DPWI and PMTE:

Input from Minister and Deputy Minister

- The report covers the budgetary allocations of the final financial year of the fifth parliament. It must be kept in mind that the budgetary allocation was made prior to the elections and is linked to the SoNA that was delivered on 7 February 2019.
- The SoNA of 20 June 2019, heralds the first year of the new five-year long Medium Term Strategic Framework (MTSF) of the sixth parliamentary session. The announcements that the President made are in line with the elections manifesto applicable to the sixth parliamentary session.

[38] National Treasury (2019), p. 227.

- Strategically, and operationally, the DPWI is transitioning in this final year that closes off the MTSF, from the fifth parliament into the new sixth parliament. The DPWI is re-shaping itself into the programmatic machinery that must deliver on the policy for public works and infrastructure as set out in the SoNA. The DPWI and other government departments are in the process of re-aligning its programmes with the seven priorities that the President announced in the latest SoNA.
- All DPWI functions are linked to the policy ideals stated in the National Development Plan and the State of the Nation Address. Its dominant function is to provide accommodation to client departments that serve the people. Government's land and properties must be used for the public good. Part of the new commitments link seamlessly to the priorities of the previous MTSF and would not be brand new. A serious concern is that public spaces where citizens receive public services, must be maintained in a way that make them feel secure and welcome. DPWI as the department that coordinates the delivery of social and service delivery infrastructure must make these public spaces easy for citizens to attend and receive services from service delivery departments.
- Members listed the following as key tasks that needed further reporting on to this committee:
    - The need to strengthen the trading and investment aspect of the PMTE was recognised. The committee needs a full update and report on the announcement by the DPWI and PMTE to set up a Public Works Academy with the South African Property Association (SAPOA) to capacitate the PMTE. The report should include practical aspects related to the Public Works Academy so that the committee could do oversight over it.
    - A report on the Young Professional Programme to address the need for capacitated professionally registered built environment personnel in key branches of the PMTE. This could be part of the full report and presentation of implementing a skills pipeline programme for Built Environment Professionals across the public works sector. Future deliberations would benefit if the Council for the Built Environment, and the Construction Industry Development Board form part of the deliberations with the committee.

- As part of implementing the policy priority in the SoNA, that of improving the capacity of the state, the Minister and the Governance and Compliance Branch of the DPWI to provide a progress report on fighting fraud and corruption in the department and PMTE. This would include the proactively oriented anticorruption framework, the number of cases in the different regions of DPWI.
- Related to the policy ideal to improve capacity of the state, the continued high vacancy rate and the need for recruitment in the face of scarce skills in the public works, infrastructure and built environment sector require attention. The committee urged the Minister and the management teams to work out implementable strategies to concretely address the challenge of filling critical built environment professionals in a manner that retain staff on contract. A report on the concrete step with full detail on provincial and regional appointments in terms of gender, racial and disabled categories should be made to the committee.
- Members heard that the DPWI was the lead department that coordinates and standardises EPWP recruitment, processes of data validation, verification and reporting. It also heard that incentive grants that fund public works projects go to provinces and municipalities. The challenge was that in spite of being the lead department, the DPWI has no power to ensure that regulations and standards that were set is adhered to. The committee requires further engagement that focuses squarely on the challenges to ensure that standards and uniform steps are adhered to, and how the conditions of the incentive grants can be used to ensure adherence to standards.
- There is a need for social impact case studies to be shared from across the country, both rural and urban, of whether and how EPWP is assisting marginalised economically viable workers in the country. In addition, the challenges faced by municipalities getting their Integrated Development Plans for infrastructure development off the ground, the role of EPWP projects, best practice cases of the selection of beneficiaries, the important matter of qualifications and skills development, and graduating to longer term employment and improved qualifications is crucial.

- The challenge with the security and maintenance of government's immovable properties across provinces and regions requires oversight attention. Public infrastructure is in an undesired state and when people visit the buildings where they must receive services they do not always feel secure and welcome. One of the things not properly accounted for, is that once buildings are established, plans to ensure that it remains in a high state of quality are not operational. This is the case for hospitals, clinics, schools, courts, police stations, social development and home affairs. Collaborative oversight needs to be undertaken with sister committees, where the PMTE can provide the challenges it faces so that government can be assisted to get itself calibrated to be capacitated to service the people.
- The PMTE must present to the committee on the important matter of the cost of leasing properties from private owners. The fact that rentals are not paid and the consequence of legal costs must be presented.
- As part of the need for the DPWI mandate to be strengthened, a presentation is required on the recovery of leases (R4,7 billion) and the fact that several client departments are not paying leases on time to the DPWI. The committee urged the Minister to put interventions in place to ensure improved recovery of leases, that should include the need to pay rates and service fees to municipalities on time.
- The PMTE needs to report to the committee on a quarterly basis on how it was going to improve its bank overdraft account and improve towards being a running concern. It should include progress to improve control over the IAR, which includes rolling out the ARCHIBUS system so that it can get a clean audit opinion in the next financial year.
- The DPWI and PMTE to quarterly report on how each regional office was ensuring payment of registered invoices within 30 days of receipt from service providers.

- A report on the transfer and reconfiguration of the infrastructure function in the form of respectively, the Presidential Infrastructure Coordinating Commission (PICC) that provides secretariat services from the Department of Economic Development (DED) and the Integrated Development Management System from the National Treasury that assists municipalities. This presentation should include the PMTE providing information on land available per province to give effect to the policy to ensure land transformation in terms of integrating social infrastructure planning (that includes municipal IDPs) to bring about equality between previously geographically separated communities as well as effecting broader land reform policy.
- The PMTE's Small Harbours division to provide a full updated report on proclaimed and unproclaimed small harbours in the country. It should include the aspect of coordinating functions at the small harbours with the Department of Agriculture and Fisheries (DAF). The report to include information on the development, maintenance, lease management, and transformation possibilities that these harbours hold for communities living in rural towns (through programmes such as Operation Phakisa). The report should include development plans for the Eastern Cape province in specifically Port St Johns that was excluded in the presentation to the committee during the meetings on its APP and how it was getting itself calibrated for infrastructure development over the next five years.

4. Entities reporting to the Minister:

4.1. Agrément South Africa (ASA):

Setting up the ASA as a legal entity

Agrément South Africa (established through a Ministerial Determination in 1969), is one of five entities reporting to the Minister of Public Works. It was constituted as a juristic person through the Agrément South Africa Act (No. 11 of 2015).[39]

[39] Agrément SA (2017), p. ii.

The Agrément SA has operated independently from 1 April 2018 following the legislative process to establish the entity.[40]

Mandate

Agrément South Africa is a statutory Board established in terms of the Agrément South Africa Act (No. 11 of 2015) with the following objectives to:[41]

- "Provide assurance to specifiers and users of fitness-for-purpose of non-standardised construction related products or systems.
- Support and promote the process of integrated socio-economic development in the Republic as it relates to the construction industry; support and promote the introduction and use of certified non-standardised construction related products or systems in the local or international market.
- Support policymakers to minimise the risk associated with the use of non-standardised construction related product or system.
- Be an impartial and internationally acknowledged South African centre for the assessment and confirmation of that for purpose of non-standardised construction related products or systems.
- Agrément South Africa will discharge its responsibilities through certification of innovative non-standardised products and systems impartially and without undue influence and keep records of the same."

Vision[42]

To be a world-class centre for technical assessment.

[40] Agrément SA (2017), p. 8.
[41] Agrément SA (2017), pp. 18-19.
[42] Agrément SA, (2017), p. 11.

Mission

Enhance Agrément South Africa's position as the internationally acknowledged, objective South African centre for the Assessment and certification of non-standardised construction related products and systems for which there are no SABS[43] standards. In addition, Agrément SA has been appointed as the competent body to undertake Eco-Labelling for government's buildings and products. According to this, ASA will manage the South African Eco-Labelling system[44]. The Eco-Labelling system will address aspects such as indoor air quality, comfort, environmental, material and energy resource conservation. These aspects of construction will be incorporated in the NDWI Standard Specifications for Construction Works.

Stakeholders

Agrément South Africa is a founding member (and internationally affiliated through its membership) of the World Federation of Technical Assessment Organisations (WFTAO), which was established in 1996.[45] It is a worldwide network for co-ordinating and facilitating the technical assessment of innovation in the construction field.

WFTAO's primary objective is to facilitate the transfer of national products to the global marketplace through the acceptance of technical assessments delivered by its members. Assessments delivered by a WFTAO member will:[46]

- "Provide a means of demonstrating the fitness for purpose of the product with building regulations.
- Be more readily accepted by building control personnel.

[43] Agrément SA, (2019), p. 11. The South African Bureau of Standards (SABS) is a statutory body established in terms of the Standards Act (No. 29 of 2008). It is the national institute for the promotion and maintenance of standardisation and quality in connection with commodities and the rendering of services.
[44] Agrément SA (2019), p.10.
[45] Ibid.
[46] Agrément SA, (2019), p. 11. The World Federation of Technical Assessment Organisations is comprised of "officially recognized bodies active in the field of technical assessments for construction products and systems."

- Show that the holders manufacturing and Quality Assurance (QA) systems meet high standards.
- Save valuable selling time, by using acceptance of new products in a conservative market.
- Provide a good opportunity for media coverage for the holders to use the distinctive WFTAO logo on advertisements."

In addition to its ties with the WFTAO, it maintains close working relationships with the following government departments, entities and agencies:[47]

- Department of Trade and Industry.
- Construction Industry Development Board (CIDB).
- Council for the Built Environment (CBE).
- Independent Development Trust (IDT).
- The construction and professional built environment sector.
- International Council for Building, Research Studies and Documentation (CID).
- National, provincial, and local government departments (for example the Department of Human Settlements and Sanitation).
- South African Bureau of Standards (SABS).
- South African National Roads Agency Limited (SANRAL).
- National Regulator for Compulsory Standards.
- National Home Builders' Registration Council (NHBRC).
- Technology and Innovation Agency.
- South African Revenue Services (SARS).
- National Treasury.

[47] Agrément SA (2015), p. 9.

Strategic outcome-oriented goals ASA must implement with its budget:

The ASA Board has concluded a Shareholders Compact with the Ministry of Public Works for the period 1st April 2018 to 31st March 2019. In terms of this agreement ASA is mandated by the Shareholder to "facilitate the introduction, application and utilization of satisfactory innovation and technology development within the Construction industry by providing assurance of fitness-for-purpose for such technologies in order to optimize resource utilisation and realize cost savings in the industry" (p. 5 of the Shareholder Compact).

In its Revised Strategic Plan, the NDPW has identified five strategic outcome-orientated goals for the 2015-2020 period as follows:

1. Transform the Construction and Property Sectors through the development of policy and legislature prescripts;
2. Provide oversight of the Public Works sector;
3. To provide an oversight role in the implementation of Public Employment Programmes (PEPs) through Expanded Public Works Programme (EPWP) standardised frameworks;
4. Oversee the efficient delivery of identified services to Prestige Clients; and
5. Support service delivery in a smart, proactive and business centric manner that is aligned to statutory requirements.

Budget allocations to ASA:

ASA is funded mainly from the annual government grant transferred through the DPWI's programme 4. It generates additional income through services rendered to the market.

In the 2017/2018 financial year ASA reflected a total revenue of R32,498,000 comprising R29,045,000 in the annual transfer from NDPW (89% of total income). Additional income comprised of R3,453,000. Own revenues comprised R1,649,000 for project certification services, R632,000 from annual fees and R1,172,000 from investment income.

A key challenge evident in the allocated funding is a reduced budget allocation which will require ASA to be more cost efficient and seek to increase its project range.

In 2019/2020 ASA plans to implement the following budget programmes which align to the functions of the organisation:

Programme 1: Administration.

Sub programmes as per the strategic outcome-oriented goals are:

- Sub- programme 1: Administrative Services;
- Sub-programme 2: Technical Services; and
- Sub- programme 3: Strategic Partnerships & Transformation.

The following table shows transfers from DPW (Programme 4) and income generated to show the projected amounts ASA would use to accomplish its policy tasks as directed by the DPWI.

Statement of financial performance	**Budget estimate**	**Approved budget**	**Medium-term estimate**		
R thousand	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**	
Revenue					
Tax revenue	–	–	–	–	–
Non-tax revenue	**4,853**	**3,292**	**3,972**	**4,170**	**4,379**
Sale of goods and services other than capital assets	4,482	2,442	2,634	2,765	2,904
of which:					
Administrative fees	645	655	1,160	1,218	1,279
Sales by market establishment	3,837	1,787	1,474	1,547	1,625
Other sales	–	–	–	–	–
Other non-tax revenue	371	850	1,338	1,405	1,475
Transfers received	**30,757**	**29,988**	**31,062**	**32,804**	**34,643**
Total revenue	**35,610**	**33,280**	**35,034**	**36,974**	**39,022**
Expenses					
Current expenses	**35,610**	**33,280**	**35,034**	**36,974**	**39,022**
Compensation of employees	19,541	19,541	20,810	21,955	23,493
Goods and services	15,429	13,099	13,974	14,594	15,083
Depreciation	640	640	250	425	446
Interest, dividends and rent on land	–	–	–	–	–
Transfers and subsidies	**–**	**–**	**–**	**–**	**–**
Total expenses	**35,610**	**33,280**	**35,034**	**36,974**	**39,022**
Surplus/(Deficit)	–	–	–	–	-

Matters that emerged from deliberations with the ASA:

1. The committee urged the Minister to assist the ASA with the popularisation of products that may usefully ensure that human settlement and sanitation needs are satisfied. As part of the executive that coordinates the implementation of infrastructure, the Minister and other infrastructure departments to instruct the DPWI and PMTE to work with ASA and other departments to look into how innovative building material and systems can be implemented to provide solutions to the human settlement and sanitation, and road building sectors. Infrastructure executives must assist to build the public's confidence that innovative

building material and systems that are tested by ASA are in fact durable and of high quality.

2. The process of professionalization the career of building inspectors as an initiative of the South African Council of Project Managers (SACPM) and the South African Council of Architects (SACAP) is an important initiative that is supported that is part of the type of partnership that is required to ensure that the sector provides a satisfying service to South Africans.

4.2. The Construction Industry Development Board (CIDB):

The CIDB reported that it underwent a collaborative and consultative process to change its mission, strategic goals and indicators. It presented it as follows:

The CIDB presented a reviewed mission that said:

> "We exist in order to regulate and develop the construction industry through strategic interventions and partnerships".

The CIDB's APP covered the concluding year of the 2014/15 to 2019/20 MTSF. This five-year plan is anchored on the entity's strategic pillars, which are aligned to government policy expressed in the National Development Plan (NDP) and the Medium Term Strategic Framework (MTSF):

1) **Transformation:** To transform the construction industry by increasing infrastructure spend to support and reflect the demographics of South Africa.

2) **Development:** Provide mechanisms and support to enterprises to be competitive and sustainable and to deliver value for money within the construction industry.

3) **Regulation:** To regulate the construction industry in the public interest to ensure a fair, inclusive, ethical, transformed, enabling and reputable construction environment.

4) **Partnerships:** Pursuing progressive partnerships and alliances with industry stakeholders to achieve CIDB's strategic intent.

5) **High-performance organisation:** An effective, efficient, adequately structured well-governed and sustainable institution.

Like the other entities and the DPWI and PMTE, the APP showed evidence that the entity was aware of the difficult economic conditions that faced the construction industry. These included constraints to business growth, a decrease in employment and increased labour shedding, project site instability, delays in payments to service providers, and the liquidation or business rescue of several large construction companies. These difficult economic conditions affect the work of the CIDB. It constrained the CIDB in its attempts to achieve strategic goals related to transforming and developing the construction sector.

The plan shows that in its medium budget review, the entity was aware of government's aims to prioritise infrastructure spending as a critical driver of economic activity. As outlined in this plan, it is imperative therefore that the CIDB continues to provide concrete actions to nurture the industry to continue to deliver quality construction professionals that complete projects that provide value for money.

Specific concrete actions that have been identified to complete its strategic task included:

a) implementation of the review of the cidb grading criteria to better reflect economic conditions and retain capacity and capability;

b) monitoring public sector expenditure, and production of an annual report on the impact of public expenditure on the industry;

c) the cidb *Standard for Prompt Payment* and the cidb *Standard for Adjudication* to address the scourge of delayed payments in the industry;

d) a credit fund to ease access to credit for small and medium contractors;

e) business advisory services for small and medium contractors;

f) advisory services to medium and large contractors to support contractors' access to opportunities in neighbouring countries; and

g) construction skills development.

The CIDB budget:

Allocation to programmes:

Programmes	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Administration	75 967	77 693	82 044	86 556	91 317
Construction Industry Regulation and Advocacy	64 710	67 628	71 415	75 343	79 487
Construction Industry Performance and Transformation	14 497	15 188	16 039	16 921	17 850
Development and Capacitation	13 303	13 914	14 693	15 502	16 354
Total budget	**168 477**	**174 423**	**184 191**	**194 321**	**205 008**
Revenue	168 477	174 423	184 191	194 321	205 008
Revenue Collection	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Government Grant	74 984	73 323	76 191	80 463	84 973
Registration fees	85 553	92 766	99 200	104 573	110 240
Finance income	7 940	8 334	8 801	9 285	9 795
Total budget	**168 477**	**174 423**	**184 191**	**194 321**	**205 008**

4.3. The Council for the Built Environment (CBE):

The CBE is a schedule 3A entity established by the Council for the Built Environment Act (No. 43 of 2000). "The CBE and Professional Councils in the built environment value chain are to regulate those Built Environment Professions who conceptualise, design, build, maintain and transfer social and economic infrastructure."[48]

The six Built Environment Professional Councils (BEPCs[49]) are the:

1. South African Council for Architectural Professions (SACAP).
2. Engineering Council of South Africa (ECSA).
3. South African Council for the Project and Construction Management Professions (SACPCMP).
4. South African Council for the Landscape Architectural Profession (SACLAP).
5. South African Council for the Quantity Surveying Profession (SACQSP).
6. South African Council for the Property Valuers Profession (SACPVP).

The CBE is a Statutory Council established in terms of the CBE Act as an overarching body for the six Built Environment Professions and mandated to:[50]

1. "Promote and protect the interest of the public in the built environment.
2. Promote and maintain a sustainable built environment and natural environment.

[48] CBE (2015), p. 10. Through the Act, the CBE is tasked with regulating and governing the following six Built Environment Professions: Architects, Engineers, Landscape Architects, Quantity Surveyors, Project and Construction Managers and Property Valuers, through the six Professional Councils that were also enacted through legislation.
[49] Note that the BEPC has now been changed to Councils for the Built Environment Professions (CBEP) in the 2018/19 APP
[50] CBE (2015), p. 19.

3. Promote on-going human resources development in the Built Environment.
4. Facilitate participation by the Built Environment Professions in integrated development in the context of national goals.
5. Promote appropriate standards of health, safety and environmental protection within the built environment.
6. Promote sound governance of the Built Environment Professions.
7. Promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic.
8. Serve as a forum where the Built Environment Professions can discuss relevant issues.
9. Ensure uniform application of norms and guidelines set by the Professional Councils throughout the Built Environment."

Key Priorities of the CBE

The CBE highlighted the following ten priorities for the Medium Term Strategic Framework (MTSF):[51]

1. "Ensuring that Built Environment (BE) academic programmes curricula addresses issues of Labour-Intensive Construction, implementation of the Infrastructure Delivery Management System (IDMS), Sustainable Development and Health and Safety.
2. Promotion of high demand skills for Strategic Infrastructure Projects (SIPs).
3. Stepping up mechanisms, programmes, projects and interventions to drive transformation and ensure adequate representation of woman and black people within the BE through the CBE Transformation Model.
4. Maths and Science Support Programme to reach learners in Grade 8 to 12 by 2018.
5. Establishing a structured candidacy programme for candidates and interns to address bottlenecks in the skills pipeline.

[51] CBE (2015), p. 12.

6. Supporting workplace training of BE graduates/candidates and interns to bolster competencies and to promote professional registration.
7. Strengthening the technical capacity of Local, Provincial and National Government.
8. Aligning the policy planning and reporting processes of Built Environment Professional Councils the (BEPCs) to the Government's planning cycles and the Government's priorities.
9. Strengthening monitoring and regulatory work on delegated public functions of the BEPCs.
10. Enhancing internal systems, controls and capabilities to allow the organisation to deliver on its mandate and strategic goals."

Planned Programme Performance for 2019/20

The CBE's programmes for 2018/19 have remained unchanged from that of the previous financial year.[52] However, the acronym for Programme 4 BEPCs, the Built Environment Professional Councils, has been changed from (BEPCs), to Councils for the Built Environment Professions (CBEP).[53]

Budgetary allocation per programme:

Programme	**Audited Outcome**	**Audited Outcome**	**Audited Outcome**	**Current Year**	**Medium-term estimate**		
R in thousands	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Programme 1: Administration	38,222	38,549	41,884	45,540	47,710	50,468	53,375
Programme 2: Skills for Infrastructure Delivery	9,655	8,224	7,243	6,399	6,564	6,829	7,111
Programme 3: Built Environment Research, Information and Advisory	919	881	728	615	631	656	683
Programme 4: Regulation and oversight of six Councils for the Built Environment Professions	566	598	930	1,006	1,032	1,074	1,118
Programme 5: Government Policies and Priorities	–	–	341	167	171	178	186
Total expenditure	**49,362**	**48,252**	**51,126**	**53,727**	**56,108**	**59,205**	**62,473**

[52] CBE (2018), p. 46.
[53] CBE (2018), p. 3 & 66.

Matters that emerged from deliberations with the CIDB and the CBE:

- The committee requires a report that shows a spreadsheet of the candidates that participate in the contractor development programme with the Sector Education and Training Authorities (SETAs) to ensure that graduates are streamed into careers as professional contractors. The spreadsheet should show information per professional build environment category, race, gender, youth, province and region.
- With regards to the governance of the CIDB and CBE, the risk functions were reported as being fully functional. It is important that quarterly performance reports are made available to the committee. These reports should include filling of vacancies, of women, people with disabilities, and the youth. It should also provide progress made to ensure that invoices received from service providers are paid within 30 days of receipt of invoice.
- The CIDB is mandated to establish a register of contractors and ensure improvement of contractors. The matter of what has become known as ‘construction mafia’ is related to the policy to ensure that 30% of contractors on projects should be locally sourced. A cabinet memorandum has been developed by CIDB on the matter and the former Minister placed it before cabinet for its consideration. Accordingly, the DPWI and CIDB may host a construction industry summit to address these matters.
- As per the settlement reached after the collusion investigation of the Competition Commission, the CIDB plays a role to monitor monies with the appointed Trust Administrator. the CIDB’s Board took a decision to sanction companies that were not part of the settlement agreement. Where they want to go the legal route, the Board is prepared to test the CIDB Act.
- CIDB developed a draft contractor performance system. Performance reports must be crafted carefully to not penalise contractors, but to develop them through the report. More work is continuing to ensure progression on the contractors register.

- The CIDB Incubator Programme in partnership with the Small Enterprise Development Agency (SEDA) where 100 contractors in four provinces (KZN, Gauteng, Eastern Cape, Northern Cape) is in a pilot stage. After this stage it will be run in all nine provinces and will be fully advertised.
- CIDB have vacancies that must be filled. The Board anticipate that after the Organisational Development exercise has been completed, the positions will be filled in the following two months.

4.4. The Independent Development Trust (IDT):

The IDT was established in 1990, as a temporary grant-making agency by the former apartheid government. It was set up with a R2bn government endowment grant that was invested, and the returns was to be used for development purposes in poor communities.

In 1997 the first democratic government changed the IDT's mandate from being independent to that of a "government agency that will implement projects which are commissioned by government departments". The idea was that the invested endowment grant, in combination with project cost which client departments would pay to the IDT, would mean that the entity did not need to be funded by the fiscus. Unfortunately, the enhanced mandate, and due to the massive social infrastructure backlogs in poor communities, meant that the IDT's project load was vastly increased. The cost of projects that should have funded the IDT did not have the desired result as higher number of projects that went unpaid over a long period, actually eroded the capital base of the IDT.

In 2006 in an effort to ensure longer-term sustainability, the IDT initiated a "cost recovery" principle to its projects, Unfortunately, this approach did not bring the financial stability that was required.

Government remains convinced that the IDT has a key role to play as a project manager of social infrastructure construction. The IDT developed a specific niche in the form of community consultation and participation in

decision- making as part of the planning, construction and maintenance of social infrastructure. The community ownership that was part of its social infrastructure project management is a vital cog in future social development initiatives of government in the Presidential Infrastructure Coordinating Commission (PICC)[54].

In the PICC, the DPW is a key role-player in Strategic Integrated Project (SIP) 13[55] that addresses the backlog in educational infrastructure. The IDT is playing a critical role as an implementing agency in the eradication of unsuitable school structures and in the beautification of schools.

In order to consolidate these synergies between the IDT and DPW, government is working on a new business plan, which will see the IDT become a Schedule 3A Public Entity reporting to the Minister of Public Works. This will enable the IDT to give effect to the 1997 Cabinet mandate to be "a government development agency that will implement projects which are commissioned by government departments".

An Overview of the 2019/20 Annual Performance Plan

The IDT is set up as a strategic partner in the management, integration and implementation of certain government's development programmes. It plays a key role as implementer of social infrastructure projects. It also assists the Department of Public Works in efforts to address the priorities of job creation and sector skills development. The IDT further contributes to the work of other entities in the built environment and construction industry through the promotion of alternative construction initiatives in the building of school infrastructure. It also invests in professional registration of built environment employees, and supports human resources and talent development.

The role of the IDT in addressing the priorities of job creation and skills development sees the entity play a key part in EPWP projects with other departments and municipalities.[56]

[54] http://www.gov.za/sites/www.gov.za/files/PICC_Final.pdf
[55] http://www.publicworks.gov.za/PDFs/Speeches/Minister/Launch_for_SIP_13.pdf
[56] IDT (2017), p. 16.

In spite of the severe income challenge that the entity faced over the last few financial years, the entity remains an important player in the DPWI sector. To ensure its continued existence, "the Department of Public Works is fast tracking the transformation of the IDT among other; to be an ***established government agency to develop social infrastructure commissioned by government in a manner that helps eradicate poverty, creates employment, and fosters sustainable and cohesive communities***"[57].

In its Annual Performance Plan, the IDT states that it mainly generates income from management fees derived from managing the implementation of social infrastructure projects on behalf of government. Over the period of the MTSF (2014-2019) it has struggled to collect management fees from departments and municipalities. Unless radical changes are made, based on material evidence over the last five years, it is foreseen that during the current MTEF (2019-2022) this struggle will continue. This view is further strengthened with the IDT's APP showing that the entity is undergoing an organisational development process[58] which in itself may result in the status quo continuing for at least the next two financial years.

In all the APPs, and financial statements in annual reports since 2014 evidence showed that the IDT was unable to generate revenue. In 2018/19 it ascribed this challenge in its presentation to the Committee as "Owing to operational, governance and financial challenges experienced over the last three years". The IDT has been unstable in terms of both financial income as well as management and government has had to take steps to reposition and renew it.

This process of renewal and repositioning was approved by the Board and included an Operating Model and Turnaround Plan. The Executive Authority and the Department of Public Works has assisted to secure transition funding, as a structured response to the entity's mentioned operational and financial challenges.

[57] IDT (2019) p. 11.
[58] IDT (2019), p. 7.

The policy environment – IDT's role as implementer

The IDT is government's project management entity for the construction of service delivery and social infrastructure.

The IDT, DPWI and the PMTE acknowledges that there are lengthy delays and cost overruns in the delivery of social infrastructure projects. More efforts must be made to improve infrastructure delivery management. Part of the solution is the standardisation of the management of public infrastructure projects.

Extension of the IDT's Services: An improved Service Model to Generate Revenue

As part of its attempt to reconfigure itself and become a running concern, the IDT's APP contains information on an improved Operating Model that is based on a review of its service model. This means an extension of the IDT's services.

A Built Environment Professional Consulting Service (BEPCS)

One of the new services is the establishment of the Built Environment Professional Consulting Services (BEPCS) function. This approach moves away from the outsourcing model to insourcing built environment professional consulting services that are located within the IDT structures. The APP states that this would generate a new revenue stream. The function will be established as part of the delivery value chain within the IDT service delivery model. It is anticipated that the function will improve project level monitoring and cost management as well as revenue generation to strengthen the financial viability of the organisation. Milestones have been set in order to resource the BEPCS unit and solicit buy-in from the client departments and associated stakeholders.

In addition to the BEPCS, the IDT wants to provide property repairs and maintenance, post construction facility operation, emerging contractor development, and energy saving programmes services as part of service linked to the infrastructure development value chain.

The areas where further services are to be pursued include:

- Early childhood development infrastructure.
- Basic services infrastructure.
- Student Accommodation and Facilities Management
- Community housing infrastructure.
- Property repairs and maintenance.
- Emerging contractor development.

The establishment of the BEPCS function will require investment in additional office space facilities, equipment and systems, as well as the recruitment of the required built environment professionals. The additional revenue to be generated through these services, along with growth and stability in business portfolio through a multi-year implementation agency agreement with the national DPW among others, is expected to improve the current ailing financial sustainability position.

Further, the IDT has engaged the national DPW with regard to a multi-year project allocation agreement to assist in securing a predictable business portfolio that will improve the IDT financial viability.

Organisational Development towards a sustainable entity

More than 55 individuals left the IDT as a result of the implementation of the OD process during the 2017/18 financial year. The IDT's staff compliment as at the end March 2018 stood at 303 positions filled.

The OD process was informed by following principles:

- Eradication of functional duplications in the regions and national office.
- Clear demarcation and definition of roles between national office and regional offices.
- Implementation of a leaner head office structure with more capacity located at a delivery level, i.e. regional office.
- National office will focus on developing norms and standards as well as governance and control.

- Insourcing of built environment professional services.
- Effective empowerment of regional offices to meet client needs and stakeholder expectations.
- Devolving identified functions to the regional level to strengthen compliance and controls.
- Demarcation of activities between back office and front office to improve efficiencies and responsiveness.
- Maintaining a healthy ratio between the administration and technical personnel.
- Emphasis on client centred approach, operational excellence and relevance, and results based culture.

Over the last five years, the IDT has not been able to invest in programme and project management systems due to financial constraints. This has resulted in the entity falling behind its competitors on efficiencies and its processes.

The existing system capabilities are inadequate to meet the current infrastructure programme and project management, monitoring and reporting demands. With the IDT managing over R5 billion a year of public social infrastructure projects and taking into account the growing demands for improved planning, monitoring and reporting in social infrastructure delivery, it is thus necessary that the IDT invests in robust programme and project management systems.

This process is anticipated to take an extended period to implement and requires significant resources which are currently not available. In the short-term, the IDT will upgrade its current systems while processes are underway to secure resources to invest in a comprehensive Programme/Project Management Information System (PPMIS).

In addition to the upgrade of the PPMIS, the organisation will further undertake the following improvements in its operating environment:

- Address deficiencies in programme implementation controls and practice.

- Undertake process re-engineering and mapping to institutionalise process and cost efficiency, facilitate integration, team work and alignment with the organisational structure.
- Streamline supply chain management, i.e. introduce panels for identified service categories, and review the Supply Chain Management (SCM) policy to align with the Standard for Infrastructure Procurement and Delivery Management.
- Reviewing programme delivery management processes to align with the Infrastructure Delivery Management System (IDMS).
- Review the contracting model in order to attain equitable distribution of project executions risks. This involves reviewing and streamlining contracts management instruments such as tender templates and built environment service provider contracting standard tools Joint Building Contracts Committee (JBCC) for contractors and Professional Client/Consultant Services Agreements Committee (PROCSA) for professionals to address contracting shortcomings such as risk distribution, variation order management and approval delegations, and incorporate the requirements of the PPPFA regulations (2017).

Performance environment

The IDT's primary problem has been the erosion of its delivery capabilities over the last five years. Client dissatisfaction grew year after year as complaints and concerns remained unresolved notwithstanding commitments of intervention by the IDT. Furthermore, the tight fiscal environment and public sector budget cuts led to a decline in the IDT's business portfolio. An assessment of root causes for the decline in performance levels has identified the following main contributors:

- Leadership and management lapses evidenced by gaps in performance management and poor resourcing of the organisation.
- Outdated business systems and inefficient processes impacting on the efficacy of service delivery.

- Inappropriate and outdated organisational structure i.e. top heavy and not aligned to the needs of the IDT business.
- Weaknesses in oversight particularly relating to corporate performance and regulatory compliance.
- Indecision relating to the strategic direction and positioning of the IDT.

The Board and Executive Authority initiated the development of an Operating Model and Turnaround Plan. The Turnaround Plan addresses the root causes of the IDT's performance challenges, most of which are in the control of the organisation. The organisation will also direct some of its efforts towards influencing external factors and mitigating environmental risks that have an impact on the IDT's business. These include the relationship between the IDT and the State, the regulatory framework, particularly as it relates to social infrastructure delivery, the fiscal environment and general state of economy, as well as the socio-political conditions.

Audit Outcome

The IDT has obtained a disclaimed audit opinion for the three consecutive years. The contributing factors to the previous disclaimer opinions in prior financial years have all been addressed; i.e. reconciliation of programme balances, liabilities and receivables as a result of take-on balances created due to a system migration during the 2012/13 financial year; provision for impairment on receivables; accruals of management fees on retention balances; and overlapping of payment certificates between financial years for contractors. Despite the progress made, the IDT has obtained a disclaimed audit opinion for the 2017/18 audit. The specific reasons leading to the opinion are as follows:

- **Programme expenditure - cut off**: Expenditure relating to other financial years incorrectly accounted for in 2017/18;

- **NSS Programme expenditure** - occurrence: there was no substantiating documents to confirm occurrence of programme expenditure on NSS programmes; and
- **Programme expenditure - interest on late payments**: Interest paid on late payments to contractors was not separately accounted for.

Measures to Address Audit Disclaimer were developed and implementation is monitored on monthly basis. These include enforce the practice of monthly project certificates for PSPs as with contractors; implementing manual control measures to identify PSP payments accounted for in the incorrect financial year, a review of the value chain of the NSS programme standard operating procedures to improve the control environment to prevent and detect potential fraud. These measures also include a process to review the IDT Accounting disclosure requirements holistically, rather than addressing disclaimer issues in isolation.

Service delivery environment

Government faces persistent pressure from its citizens to deliver and sustain socio-economic transformation, growth and development. The following constitutes significant socio-economic factors impacting on the work of the IDT and the service delivery environment in general:

(a) High demands for jobs and economic opportunities in general and in the previously disadvantaged communities, especially in townships predominantly occupied by blacks, in rural areas, and in informal urban, peri-urban and mining settlements.

(b) Pressures and high demands for new social infrastructure, especially in areas cited above.

(c) Need to integrate connectivity of social infrastructure such as schools, libraries and community centres.

(d) Eradication of the remaining backlogs in terms of human settlements and ancillary social infrastructure.

(e) Demand for post-settlements support and facilities such as farming infrastructure e.g. fencing and pack houses, etc.

(f) Community demands for localisation of development benefits e.g. emphasis on local procurement of supplies for projects, use of local suppliers, and the creation and extension of job opportunities to local community members first.

(g) Demand for programmes that target the participation of women, youth and people with disabilities, e.g. contractor development programmes, as vehicles for promoting meaningful, inclusive and sustainable intra-generational prosperity.

In addition to these factors, delays in fund transfers between the IDT and client departments have and continue to impact on the IDT's performance and delivery of programmes. This has led to the IDT failing to pay suppliers and creditors within the 30-day stipulated period. These payment delays have resulted in litigation against the IDT, creating a poor image and reputational damage to the entity. The resultant lower levels of programme expenditure has a negative impact on the IDT revenue as income is connected to the programme expenditure levels.

The need for the IDT to have a better appreciation of client needs remains high. Quick turnaround times for project and programme implementation, timeous payments to service providers, timeous and credible financial project reconciliations to enable clients to account for allocated funds, support in the audit process, visible site monitoring and facilitation of empowerment are among the top priorities of many clients.

Analysis of performance – social infrastructure programmes

The IDT provides development programme management services predominantly to government. The bulk of the IDT portfolio is constituted by social infrastructure projects such as schools, clinics, hospitals and courts. About 85% of the IDT's programmes are social infrastructure programmes with the remaining 15% spread in social development and public employment programmes. The IDT's work is largely informed by the levels of backlogs in social infrastructure. Hence, the Eastern Cape, KwaZulu-Natal and Limpopo are the main contributors to the organisation's programme expenditure.

REGION	2018/19 Q1 Turnover Achieved	2018/19 Q3 Expenditure Target	2018/19 Q3 Expenditure	% Contribution to Total Exp.	Variance	% Achieved
Eastern Cape	843 723 424	580 894 396	595 032 139	21%	14 137 743	102.4%
Free Sate	344 108 018	133 260 282	149 767 318	5%	16 507 036	112.4%
Gauteng	195 439 781	113 529 875	134 119 821	5%	20 589 946	118.1%
KwaZulu Natal	1 088 219 076	959 399 449	677 412 854	24%	-281 986 595	70.6%
Limpopo	945 964 211	1 452 235 991	608 345 593	21%	-843 890 398	41.9%
Mpumalanga	252 842 556	70 130 800	137 642 279	5%	67 511 479	196.3%
Northern Cape	507 408 398	273 707 903	298 721 135	10%	25 013 232	109.1%
North West	276 115 441	70 985 658	138 105 263	5%	67 119 605	194.6%
Western Cape	125 681 905	95 855 645	71 812 837	3%	-24 042 808	74.9%
National	-		56 753 087	2%	56 753 087	-
	4 579 502 811	**3 750 000 000**	**2 867 712 326**	**100%**	**-882 287 674**	**76.5%**

Table 8 below provides an analysis of the IDT programme expenditure per programme category.

Expenditure performance per programme category: 3rd Quarter 2018/19

Programme Category	Infrastructure Facilities	Social Development	Total	Percentage Contribution
Education Facilities	R1 475 245 824	-	R1 475 245 824	51.4%
Environmental Interventions.	-	R38 903 391	R38 903 391	1.4%
EPWP NSS	-	R611 010 425	R611 010 425	21.3%
Health Care Facilities	R138 741 726	-	R138 741 726	4.8%
Justice Systems Facilities	R363 669 338	-	R363 669 338	12.7%
Welfare Supp. Facilities	R234 218 983	R5 922 639	R240 141 622	8.4%
TOTAL	**R2 211 875 871**	**R655 836 455**	**R2 867 712 326**	**100%**

The IDT has a total of 2498 active projects at various stages as indicated in table 9. Of the 2 498 45% (1 137) are at implementation stage and 29% (716) at closeout stage. A total of 8% of projects are at planning, procurement of service provides, design and assessment stage with only 4% at contractor procurement stage. The low percentage of achievement between planning and procurement of contractors has direct negative impact on expenditure in the current and ensuing financial year. Efforts to strengthen business portfolio generation remain critical.

Budgetary Overview

The IDT's financial outlook for the 2019/20 financial year is negative as it is reflecting an estimated operational deficit of R141.255 million before capital expenditure. This is based on the projected programmes portfolio to be delivered on behalf of government.

Management fees are the major source of revenue to sustain the IDT financially and have been budgeted at an average of 5,0 % of the expected programme expenditure for 2019/20. The other revenue sources include the grant funding of R5.0m, and other income-comprising tender deposits and interest income.

The overhead expenditure for the 2019/20 financial year is forecasted at R386.617 million. The largest component of the overhead cost relates to the employment costs compromising an average level of 56% of the overhead expenditure. These costs are driven by the nature of the IDT's business which is the provision of professional services and management skills in the implementation of social infrastructure programmes on behalf of the Government. These employment costs have been adjusted downward due to restructuring and rationalisation activities. The other operating overheads remain under tight control and focus, and are increased at rates below those factored under the revenue growth.

The IDT has obtained disclaimed audit outcomes over the past three years. These were largely driven by inadequacies in the project accounting and financial reporting environment. Measures are being implemented to address the identified gaps. Further improvements within the financial management environment include review of internal controls and compliance measures within the supply chain management, contracts management and projects management environment.

The Budget for 2019/20 and over the current MTEF

	ENE 2019/20 R'000		**ENE 2021/20 R'000**		**ENE 2021/22 R'000**
Programmes	**4 707 237**		**3 300 000**		**1 500 000**
Expenditure: Confirmed Programmes	3 903 282		3 300 000		1 500 000
Expenditure: New / Prospective Business	803 955				
Staffing requirements	**275**		**275**		**275**
Staff Numbers	**275**		**275**		**275**
Average Gross Management Fee Rate	**5%**		**5%**		**5%**
Revenue	**245 362**		**170 000**		**80 000**
Revenue: Confirmed Programmes	195 164		165 000		75 000
Revenue: Prospective Business	40 198		0		0

Grants	5 000		
Other income	5 000	5 000	5 000
Operational Expenditure	**386 617**	**382 340**	**396 543**
Employment costs	217 110	227 965	239 363
Staff Training	2 000	2 000	2 000
Restructuring costs	18 333		
Non-Employment:			
Travel expenses	17 000	17 952	18 957
Litigation fees	15 000	12 000	10 000
Consultants fees	5 000	5 000	5 000
Depreciation	7 000	8 000	10 000
External Audit Fees	8 500	8 976	9 479
IT Cost	10 413	10 996	11 612
Communication	3 500	3 696	3 903
Facilities	13 000	13 728	14 497
Office rental including rent parking	17 277	18 245	19 267
Partnerships and Initiatives	1 000	1 056	1 115
Other overhead expenses	29 348	29 351	26 665
Centralised Cost			
Telephone	7 200	7 603	8 029
Rent photocopiers	2 648	2 796	2 952
Insurance	2 500	2 640	2 788
Software Licences	5 589	5 902	6 232
Network Data	4 200	4 435	4 684
Operating Surplus/(Deficit)	**-141 255**	**-212 340**	**-316 543**
Capex	**26 000**	**23 500**	**19 000**
Head Office - Maintenance and Green Building	10 000	10 000	5 000
Finance ERP System	5 000	5 000	5 000
Project Management System	10 000	5 000	5 000
IT and other equipment	1 000	3 500	4 000
Net Surplus	**-167 255**	**-235 840**	**-335 543**

5. Recommendations:

The Committee recommends to the Minister of Public Works and Infrastructure that the following be reported on:

5.1. The Minister as policy leader, speeds up the review of the White Papers so that:

5.1.1. the mandate of the Department is properly spelled out, so that blockages in performing optimally, is removed, and the draft Public Works Bill is concluded, and submitted to Parliament; a

report on progress in this regard must be put before this committee by March 2020.

5.1.2. in addition to the coordination of public works and the built environment professions, the infrastructure coordination function is spelled out;

5.1.3. the legal mandates of the built environment profession entities, namely the CIDB and CBE, are amended to streamline and focus on the matter of relevantly transforming the built environment and construction sector;

5.1.4. the necessary steps are taken to escalate the transformation of the IDT into a properly resourced, socially relevant entity that is enabled to project manage social infrastructure projects, as well as collect the necessary management fees from client departments with which to run its business in a financially sustainable manner.

5.2. The CIDB to report to the committee on its draft contractor performance system and the Contractor Incubator Programme that is being piloted with the Small Enterprise Development Agency (SEDA).

5.3. The CBE to provide a detailed report that shows a spreadsheet of the candidates that participate in the CBE candidacy programme with the Sector Education Agency Training Authorities (SETAs) to ensure that graduates are streamed into professionally registered built environment professionals. The spreadsheet should show information per professional built environment category, race, gender, youth, province and region.

5.4. The PMTE's Small Harbours division to provide a fully updated report on proclaimed and unproclaimed small harbours in the country. The report should include development plans for the Eastern Cape province, specifically Port St Johns that was excluded in the presentation to the committee during the meetings on its APP and how it was getting itself calibrated for infrastructure development over the next five years.

5.5. The PMTE, as part of the quarterly performance reports to the committee, to provide progress on its road to a clean audit that shows cost incurred for the roll-out of ARCHIBUS[59], and progress to retain built environment professionals that can trade, invest and unlock the value of government' immovable asset portfolio.

5.6. The DPWI and PMTE to report on land that is available to transform the unequal and skewed social infrastructure status of each village, town, and city in the country. The report to include progress made to play a coordinating infrastructure role in municipalities through the IDMS.

5.7. A full update on progress on the Public Works Academy that is planned to be set up with the South African Property Association (SAPOA) to capacitate the PMTE as part of a capacitating attempt to unlock the value of the immovable asset portfolio.

5.8. A report on leases that shows cost incurred to the private sector, client departments that do not pay on time, legal costs to recover outstanding debt from client departments, and government's debt to municipalities for rates and services. The report to include a list of the buildings and where they are situated on the IAR.

5.9. The IDT to report on a quarterly basis on efforts to collect outstanding debt, return to the status of a running concern, and the consequence plan to get an improved audit opinion from the Auditor-General.

5.10. The DPWI and the PMTE to report on the number of properties in foreign countries.

Report to be considered.

[59] ARCHIBUS is a property management software system.

8. Report of the Portfolio Committee on Cooperative Governance and Traditional Affairs on the Annual Performance Plan and Budget of the Department of Cooperative Governance and Traditional Affairs, Dated 04 July 2019

Having met with the Department of Cooperative Governance and Traditional Affairs, and the entities reporting to it, on their 2019 – 2024 Strategic Plans and 2018/19 Annual Performance Plans (APPs), the Portfolio Committee on Cooperative Governance and Traditional Affairs, reports as follows:

1. Background

In terms of section 55(2) of the Constitution of the Republic of South Africa, (Act 108 of 1996), the National Assembly must provide for mechanisms: (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and, (b) to maintain oversight of –

(i) The national executive authority, including the implementation of legislation; and
(ii) Any organ of state.

The Money Bills Amendment Procedure and Related Matters Act, (Act 9 of 2009) vests powers in Parliament to reject or recommend budgets of national government departments. The Act further makes provision for the implementation of recommendations emanating from the Committee oversight.

The Committee exercises its mandate of oversight in line with the above-mentioned legislative framework over the Department of Cooperative Governance and Traditional Affairs (COGTA) and its entities, as follows -

(i) the Municipal Demarcation Board (MDB);
(ii) the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities (CRL Rights Commission);
(iii) the South African Local Government Association (SALGA); and
(iv) Municipal Infrastructure Support Agent (MISA)

The Committee met with the Department of COGTA on 02 and 03 July 2019, to receive a briefing on the Strategic and Annual Performance Plans and the Budget of the Department. The Committee also met with SALGA, CRL Rights Commission and MDB on 03 July 2019 to receive a briefing on their Five-year Strategic Plan, APP and their Budget.

2. Introduction

This an overview and analysis of the Budget with special focus on the Estimates of National Expenditure (ENE) and Budget Review, as well as the strategic and operational plans of departments for the 2019/20 financial year. The budget analysis seeks to provide a summary and analysis of the budget, as well as a snapshot of how the budget will affect the Department of Cooperative Governance and Traditional Affairs (CoGTA). The analysis will also provide a short review of progress with service delivery in respect of the 2018/19 budget.

3. Overview of performance during the 2017/18 financial year

For the period under review, the Department's stated mandate and key objectives related to,

- Investing in skills development in municipalities.
- Providing infrastructure planning, delivery, operation and maintenance, infrastructure management, financial management and resolve governance and administration issues in the 27 priority district municipalities, as well as in the 55 municipalities diagnosed as distressed or dysfunctional.
- Improving water conservation and water demand management in municipalities in order to limit non-revenue water losses in view of the difficult situation South Africa faces as a water scarce country.
- Coordinating multi-sectoral intervention measures to address the drought situation in all affected provinces.

3.1. Skills development in municipalities

To invest in skills development in municipalities, especially the development of engineering capacity, the Municipal Infrastructure Support Agent (MISA) envisaged deploying 150 Young Graduates to municipalities through its Young Graduate Programme. During the first quarter, MISA had deployed 67 Young Graduates.[1]

3.2. Infrastructure in 27 Districts and 55 municipalities

To build permanent technical capacity in the 55 municipalities diagnosed as distressed or dysfunctional, MISA had established 12 district technical support teams in 39 municipalities by May 2018. It anticipated establishing six additional teams by October 2018 to support the remaining 16 municipalities.[2]

MISA also envisaged assessing the 27 district municipalities prioritised for targeted support towards the eradication of service backlogs. The outcome of the assessments would form the basis for developing tailored support

[1] CoGTA (2018).
[2] Ibid.

plans. MISA targeted assessing 22 districts by the end of the 2018/19 financial year.

3.3. Limiting non-revenue water losses

A 2017 study revealed that 37% of South Africa's water supply is lost through leaks across many cities.[3] Thus, a significant portion of water that is treated and supplied into water distribution infrastructure is physically lost before it reaches users. As the Financial and Fiscal Commission (FFC) further notes, 'a further significant proportion of what is supplied reaches users but is not accounted for and users are not billed for its supply.'[4] This, together with the drought conditions that prevailed during the period under review, made it more important for municipalities to improve loss management in respect of water services. The FFC notes that Government has made little progress, despite the national prioritisation of the need to reduce non-revenue water losses.

3.4. Drought interventions measures

The Department's Disaster Management Programme - which is responsible for promoting an integrated and coordinated system of disaster prevention, mitigation and risk management - received an additional once-off allocation of R1.2 billion to provide immediate drought relief and future mitigation funding to affected sectors, such as water, agriculture and environmental affairs. The funding was in the form of the municipal disaster recovery grant, which Government transferred to three severely drought-stricken metropolitan municipalities: Cape Town, Nelson Mandela Bay and Mangaung.

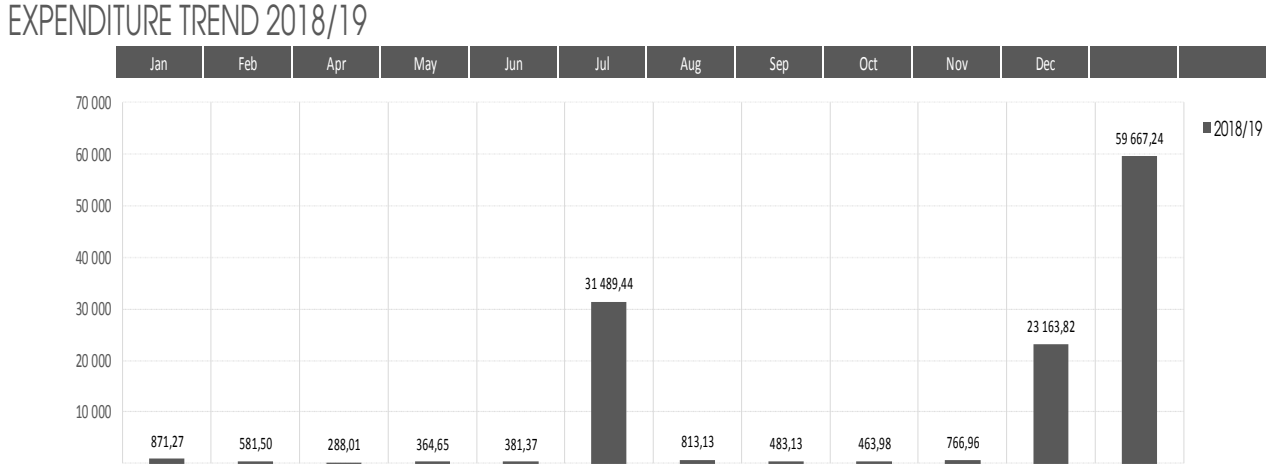
3.5. Other relevant developments

The period under review also witnessed a number of municipalities undergoing investigation for unlawfully investing millions of rand in the VBS Mutual Bank, in contravention of Treasury Regulations. Section 71(1) of the Municipal Finance Management Act (MFMA),[5] requires the Accounting Officer of a municipality to submit a report, in a prescribed format, to the Executive Mayor within 10 working days after the end of each month. The report should detail the state of the municipality's budget reflecting actual revenue, actual expenditure, any allocations received, actual borrowings, and any other budget information as National and Provincial Treasury may require for monitoring purposes. The fact that this provision could not be complied with points to the need for improved oversight over section 71 reporting. In this regard, National Treasury may need to consider involving CoGTA and the South African Local Government Association (SALGA) in the analysis of these reports. National Treasury should also consider capacity building for people involved in analysing the reports.

[3] SALGA (2018).
[4] FFC (2019).
[5] Act No. 56 of 2003.

3.6. Summary of budget expenditure

The total budget allocated to the Department in 2018/19 amounted to R83.6 billion, which was later adjusted to R85 billion. As at 28 February 2019, total expenditure amounted to R59.6 billion or 83 percent of the allocated budget.[6] Table 1 depicts the Department's monthly expenditure trends from April 2018 to February 2019.



Month	Jan-19	Feb-19	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total	Trend
2018/19	871,27	581,50	288,01	364,65	381,37	31 489,44	813,13	483,13	463,98	766,96	23 163,82	59 667,24	
Total	**871,27**	**581,50**	**288,01**	**364,65**	**381,37**	**31 489,44**	**813,13**	**483,13**	**463,98**	**766,96**	**23 163,82**	**59 667,24**	

Data Source: National Treasury (2019).

The municipal financial year runs from 1 July to 30 June of the following year. Furthermore, Government disburses equitable share allocations to municipalities during December. The bulk of the budget allocated to the Department consists of transfers and subsidies to provinces and municipalities, primarily through the local government equitable share and the municipal infrastructure grant. This explains the spike in expenditure witnessed during these periods in Table 1 above.

4. Policy Priorities for 2019/20

The implementation of the second phase of the 'Back to Basics' Programme is CoGTA's key policy priority for the 2019/20 financial year. The Department introduced the Programme during the 2014/15 financial year, and implemented its first phase in the course of the 2014-2019 Medium Term Strategic Framework (MTSF) period. In its first iteration, the Programme consisted of five pillars, which aligned to the Department's five 2014-2019 MTSF sub-outcomes, as tabulated below.

[6] National Treasury (2019).

Back to Basics Pillars	CoGTA's 2014-2019 MTSF sub-outcomes
1. Putting people first: let's listen and communicate	Local public employment programmes expanded through the Community Work Programme.
2. Consistent provision of services to the right quality and standard	Members of society have sustainable and reliable access to basic services
3. Good governance and transparent administration	Democratic, well-governed and effective municipal institutions capable of carrying out their development mandate as per the Constitution
4. Sound financial management and accounting	Sound financial management
5. Robust institutions with skilled and capable staff	Strengthened intergovernmental arrangements for a functional system of cooperative governance for local government

The Department provides a template for all municipalities to report, on a monthly basis, on progress in the implementation of these pillars. Marking the second phase of Back to Basics is the introduction of three additional pillars: disaster management, spatial transformation and local economic development. Considering that the progress made in the implementation of the original five pillars has not been particularly encouraging, Parliament may need to question the wisdom of three additional pillars.

Table 2: Overall Budget Allocation

Programme	Budget		Nominal Increase / Decrease in 2019/20 [7]	Real Increase/ Decrease in 2019/20 [8]	Nominal Percent change in 2019/20	Real Percent change in 2019/20
R million	2018/19	2019/20				
1. Administration	278,5	275,7	-2,8	-16,4	-1,01 per cent	-5,90 per cent
2. Regional and Urban Development and Legislative Support	104,4	966,6	862,2	814,4	825,86 per cent	780,10 per cent
3. Institutional Development	63 114,7	69 370,3	6 255,6	2 826,6	9,91 per cent	4,48 per cent
4. National Disaster Management Centre	1 967,7	761,2	-1 206,5	- 1 244,1	-61,32 per cent	-63,23 per cent
5. Local Government Support and Intervention Management	15 708,1	15 259,8	-448,3	- 1 202,6	-2,85 per cent	-7,66 per cent
6. Community Work Programme	3 863,7	4 084,1	220,4	18,5	5,70 per cent	0,48 per cent
Total	85 037,1	90 717,7	5 680,6	1 196,5	6,68 per cent	1,41 per cent

[7] The nominal increases/decreases do not consider inflation.
[8] The real increases/decreases do consider the effects of inflation.

As illustrated in Table 2 above, the overall budget allocation to the Department increases by 1.4 percent in real terms, from R85 billion in 2018/19 to R90.7 billion in 2019/20. The main cost drivers are Programmes 3, 5 and 6, which transfer the Local Government Equitable Share (LGES) and the Municipal Infrastructure Grant (MIG), as well as to administer payments to participants in the Community Work Programme (CWP), respectively. As Figure 1 below illustrates, the three programmes constitute more than 95 of the Department's total budget allocation.

Figure 1

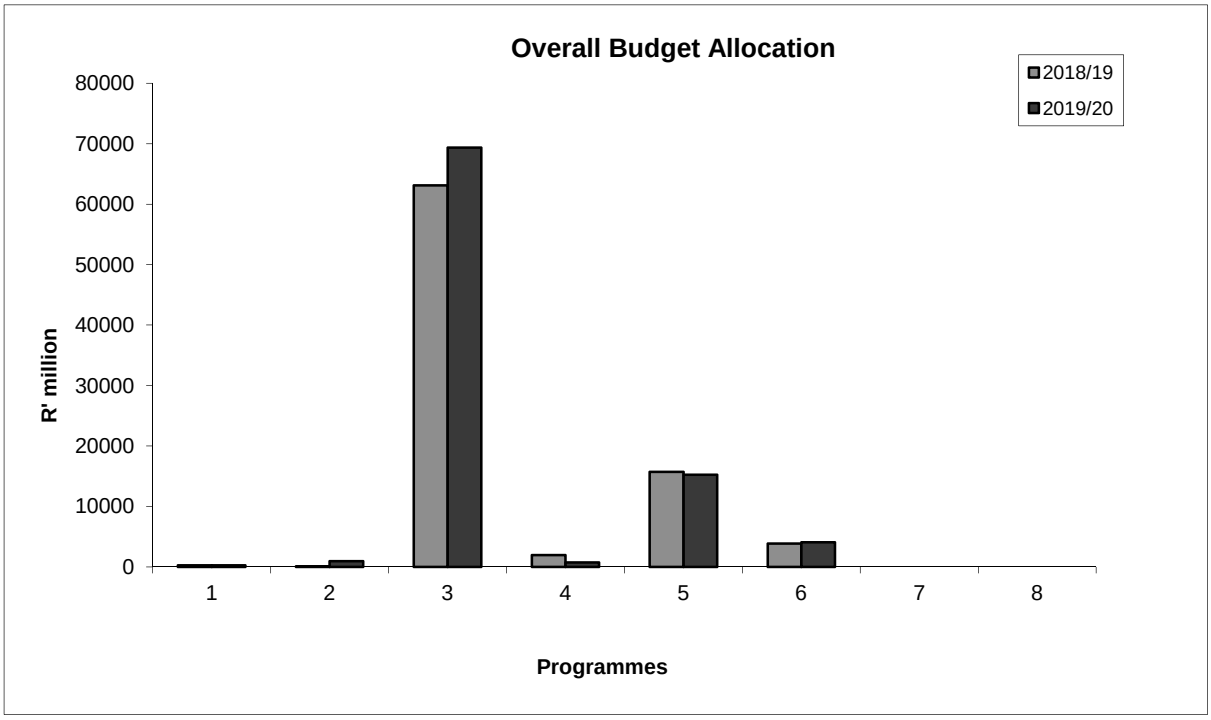


Figure one also shows strong growth in allocation to the LGES (Programme 3), which will continue over the next three years. The MIG allocation on the other hand continues to decline in line with the significant reductions in conditional grants witnessed in the 2018 Medium Term Expenditure Framework (MTEF) period. In this regard, 'government has repeatedly emphasized the importance of municipalities focusing on growing their own revenue base in order to expand resources available for local service delivery.'[9] A process is already under way to assist qualifying non-metropolitan municipalities to shift from the MIG to the new Integrated Urban Development Grant (IUDG), which 'has different planning requirements and incentives intended for more integrated developments and greater leveraging of non-grant finance.'[10]

[9] National Treasury (2019).
[10] Ibid.

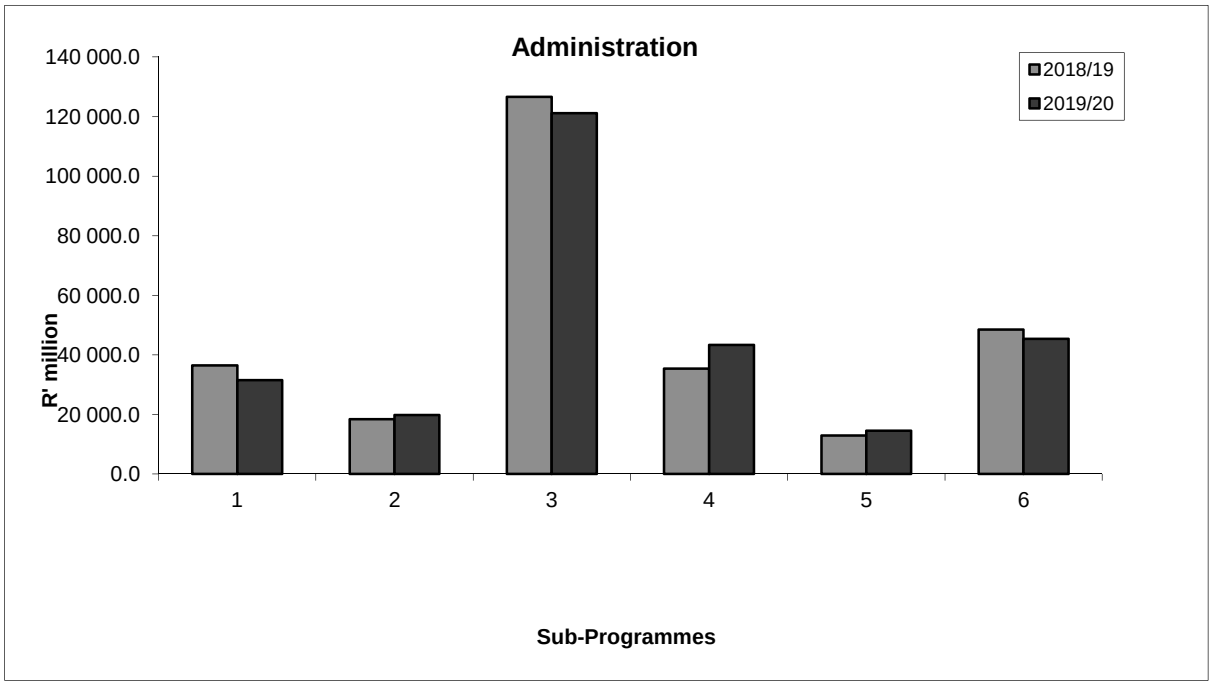
4.1. Programme 1: Administration

Table 3

Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	**2018/19**	**2019/20**	**2018/19-2019/20**		**2018/19-2019/20**	
1. Ministry	36 488,0	31 505,0	-4 983,0	- 6 540,3	-13,66 per cent	-17,92 per cent
2. Management	18 447,0	19 775,0	1 328,0	350,5	7,20 per cent	1,90 per cent
3. Corporate Services	126 606,0	121 095,0	- 5 511,0	- 11 496,7	-4,35 per cent	-9,08 per cent
4. Financial Services	35 421,0	43 347,0	7 926,0	5 783,4	22,38 per cent	16,33 per cent
5. Internal Audit and Risk Management	12 972,0	14 555,0	1 583,0	863,6	12,20 per cent	6,66 per cent
6. Office Accommodation	48 522,0	45 431,0	- 3 091,0	- 5 336,6	-6,37 per cent	-11,00 per cent
TOTAL	**278 456,0**	**275 708,0**	**-2 748,0**	**-16 376,2**	**-0,99 percent**	**-5,88per cent**

Programme 1 provides strategic leadership, management and support services to the Department. As seen in Table 3, the overall allocation to the Programme decreases by 5.8 percent in real terms. Figure 2 below indicates that the main cost driver is the Corporate Services Sub-programme.

Figure 2

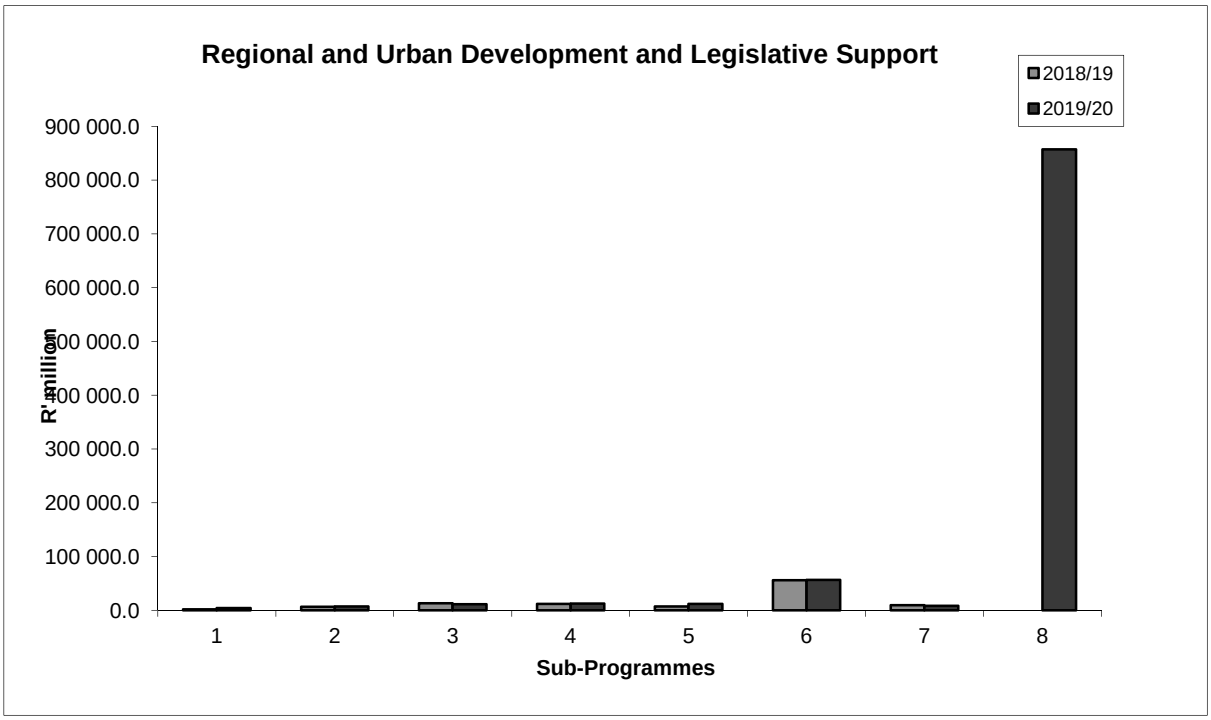


4.2. Programme 2: Regional and Urban Development and Legislative Support

Table 4:

Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2018/19-2019/20		2018/19-2019/20	
1. Management: Regional and Urban Development and Legislative Support	1 414,0	3 653,0	2 239,0	2 058,4	158,35 per cent	56,35 per cent
2. Local Government Legislative Support and Institutional Establishment	6 329,0	6 742,0	413,0	79,7	6,53 per cent	1,18 per cent
3. Urban Development Planning	13 098,0	11 255,0	- 1 843,0	- 2 399,3	-14,07 per cent	-21,32 per cent
4. Spatial Planning Districts and Regions	11 527,0	12 268,0	741,0	134,6	6,43 per cent	1,10 per cent
5. Intergovernmental Policy and Practice	7 086,0	11 453,0	4 367,0	3 800,9	61,63 per cent	33,19 per cent
6. Municipal Demarcation Board	55 568,0	56 568,0	1 000,0	- 1 796,1	1,80 per cent	-3,18 per cent
7. South African Cities Network	9 353,0	7 765,0	- 1 588,0	- 1 971,8	-16,98 per cent	-25,39 per cent
8. Integrated Urban Development Grant		856 895,0	856 895,0	814 539,0		
TOTAL	**104 375,0**	**966 599,0**	**862 224,0**	**814 445,3**	**825,86 per cent**	**780,10 per cent**

Programme 2 provides policy analysis towards improving local government and cooperative governance. As seen in Table 4, allocation to this Programme increases by 780 percent in real terms due the introduction of a new grant: the Integrated Urban Development Grant (IUDG). Figure 3 below depicts this information graphically. The IUDG allocation is a portion of the R2.9 billion shifted from the MIG as part of Government's technical adjustments. As noted earlier, Government is encouraging qualifying non-metropolitan municipalities to shift towards greater leveraging of non-grant finance in line with the purposes of the IUDG.



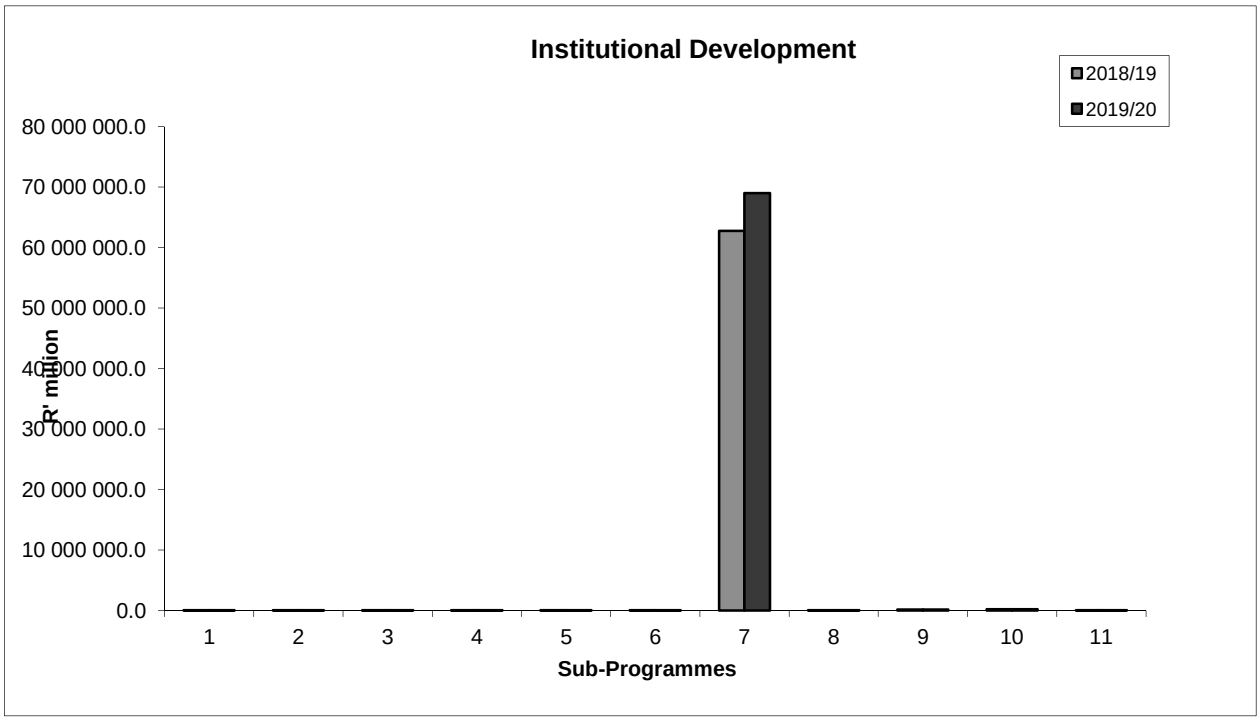
4.3 Programme 3: Institutional Development

Table 5

Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2018/19-2019/20		2018/19-2019/20	
1. Management Institutional Development	2 493,0	3 637,0	1 144,0	964,2	45,89 per cent	38,68 per cent
2. Municipal Human Resource Management Systems	10 203,0	10 419,0	216,0	- 299,0	2,12 per cent	-2,93 per cent
3. Municipal Finances	25 955,0	31 154,0	5 199,0	3 659,1	20,03 per cent	14,10 per cent
4. Citizen Engagement	7 304,0	7 526,0	222,0	- 150,0	3,04 per cent	-2,05 per cent
5. Anti-Corruption and Good Governance	6 674,0	5 678,0	- 996,0	- 1 276,7	-14,92 per cent	-19,13 per cent
6. Municipal Property Rates	11 958,0	12 494,0	536,0	- 81,6	4,48 per cent	-0,68 per cent
7. Local Government Equitable Share	62 731 845,0	68 973 465,0	6 241 620,0	2 832 285,2	9,95 per cent	4,51 per cent
8. South African Local Government Association	33 100,0	33 879,0	779,0	- 895,6	2,35 per cent	-2,71 per cent
9. Municipal Systems Improvement Grant	115 116,0	121 562,0	6 446,0	437,2	5,60 per cent	0,38 per cent

Sub-Programme	Budget			Nominal Rand change	Real Rand change	Nominal % change	Real % change
10. Department of Traditional Affairs	163 306,0	163 351,0		45,0	- 8 029,4	0,03 per cent	-4,92 per cent
11. United Cities and Local Government of Africa	6 782,0	7 162,0		380,0	26,0	5,60 per cent	0,38 per cent
TOTAL	**63 114 736,0**	**69 370 327,0**		**6 255 591,0**	**2 826 639,5**	**9,91 per cent**	**4,48 per cent**

Programme 3 seeks to build institutional resilience in the local government system. As seen in Table 5, the overall allocation to the Programme increases by 4.4 percent in real terms. As Figure 4 illustrates, this percentage increase mainly relates to Sub-programme 7, the LGES, which receives an additional R2.8 billion in real terms. The LGES is unconditional funding designed to fund the provision of free basic services to disadvantaged communities. Its increase covers 'the anticipated increase in costs of providing free basic services to a growing number of households, and takes account of likely above-inflation increases in the costs of bulk water and electricity.'[11]This is in line with the Department's priority of providing members of society with access to sustainable and reliable access to basic services.



[11] National Treasury (2019).

4.4. Programme 4: National Disaster Management Centre

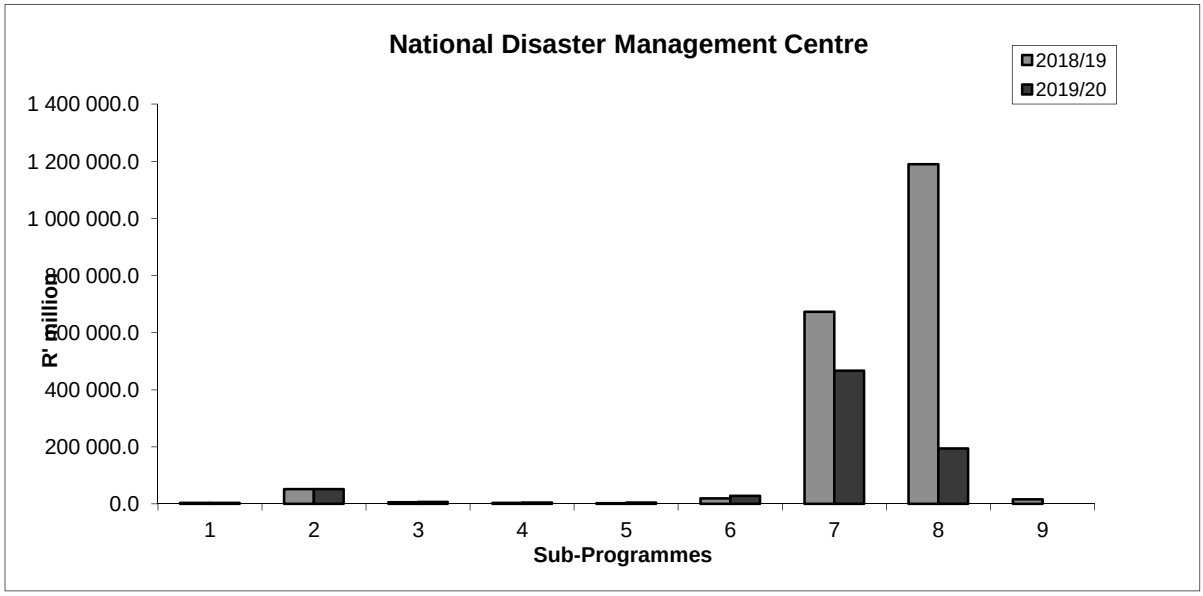
Sub-Programme	Budget		Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2018/19-2019/20		2018/19-2019/20	
1. Management: Head of the National Disaster Management Centre	4 101,0	4 070,0	- 31,0	- 232,2	-0,76 per cent	-5,66 per cent
2. Disaster Risk Reduction, Capacity Building and Intervention	51 592,0	51 785,0	193,0	- 2 366,7	0,37 per cent	-4,59 per cent
3. Legislation and Policy Management	6 352,0	6 785,0	433,0	97,6	6,82 per cent	1,54 per cent
4. Integrated Provincial Disaster Management Support, Monitoring and Evaluation Systems	3 405,0	4 834,0	1 429,0	1 190,1	41,97 per cent	34,95 per cent
5. Fire Services	3 259,0	4 712,0	1 453,0	1 220,1	44,58 per cent	37,44 per cent
6. Information Technology, Intelligence and Information Management Systems	19 648,0	28 700,0	9 052,0	7 633,4	46,07 per cent	38,85 per cent
7. Disaster Relief Grant	672 871,0	466 392,0	- 206 479,0	- 229 532,6	-30,69 per cent	-34,11 per cent
8. Municipal Disaster Recovery Grant	1 190 136,0	193 953,0	- 996 183,0	-1 005 770,0	-83,70 per cent	-84,51 per cent
9. Provincial Disaster Recovery Grant	16 304,0	0,0	- 16 304,0	- 16 304,0	-100,00 per cent	-100,00 per cent
TOTAL	**1 967 668,0**	**761 231,0**	**-1 206 437,0**	**-1 244 064,4**	**-61,31 per cent**	**-63,23 per cent**

Programme 4 promotes an integrated and coordinated system of disaster prevention, mitigation and risk management. Table 6 indicates that the budget allocated to this Programme decreases by 63 percent in real terms. This is due to the additional once-off allocation of R1.2 billion the Programme received in 2018/19 to provide immediate drought relief and future mitigation funding to affected sectors such as water, agriculture and environmental affairs.[12] As illustrated in Figure 5, the once-off allocation was in respect of sub-programme 8 – the Municipal Disaster Recovery Grant. Further contributing to the reduction in the Programme budget is the 34 percent decrease in the allocation to the Disaster Relief Grant, as well as

[12] National Treasury (2019).

the fact there is no allocation to the Provincial Disaster Recovery Grant in 2019/20.

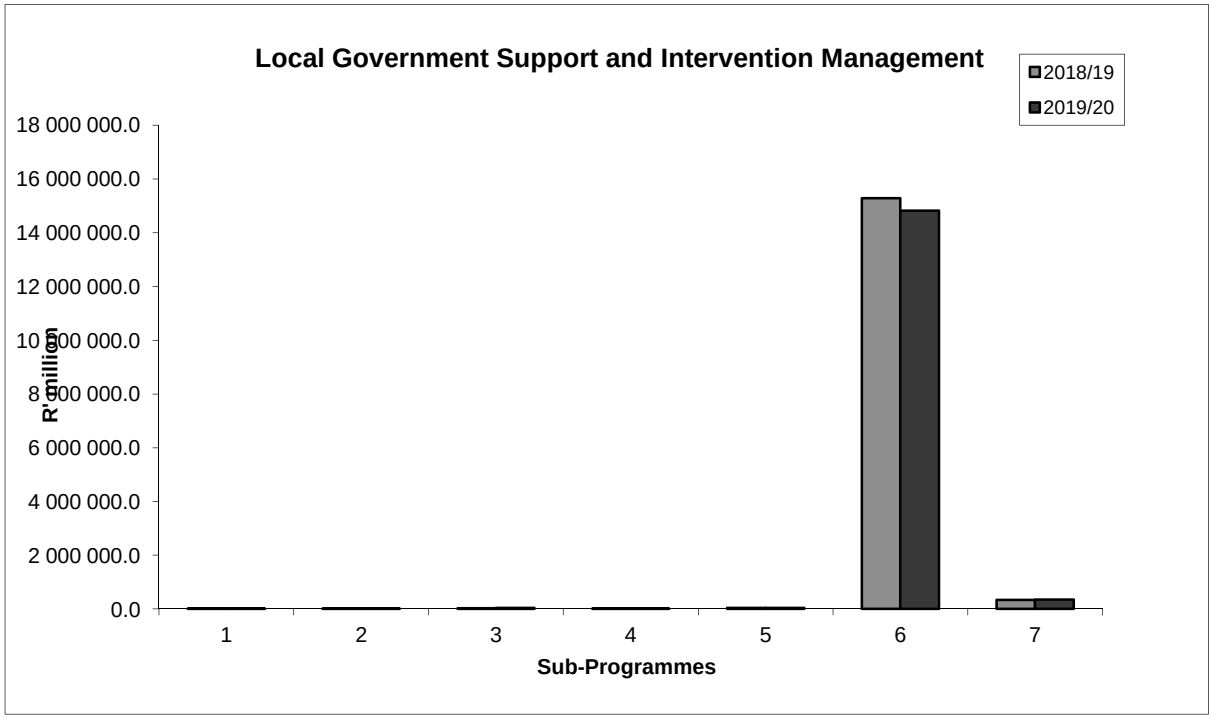
Figure 3



Sub-Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
1. Management: Local Government Support and Interventions	3 501,0	3 715,0	0,0	0,0	214,0	30,4	6,11 per cent	0,87 per cent
2. Municipal Performance Monitoring	6 901,0	11 907,0	0,0	0,0	5 006,0	4 417,4	72,54 per cent	64,01 per cent
3. Local Government Improvement Programme	29 477,0	35 866,0	0,0	0,0	6 389,0	4 616,2	21,67 per cent	15,66 per cent
4. Litigation and Interventions	3 455,0	8 501,0	0,0	0,0	5 046,0	4 625,8	146,05 per cent	133,89 per cent
5. Municipal Infrastructure Administration	34 598,0	39 735,0	0,0	0,0	5 137,0	3 172,9	14,85 per cent	9,17 per cent
6. Municipal Infrastructure Grant	15 287 685,0	14 816 103,0	0,0	0,0	- 471 582,0	-1 203 936,9	-3,08 per cent	-7,88 per cent
7. Municipal Infrastructure Support Agent	342 456,0	343 976,0	0,0	0,0	1 520,0	- 15 482,6	0,44 per cent	-4,52 per cent
TOTAL	**15 708 073,0**	**15 259 803,0**	**0,0**	**0,0**	**- 448 270,0**	**-1 202 556,8**	**-2,85 per cent**	**-7,66 per cent**

Programme 5 conducts performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive Back to Basics activities. Overall allocation to the Programme decreases by 7.6 percent in real terms. This mainly relates to Sub-programme 6, where allocations to the MIG continue to decline in line with the significant reductions in conditional grants witnessed in the 2018 MTEF period. Over the 2019/20 MTEF, Government also transfers R2.9 billion from the MIG to the new IUDG. Figure 6 is a graphic representation of this trend. Government expects municipalities with significant revenue bases to invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery. [13]

Figure 4



4.6. Programme 6: Community Work Programme

Table 6

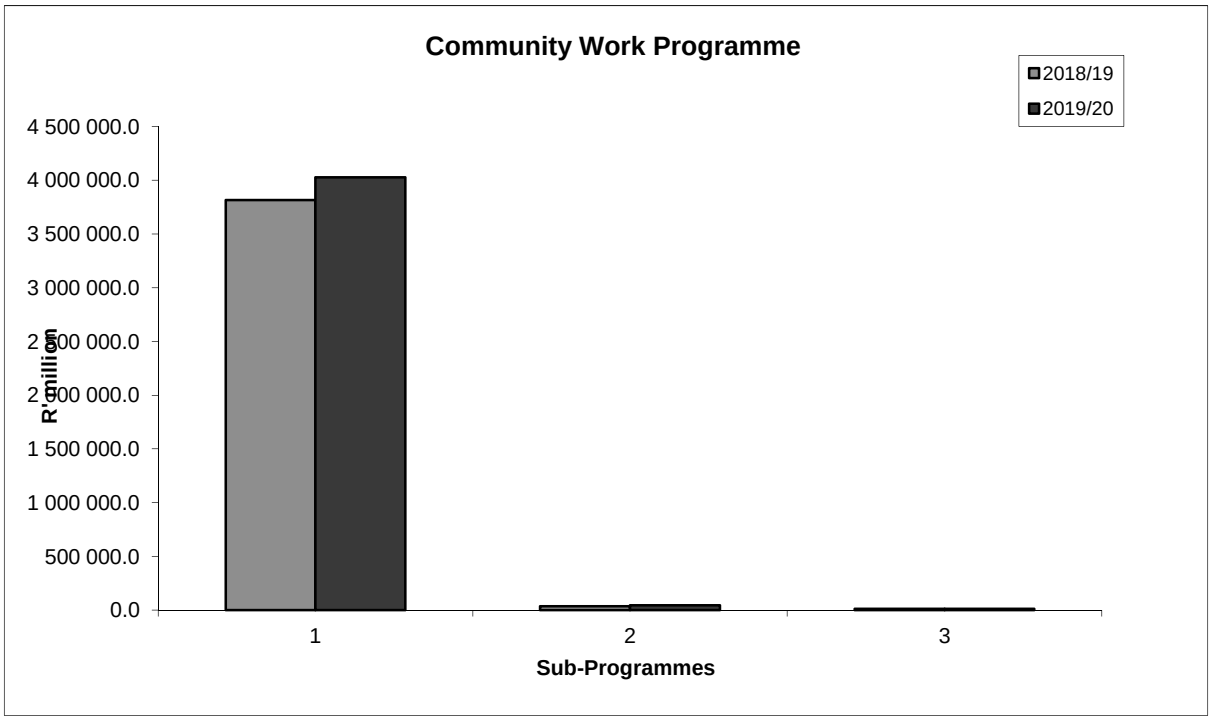
Sub-Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
1. Management: Community Work Programme	3 814 134,0	4 024 890,0	0,0	0,0	210 756,0	11 807,1	5,53 per cent	0,31 per cent
2. Programme Coordination	36 413,0	45 260,0	0,0	0,0	8 847,0	6 609,8	24,30 per cent	18,15 per cent

[13] National Treasury (2019).

3. Partnerships, Norms, Standards and Innovation	13 156,0	13 969,0	0,0	0,0	813,0	122,5	6,18 per cent	0,93 per cent
TOTAL	**3 863 703,0**	**4 084 119,0**	**0,0**	**0,0**	**220 416,0**	**18 539,4**	**5,70 per cent**	**0,48 per cent**

Programme 6 seeks to respond to the structural nature of unemployment in South Africa to help address the paradox of an economy unable to absorb the labour of people that are willing to and able to work. Allocation to this Programme increases by 0.5 percent in real terms, most of which relates to Sub-programme 1, as Figure 7 below illustrates. The management of this Programme has been the Department's major source of weakness, which culminated in a disclaimed audit opinion in 2017/18 and late tabling of the 2017/18 Annual Report. This is the worst audit opinion since the Department's establishment in 2009. It also flies in the face of the Department's priority of expanding local public employment programmes. The Programme thus demands stronger parliamentary oversight.

Figure 5



5. Implementation of 2017/18 Budgetary Review Recommendations

2017/18 Recommendations		**Progress**
5.1.	The Department of Cooperative Governance must address the weak levels of assurance, which the Auditor-General identified in respect of the Executive Authority, Accounting Officer and Senior Management.	**Ongoing**
5.2.	The Department of Cooperative Governance must consider undertaking a comprehensive review of the Community Work Programme, including identifying the key problem areas and devising mechanisms to deal effectively with the identified challenges.	**Ongoing**
5.3.	The Portfolio Committee must invite all the municipalities with deposits in the VBS Mutual Bank in order to understand better the impact of the Bank's possible liquidation on the financial and service delivery performance of these municipalities.	**Ongoing**
5.4.	The MDB should explore the possibility of submitting its proposed amendments to the Demarcation Act directly to the Portfolio Committee, which can deal with the amendments as a Committee Bill.	**Ongoing**

6. Committee Observations

The Committee noted that:

- While appreciating the progress local government has made in terms of service delivery since the dawn of democracy, and the institutional and financial support it is currently receiving, there seems to be no commensurate positive impact on local communities on the ground.

- The bulk of SALGA's budget seemed concentrated on personnel compensation, leaving insufficient budget allocation for the core mandate of the entity.

- It is not acceptable that out of 257 municipalities, only 18 attained a clean audit. The Department of Cooperative Governance's Strategic and Annual Performance Plans do not seem to give sufficient emphasis on how to address this matter decisively.

- Having received a disclaimed audit opinion during the 2017/18 financial year, the Department of Cooperative Governance is not setting a good example for municipalities to emulate. This has weakened the Department's legitimacy to demand clean audits from municipalities.

- Some amalgamations have a negative impact on the financial viability of the merged municipalities, resulting in instances where previously healthy municipalities become financially unsustainable due to amalgamation with distressed or dysfunctional municipalities. These indicate that the Municipal Demarcation Board is not undertaking sufficient field research and stakeholder engagement before embarking on demarcation and delimitation processes.

7. Committee Recommendations

- MISA's annual performance targets, as presented to the Committee did not seem to translate into tangible outputs on the ground. The entity should consider a more practical way of measuring the impact of its work.

- The Department of Cooperative Governance should submit to the Portfolio Committee an audit action plan to address the issues raised in the disclaimed audit opinion, including the tangible progress made thus far.

- There are reports that some individuals implicated in the unlawful deposit of municipal funds in the VBS Mutual Bank received golden handshakes, while the unrecovered funds negatively affected service delivery, especially in respect of water. The Department of Cooperative Governance should prepare a briefing on the consequences for those implicated, and the Portfolio Committee should consider conducting oversight to the affected municipalities.

- The Portfolio Committee should insist on perusing the quarterly reports of departments and entities on a regular basis in order to avoid reacting to issues only towards the end of the financial year when it is too late to correct problems.

- To minimise disputes over municipal boundary changes, the MDB should improve its regional footprint, and its consultation processes including outreach and field research programmes.

- The CRL Rights Commission should broaden its project on reviving diminishing languages to include more languages that are in danger of extinction.

- The Commission should accelerate its capacity building on alternative dispute resolutions for cultural, religious, and linguistic communities to ensure diffusion of cultural, religious and linguistic tensions and to build a cohesive society.

- SALGA should improve its support in the implementation of the SPLUMA to foster cooperation between traditional leaders and municipalities in respect of the implementation of the legislation.
- The Inter-ministerial Task Team appointed to resolve the municipal debt crisis should report to the Portfolio Committee on progress made thus far.

- The Department of Cooperative Governance should develop an action plan to assist in dealing with the increasing number of municipalities with poor audit outcomes and report to the Committee on progress in this regard.

Report to be considered

9. Report of the Portfolio Committee on Women, Youth and Persons with Disabilities on the Annual Performance Plan (Budget Vote 13) of the Department of Women in the Presidency and the Commission for Gender Equality for financial year 2019/2020, dated 5 July 2019.

The Portfolio Committee on Women, Youth and Persons with Disabilities, having considered the Annual Performance Plan and Budget of the Department of Women in the Presidency for 2019/20 as well as the Commission for Gender Equality's Annual Performance Plan for 2019/2020 on the 03 July 2019, reports as follows:

1. Introduction

As per the Announcement, Tablings and Committees (ATC) of 1 and 2 July 2019 the Department of Women, Youth and Persons with Disabilities and the Commission for Gender Equality tabled the respective 2019/2020 Annual Performance Plan's (APPs).

The Portfolio Committee on Women, Youth and Persons with Disabilities, in performing its constitutional oversight mandate, engaged with the Department of Women, Youth and Persons with Disabilities (hereafter referred to as the Department) and the Commission for Gender Equality on 03 July 2019 on the 2019/20 APPs. The Department indicated in its briefing to the Portfolio Committee on Women, Youth and Persons with Disabilities (hereafter referred to as the Committee) that the Annual Performance Plan 2019/20 that was presented was based on the previous Department of Women in the Presidency's Budget Vote 13. To this end, the Department was in the process of dealing with the inclusion of youth and disability structures. Furthermore, the Minister Maite Nkoana-Mashabane for Women, Youth and Persons with Disabilities noted that the proclamation by the President regarding all new Ministries was made towards the end of June 2019.

2. Mandate and strategic objectives of the Department

The purpose of the Department of Women in the Presidency as stipulated in the Estimates of National Expenditure for 2019 is to lead, coordinate and oversee the transformation agenda on women's socioeconomic empowerment, rights and equality.

The mandate of the Department of Women was derived from the Constitution and following the 2014 presidential proclamation, as is thus to champion the gender equality, the achievement of women's empowerment and rights. According to the 2019/20 APP, the Department had prioritised the following strategic objectives as per the revised Strategic Plan 2015-2020 which was tabled in March 2016:

- Promotion of strategic leadership; good governance; and the effective, efficient and economical use of public resources for the socio-economic empowerment of women and the promotion of gender equality;
- Promotion of gender mainstreaming of socio-economic and governance programmes such that they accelerate a just and equitable society for women;
- Promotion of gender knowledge and analysis of policy and policy implementation for the socio-economic empowerment of women;
- Promotion of gender-responsive planning, budgeting, monitoring, evaluation and reporting systems as a mechanism for ensuring timely interventions aimed at the socio-economic empowerment of women and gender equality; and
- Promotion of public participation in the work of the Department of Women in the Presidency through outreach and advocacy work

The Department notes in its APP of 2019/20 that as from 2016/17, the Department has been structured both organisationally and financially over three programmes:

- Programme 1: Administration, managed by three (3) organisational divisions – Office of the Director-General; Corporate Management; and Finance and Supply Chain Management
- Programme 2: Social Transformation and Economic Empowerment, with three sub-programmes which are Social Empowerment and Transformation, Economic Empowerment and Participation and Governance Transformation, Justice and Security.
- Programme 3: Policy, Stakeholder Coordination and Knowledge Management, with four sub-programmes which are Research, Policy and Knowledge Management, Stakeholder Coordination and Outreach, International Relations and Monitoring and Evaluation.

3. Expenditure Trends and Medium-Term Priorities

The total budget for the Department of Women in the Presidency for 2018/2019 period was R230.2 million of which R80.7 million was transferred to the Commission for Gender Equality (refer to Table below). Thus the Department of Women in the Presidency's operational budget for that period was R149.5 million which only reflected a slight increase from the previous financial year 2017/18.

Table 1: Department of Women in the Presidency MTEF Allocation[1]

Programmes	**Adjusted Appropriation R'000**			
	2015/16	**2016/17**	**2017/18**	**2018/19**
1. Administration	78.9	88.3	84.7	79.4
2. Social Transformation and Economic Empowerment	86.9	84.4	99.8	109.5
3. Policy Stakeholder, Coordination and Knowledge Management	23.3	24.2	21.7	41.3
Total payments and estimates:	**189.1**	**196.9**	**206.2**	**230.2**

The Department of Women in the Presidency has to date only presented the first and second quarter reports of 2018/19 to the former Portfolio Committee on Women in the Presidency. To this end, by the end of Quarter 2, the Department's performance improved as compared to Quarter 1 as it achieved 72.4% of the targets. In the first quarter, the Department only met 18 (60%) of the 30 targets it had set out to achieve. According to National Treasury's 3rd quarter expenditure report for 2018/19, under Vote 13, the Department spent R157.2 million (68.3%) of its total budget allocation of R230.2 million as at the end of December 2018. The R157.2 million in actual spending was R8.4 million (5.1%) lower that the project expenditure of R165.6 million for the period under review. This lower than expected spending was reported on mostly in Programme 2 and 3 respectively which is the Social Transformation and Economic Empowerment and the Policy, Stakeholder Coordination and Knowledge Management.

Of importance to note, which the 3rd quarter expenditure report refers to for the Committee to be cognisant of, is the additional funding of R18.3 million allocated to the Department in 2018/19 for the capacitation of its core programmes (2 and 3). Furthermore, the Department reported that at the end

[1] Adapted from Estimates of National Expenditure, Vote 13

of the 3rd quarter there were 16 funded vacancies across all its programmes (7 vacancies in Programme 2 and 8 vacancies in Programme 3). National Treasury expressed its concern about the slow pace at which the Department was filling vacancies within its core programmes and what the impact would be on the performance for 2018/19. Table 2 reflects the Department's spending per programme as at 31 December 2018 as contained in National Treasury's consolidated 3rd quarter expenditure report.[2]

Table 2: Department of Women in the Presidency Programme Expenditure as at 31 December 2018[3]

	Programme 1	Programme 2	Programme 3	Total
Total adjusted allocation	R 79.4m	R109.5m	R41.3 m	R230.2 million
Projected expenditure by 31 Dec 2018	R 61.9m	R77.4m	R26.3m	R165.6million
Actual expenditure	R61.9m	R73.8m (R61.3m = transfer payment to CGE)	R21.5m	R157.2 million
Percentage Expenditure	78.0%	68.5%	49.9%%	68.3%
Reasons for variance		The low expenditure was mainly attributed to funded vacancies, as well as delays in work relating to the development of the sanitary dignity framework due to poor responses from the market to the research work that the department had planned to appoint consultants for.	The low spending recorded by this programme was as a result of funded vacancies, as well as international travel related expenditure which was charged against the Administration programme instead of the Policy, Stakeholder Coordination and Knowledge Management programme.	Overall, the department has underspent by R8.4 million or 5% for the period under review

As per the Estimates of National Expenditure for 2019, the Department of Women in the Presidency will focus on the following initiatives over the medium term in support of: -

- gender responsive planning, budgeting, and monitoring and evaluation;
- mainstreaming women's socioeconomic empowerment;

[2] Levendale, C (2019) Budget Vote 2019/20 – Vote 13: Department of Women, p.3
[3] Levendale, C (2019) Budget Vote 2019/20 – Vote 13: Department of Women, p.3

- international engagements on gender equality; and
- stakeholder relations to raise awareness and advance gender equality and women's rights.

The Department of Women in the Presidency prioritised the following key performance areas for 2019/2020 namely;

- Sanitary Dignity Framework to be submitted to Cabinet for consideration and approval.
- Monitor the implementation of Women`s Financial Inclusion Framework (WFIF) and conduct capacity building workshops on the WFIF and facilitate interventions and economic opportunities for women.
- Collaborate with key strategic partners – Department of Performance Monitoring and Evaluation on infusing the current monitoring and evaluation framework of Government with indicators responsive to issues of empowerment and equality for women and ensure that before each budget policy speech.
- Produce a National Gender Machinery (NGM) Framework for Cabinet consideration and possible approval and continue coordination of the National Gender Machinery.
- Establish the National Council on Gender Based Violence.
- National Treasury clear targets will be set to the implementation of gender responsive budgets in the country embedded on the MTSF planning cycle of government.
- Produce a consultation report on the Country Gender Indicator Framework.
- Produce reports on performance monitoring review on women's empowerment and gender equality.

4. Analysis of Budget 2019/20 for the Department of Women in the Presidency

According to the Estimates of National Expenditure for 2019, the Department received a budgetary allocation of R244.398 million for 2019/20 of which R85.188 million is to be transferred to the Commission for Gender Equality. Thus leaving the Department with an operating budget of R159.210 million which is an increase of only R9.7 million as compared to 2018/19 (referred to

previously). When comparing the money appropriated to the Department of Women in the Presidency as compared to all other departments/entities, it remains the smallest budget across all votes. Vote 13 constitutes on 1.5% of the total national budget. The Department also received the smallest increase in budgetary allocation in 2019/20. On closer examination, the Department had a nominal increase of R14.3 million allocation between 2018/19 and 2019/20. However, when inflation is taken into account, the Department has R2.2 million more to spend in 2019/20 than it did in the previous financial year 2019/20 but this amounts to less than 1% increase in budget. (Refer to Table 3 below for more details)

Table 3: Appropriated Budget 2019/20 (including the CGE transfer)

Programme	**Budget**				**Nominal Rand change**	**Real Rand change**	**Nominal % change**	**Real % change**
R million	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2018/19-2019/20**		**2018/19-2019/20**	
1. Administration	79.4	84.4	91.5	96.9	5.0	0.8	6.30 %	1.04 %
2. Social Transformation and Economic Empowerment	109.5	109.2	116.1	122.7	- 0.3	- 5.7	-0.27 %	-5.20 %
3. Policy Stakeholder, Coordination and Knowledge Management	41.3	50.9	52.1	55.3	9.6	7.1	23.24 %	17.15 %
TOTAL	**230.2**	**244.5**	**259.7**	**274.9**	**14.3**	**2.2**	**6.21 %**	**0.96 %**

In terms of the key cost drivers (refer to Table 4 below), 57% (R91.435 million) of the Department's operating budget (R159.210) million) is allocated for the Compensation of employees and 40% (R64.571 million) is allocated for Goods and services. In terms of spending under Goods and services, the main cost drivers are Travel and subsistence (R19.738 million), Property payments (R17.813 million), spending on Venues and facilities (R2.095 million) and expenditure for external audit costs (R3.6 million). These cost drivers have remained fairly consistent between 2018/19 and 2019/20. Compensation of Employees sees an increase by R6.071 million between the two financial years so too with Good and services, seeing an increase by R4.014 million. Travel and subsistence increased by R1.848 million; Property payments saw a steep increase by R3.226 million; the allocation for Consultants increased by R1.482 million; External audit costs increased slightly by R451 000 and Transport costs provided for

Departmental activity was also allocated a significant increase by R2.569 million. The only decrease in allocation noted was for Venue and facilities which was down by R3.883 million. Allocations to these items amount to R50.93 million which is approximately 79% of the Goods and services budget.

Table 4: Key costs drivers between 2018/19 and 2019/20

Key Cost Driver	2018/19	2019/20
Compensation of employees	R85.364 million	R91.435 million
Goods and services	R60.557 million	R64.571 million
- Travel & Subsistence	- R17.890 million	- R19.738 million
- Property payments	- R14.587 million	- R17.813 million
- Consultants: Business & Advisory Services	- R3.347 million	- R4.829 million
- External Audit Costs	- R3.149 million	- R3.6 million
- Transport provided for Departmental activity	- R286 000	- R2.855 million
- Venue and Facilities	R5.978 million	R2.095 million

Table 5: Appropriated budget 2019/20 (excluding the CGE)

Programme	**Budget**				**Nominal Rand change**	**Real Rand Change**	**Nominal % change**	**Real% change**
R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
1. Administration	79.4	84.4	91.5	96.9	5.0	0.8	6.30 %	1.04 %
2. Social Transformation and Economic Empowerment	28.8	24.0	26.2	27.5	- 4.8	- 6.0	-16.67 %	-20.79 %
3. Policy Stakeholder, Coordination and Knowledge Management	41.3	50.9	52.1	55.3	9.6	7.1	23.24 %	17.15 %
TOTAL	**149.5**	**159.3**	**169.8**	**179.7**	**9.8**	**1.9**	**6.56 %**	**1.29 %**

When removing the CGE transfer payment from the allocation, the real rand exchange in the Department's budget is only R1.9 million more than the previous financial year. Programme 2 was allocated R4.8 million less than the previous financial year when the CGE transfer allocation is removed from the programme budget. Programme 3 sees the most significant increase year on year.

In terms of human resources, the 2019 Estimates of National Expenditure indicates that the Department has a planned staff complement of 120 persons for the 2019/20 financial year. This is 16 more than at the end of the 2018/19

financial year. The greatest proportion of personnel is in the Administration programme, which has 72 staff members or 60% of the overall staff complement, amounting to R52.0 million of the budget for compensation of employees. Programme 2 will have 19 employees and Programme 3, 29 employees. In terms of expenditure on compensation of employees, the greatest proportion of staff (38) fall within the level 13-16 salary band (senior management), at a combined cost of R46.7 million or a unit cost of R1.2 million per person.[4]

The 2019/20 APP states that as of 1 October 2014, the Minister for Public Service and Administration approved the organisational structure for the Department of Women in the Presidency in terms of the Public Service Regulation 1/III/B.2 with an establishment of 121 posts of which 107 are filled posts. Furthermore, the Department in its presentation to the Committee that the "approved post establishment has 124 approved posts of which 107 (86.3%) are funded and 17 remain unfunded (13.7%)." And that these positions excluded the functions from Youth and Persons with Disabilities respectively.

5. Overview of Programmes for the Department of Women in the Presidency

5.1 Programme 1: Administration

The purpose of the Administration programme is to provide strategic leadership, management and support services to the Department. The sub-programme objectives are:

- Strengthened good governance that ensure the Department of Women in the Presidency delivers on its mandate
- Improved strategic financial management system in the Department of Women in the Presidency, enabling delivery on the mandate
- Effective and appropriate Human and ICT and Physical Resource management, enabling delivery on its mandate

The total allocation for this programme is R84.387 million. This allocation is R4.978 million more than in the 2018/19 financial year; however, it still

[4] Ibid

consumes the highest proportion of the Department budget. This remains a concern as the Department's core mandate is carried out in the other two programmes.

Expenditure under Programme 1 is allocated to:

Table 6: Sub-programme allocations for 2019/20

Sub-Programme	2018/19	2019/20
Ministry	R16.8	R16.6
Departmental Management	R11.0	R12.1
Corporate Services	24.2	R23.5
Financial Management	12.6	14.6
Office Accommodation	14.6	17.6
TOTAL	**R79.4 million**	**R84.4 million**

5.2 Programme 2: Social Transformation and Economic Empowerment

The purpose of the programme is to facilitate and promote the attainment of women's socioeconomic empowerment and gender equality. The programme consists of three sub-programmes:

- **Social Empowerment and Transformation:** the purpose of the sub-programme is to develop and implement intervention for mainstreaming the social empowerment and participation of women towards social transformation.
- **Economic Empowerment and Participation:** the purpose of the sub-programme is to develop and implement intervention for mainstreaming the economic empowerment and participation of women towards economic transformation and development.
- **Governance Transformation, Justice and Security:** the purpose of the sub-programme is to develop and implement interventions to mainstream gender equality and reduce and contribute to eliminating gender based violence.

The strategic goal of the programme is the development and implementation of interventions to promote gender mainstreaming of socio-economic and governance programmes. The sub-programme objectives are as follows:

- Intervention mechanisms on policies and programme implementation for mainstreaming the economic empowerment and participation of women towards economic transformation and development

- Intervention mechanisms for gender mainstreaming for women's social empowerment and participation developed
- Mechanisms for engendered transformation through advancing measures for the empowerment of women towards a just society developed

Expenditure under Programme 2 is allocated as follows:

Table 7: Sub-programme allocation for 2018/19 and 2019/20 in Programme 2

Sub-Programme	2018/193	2019/20
Management: Social Transformation and Economic Empowerment	R5.6	R7.3
Social Empowerment and Transformation	R9.6	R6.3
Governance Transformation, Justice and Security	R8.9	R6.4
Economic Empowerment and Participation	R4.7	R4.0
TOTAL	**R28.8 million**	**R24.0 million**

Although the total programme allocation as per the APP is R109.157 million, it must be remembered that R85.188 million constitutes the transfer payment to the CGE, leaving the programme with an operating budget of R23.969 million. Of this, R15.123 million (63%) is for compensation of employees and R8.438 million will go towards goods and services. The main cost driver under goods and services is travel and subsistence, which is allocated R5.3 million as per the Estimates of National Expenditure 2019.

5.3 Programme 3: Policy, Stakeholder Coordination and Knowledge Management

The purpose of programme 3 as per 2019/20 APP, is to undertake research, policy analysis, knowledge management, monitoring, evaluation, outreach and stakeholder coordination for women's socio-economic empowerment and gender equality.

The Programme consists of four sub-programmes:

- **Research, Policy Analysis and Knowledge Management:** the purpose of the sub-programme is to promote the development of gender sensitive research, position the department as a hub to content relating to the socio-economic empowerment of women, and conduct

policy analysis to intervene in transformation for women's socio-economic empowerment and gender equality.

- **Stakeholder Coordination and Outreach:** the purpose of the sub-programme is stakeholder management, and to conduct outreach initiatives which promote women's socio-economic empowerment and gender equality.
- **International Relations:** the purpose of the sub-programme is to promote international relations and engagements on women, as well as ensure South Africa's compliance with international treaties on women.
- **Monitoring and evaluation:** the purpose of the sub-programme is to coordinate gender-responsive planning and monitor and evaluate progress on the empowerment of women in line with national development goals as well as regional, continental and international treaties and commitments.

The strategic goal of the programme is, the promotion of gender-responsive knowledge and research, policy development, international relations, planning, monitoring and evaluation, stakeholder engagement, advocacy and outreach campaigns with respect to women's socio-economic empowerment and gender equality. The sub-programme objectives are as follows:

- Engendered research and policies that benefit and empower women socio-economically promoted and gender-responsive knowledge hub on socio-economic empowerment of women and gender equality established.
- Outreach and public participation initiatives, community mobilisation and advocacy campaigns conducted to advance women's empowerment and gender equality.
- Gender-responsive planning facilitated and progress on socio-economic empowerment of women monitored and government programmes to improve the lives of women evaluated
- International relations strengthened and international commitments fulfilled to advance the socio-economic empowerment of women and gender equality.

Expenditure under Programme 3 is allocated as follows:

Table 8: Sub-programme allocation for 2018/19 and 2019/20 in Programme 3

Sub-Programme	2018/19	2019/20
Management: Policy, Stakeholder Coordination and Knowledge Management	R5.6	R5.0
Research, Policy Analysis and knowledge management	R8.3	R9.2
International Relations	R5.5	R12.9
Stakeholder Coordination and Outreach	R14.2	R15.5
Monitoring and Evaluation	R7.7	R8.3
TOTAL	**R41.3 million**	**R50.9 million**

The programme has a total allocation of R50.854 million, of which R24.311 million (47.8%) is allocated for compensation of employees and R25.747 million (50.6%) is allocated for goods and services. Of the goods and services budget, R12.8 million or nearly 50% is allocated for travel and subsistence as per the Estimates of National Expenditure for 2019.

6. Commission for Gender Equality (CGE)

6.1 Background

The background and context of CGE's work emanates from Section 181 of the Constitution (1996) and it is one of the Chapter 9 institutions which are independent entities for strengthening democracy. The CGE is therefore required to report to the National Assembly at least once a year regarding the progress of carrying out its strategic objectives. Section 187 of the Constitution stipulates that the Commission should promote respect for gender equality, and protect and develop its attainment, as well as monitor, educate, lobby, advise and report on issues related to gender equality.

6.2 Powers Assigned to the CGE

In line with the CGE's obligation to strengthen constitutional democracy with a focus on the attainment of gender equality, the CGE has a legislative mandate and functions which include the following:

a) Monitor, evaluate and make recommendations on:

- Policies and practices of organs of state, statutory bodies and functionaries, public bodies or private businesses, to promote gender equality.
- Any existing law including indigenous law and practices.
- Government's compliance with international conventions with respect to gender equality.

b) Propose/recommend on:

- New law that may impact on gender equality or the status of women.

c) Develop, conduct or manage

- Educational strategies and programmes that foster understanding about gender equality and the role of the CGE.

d) Investigate and resolve conflicts

- On gender matters and complaints through mediation, conciliation and negotiation or referral to other institutions.

e) Liaise and interact

- With institutions, bodies or authorities with similar objectives to the Commission.
- With any organisation which actively promotes gender equality and other sectors of civil society to further the objectives of the Commission.

f) Prepare and submit reports

- To Parliament on aspects relating to gender equality.

In addition, the Commission for Gender Equality may:

- Conduct or order research to be conducted;
- Consider recommendations, suggestions and request from any source.

The Commission is publicly funded and is thus subject to the reporting requirements of the Public Finance Management Act (Act No 1, 1999). The obligations of the PFMA include an audit by the Auditor General. In line with its Constitutional mandate, the vision of the Commission for Gender Equality remains to strive for "a society free from all forms of gender oppression and

inequality", while its mission includes to "advance, promote, protect, monitor and evaluate gender equality through undertaking research, public education, policy development, legislative initiatives, effective monitoring and litigation".

6.3 CGE budget for 2019/20

For the period 2019/20, the Commission for Gender Equality received a budgetary allocation of R85.177 million. This is a R4.442 million increase from 2018/19 financial year which is not sufficient to cover the growing spending pressures due to inflation and demands for service delivery betterment. A total of 44 targets have been planned for 2019/20. The greatest portion of the budget will be spent on compensation of employees (R60.1 million, 70.5% of its budget) due to its work is carried out by internal personnel. Thus the main driver of spending is compensation of employees and R25 million (29.3% of its budget) is for goods and services.

In terms of human resources, the CGE has 110 employees distributed at head office and the 9 provincial offices.

The mandate of the CGE will be realised through the following 3 strategic objectives and sub-strategies:

6.3.1 Strategic Objective 1

The purpose of Strategic Objective 1 is to advance an enabling legislative environment for gender equality. Strategic Objective 1 has been allocated R13.319 400 for 2019/20. This will be achieved through the following sub-strategies:

- Monitor compliance with international and regional treaties and conventions.
- Evaluate existing and recommend new legislation
- Investigate, monitor and evaluate organs of state and private sector for gender equality.

According to the 2019/20 APP of the CGE, 12 Targets are planned for Strategic Objective 1 and R13.3 million of budget is allocated to achieving SO1 which is approximately 15.6 % of the overall budget.

6.3.2 Strategic Objective 2

The purpose of Strategic Objective 2 is to promote respect for and protection, development and attainment of gender equality. This Strategic Objective has been allocated R21.794 million. This will be achieved through the following sub-strategies:

- Develop, conduct and manage public education and information programmes.
- Investigate, resolve any disputes or rectify any act or omission to ensure redress on gender discrimination.
- To liaise and interact with organisations which acts actively and promotes gender equality

According to the 2019/20 APP of the CGE, 8 Targets are planned for Strategic Objective 2 and R21.7 million of the budget is allocated to achieving SO2 which is approximately 25.56 % of the overall budget.

6.3.3 Strategic Objective 3

The purpose of the Strategic Objective 3 is to build and sustain an efficient organisation to effectively promote and protect gender equality. Strategic Objective 3 has been allocated R8.788 400. This will be achieved through the following sub-strategies:

- Good governance structure and coordination mechanism.
- To improve Human resource management and development
- To improve financial and Supply Chain Management
- To provide optimal information, communication technology (ICT support for the efficient and effective management of the organisation)
- To develop and implement corporate communication strategy.

According to the 2019/20 APP of the CGE, 5 Targets are planned for Strategic Objective 3 and R8.7 million of the budget is allocated to achieving SO3 which is approximately 10 % of the overall budget.

6.3.4 Strategic Objective 4

The purpose of Strategic Objective 4 is to build an efficient organisation that protects gender equality. The Strategic outcome is to build an organisational capacity and ensure that the operations have impact on society.

According to the 2019/20 APP of the CGE, 19 Targets are planned for Strategic Objective 4 and R41.6 million of the budget is allocated to achieving SO4 which is approximately 49 % of the overall budget.

7. Observations

Having met with the Department of Women, Youth and Persons with Disabilities and the Commission for Gender Equality to scrutinise the Annual Performance Plan and budget for 2019/2020, the Committee made the following observations:

7.1 Department

7.1.1 General matters

- The Committee noted with concern that the Department submitted its presentation in the meeting which disadvantages Members from being adequately prepared.
- The Committee was also concerned that the Department tabled the APP which does not include issues related to youth and people with disabilities yet it intended to present on issues related to its expanded mandate.
- The Committee was not satisfied with the inaccuracies that were reflected in the APP and questioned whether the document was edited before being tabled.
- The Committee noted with concern that the key performance indicators in the APP for 2019/20 were not SMART and lacked the requisite detail to effectively hold the Department to account. In addition, the Committee noted that the indicators only measured outputs and not outcomes.
- The Committee noted that certain targets were repeated from the first to the fourth quarter and this was unacceptable.

7.1.2 Mandate of the Department

- The Committee noted with concern that the previous Committees observation that the Department had an overall lack of understanding of its mandate and this appeared to still be the case as the targets identified in the APP would not give full effect to the mandate.
- The Committee noted that certain targets only reflected the production of reports and consultations which was insufficient to give effect to the Department's mandate.
- The Committee noted with concern that there appeared to be a lack of tangible deliverables outlined in the APP for 2019/20.
- The Committee was not satisfied with Department's focus merely on policy formulation through the development of frameworks but that more was required to bring about visible changes to women on the ground.

7.1.3 Policy certainty

- The Committee was concerned about the lack of policy certainty pertaining to women's empowerment and gender equality given that the National Gender Policy Framework was outdated. This concern was expressed to the Committee by the Commission for Gender Equality as well.
- The Committee was also concerned about the absence of a finalised monitoring and evaluation framework by the Department which has been a consistent issue of concern that was raised in the 5th Parliament as well by the former Committee.

7.1.4 Transitional arrangements

- The Committee noted with concern the observations from the previous Committee that the Department of Women in the Presidency took two years to deal with the transitional arrangements since the proclamation in 2014 which directly impacted on the functioning of the Department. The concern remained that given the recent proclamation how long it would take for the new Department to be functioning optimally.
- The Committee was keen to understand what the mitigating factors the Department had in place to prevent a prolonged transition process and the repeat of what happened previously in the former Department of Women in the Presidency.

7.1.5 Finances

- The Committee noted with concern that the Department has allocated more for Programme 1 than the core programmes i.e. Programme 2 & 3.
- The Committee was concerned that the Travel and subsistence costs were too high. The Committee also questioned what the benefit to ordinary women were when the Department attends international events that costs a lot.
- The Committee was concerned about the exorbitant allocation for Property Payments and enquired about the Department's plan in addressing the issue of leasing office space for long period in a bid to avoid paying high rental fees.
- The Committee maintained that the Department's budget cannot be increased if it continues to not deliver on its targets and give effect to its mandate.

7.1.6 Use of consultants

- The Committee noted with concern the Department's use of consultants in light of the fact that the Department has allocated the largest proportion of its budget for the Compensation of Employees.
- The Committee was concerned about the continued use of consultants and questioned whether there was a transfer of skills to employees of the Department.

7.1.7 Implementation of deliverables

- The Committee was concerned that the Department would take an entire year to develop policies such as a framework and questioned when these will then be implemented.
- The Committee was concerned that budget was spent and that targets were not met in 5th Parliament.
- The Committee noted with concern that several initiatives highlighted in the 2019/20 APP were not new but outstanding, incomplete targets from previous financial years.

7.1.8 Human Resources

- The Committee questioned whether the Department had more employees in Programme 1 than the core programmes.

- Disciplinary cases: The Committee wanted to know the number of disciplinary cases currently with the Department and the progress of these cases if any.
- Skills audit: The Committee wanted to know if the skills audit was conducted and if it was not done, when it will be done.

7.1.9 Budget Review Recommendations of 2018

- The Committee was concerned that the recommendations made by the Portfolio Committee on Women in the Presidency in 5th Parliament were not adhered to and nor were these incorporated in the Department's 2019/20 APP.

7.1.10 Lack of clear targets

- The Department was requested to provide detailed information on Community Outreach Programmes as the indicators and Technical descriptors provided no detail as to the number of intended beneficiaries to be targeted and where exactly these initiatives will take place. The Committee was also concerned that these Community Outreach initiatives had no corresponding costs attached which made holding the Department to account difficult.
- The Committee was concerned that several targets related to the production of reports but it was unclear what the outcomes of these documents were and whether it would make a difference to the lives of women.

7.1.11 Draft Frameworks

- The Committee enquired as to when the draft policies will be finalised and presented to the Committee i.e. Draft Sanitary Dignity Framework, Draft Women's Financial Inclusion Framework, Draft Monitoring and Evaluation Framework and Draft Gender Responsive and Budgeting Framework

7.1.12 Sanitary Dignity

- The Committee was not clear about the status of the Sanitary Dignity Framework which appears in the 2019/20 APP as work in progress yet the project was launched in KwaZulu Natal towards the end of 2018.

- The Committee also noted that the Sanitary Dignity Framework consultative session will only take place in Q4. Hence the Committee was concerned as to what was guiding the roll out of the Sanitary Dignity Project in the absence of a finalised framework.
- The Committee noted with concern what the impact of the expansion of Procter and Gamble would be on the production of sanitary towels by young emerging women entrepreneurs.

7.1.13 Gender-Based Violence

- The Committee questioned why the Department intends taking so long to establish the National Council on Gender Based Violence.

7.1.14 National Gender Machinery

- The Committee was unclear as to whether the National Gender Machinery was operating when approval by the Cabinet will only take place in Q3.

7.2 Commission for Gender Equality

7.2.1 General matters

- The Committee thanked the CGE for the presentation and commended the Commission on the use of social media platforms for awareness raising campaigns.

7.2.2 Provincial offices

- The Committee noted that the CGE's Provincial offices are located in urban areas/metros and questioned how the Commission renders services to rural areas. The Committee noted that each Provincial office was allocated 5 staff members each and was concerned that other offices are not receiving the same budget. The Committee queried whether the offices are adequately resourced to deliver on the mandate and whether there any vacancies in Provincial offices and if so which positions.

7.2.3 Finances

- The Committee noted that the Commission was allocated a very small budget and was concerned as to how the CGE would give effect to its mandate and whether the community will be serviced adequately.

7.2.4 Case management

- The Committee was not satisfied with how the key performance indicator and related targets per quarter was conceptualised as it focussed more the on the process as opposed to the outcome.
- The Committee queried as to what the best outcome of cases was when received from the public and whether are any plans to manage cases and avenues to resolve these cases. The Committee also wanted to know whether targets planned by the Commission as indicated in the APP for 2019/20 has an impact on the community.
- The Committee queried whether the Commission had a Monitoring and Evaluation tool to monitor cases in provinces and municipalities, and questioned whether there was any form of audit of cases and finalisation of the cases.
- The Committee also wanted to know whether all outstanding targets were met in 2018/19 and mitigating measures to deal with outstanding measures.

7.2.5 Youth

- The Committee required more information on the involvement of youth in programmes of the CGE as this was not apparent in its APP.

7.2.6 LGBTQIA+

- The Committee noted that programmes of the Commission did not include the LGBTQI community and raised this as a concern.

7.2.7 Sexual Reproductive Health

- The Committee also requested more information on the CGE's work pertaining to reproductive health and access to safe abortions.

7.2.8 Gender-based Violence

- The Committee enquired about the relationship between the Commission and the Ministerial Task Team established by the President on gender-based violence. More specifically, the Presidential Interim Steering Committee established following the National Gender-Based Violence and Femicide Summit held in November 2018.

7.2.9 Collaboration

- The Committee noted the importance of collaboration between the CGE and key stakeholders. To this end, the Committee enquired about the CGE's relationship with the Department of Social Development with regards to women, youth and persons with disabilities as well as the Department of Women, Youth and Persons with Disabilities.
- The Committee enquired whether the Commission had a relationship with the House of Traditional Leaders with regards to culture, tradition & religion thematic areas.

7.2.10 Gender Mainstreaming

- The Committee noted the importance of gender mainstreaming and questioned how the Commission will ensure that gender mainstreaming is realised in all government departments.

7.2.11 Treaty compliance – country reports

- The Committee noted that the Commission intends to develop 4 country reports and asked when these reports will be presented to the Committee.

7.2.12 National Gender Machinery

- The Committee requested the Commission to comment on whether there is a need to review the National Gender Machinery and the National Gender Policy Framework.

8. Conclusion

The Committee thanked the Department for the presentation and awaits the outcome of the transition.

9. Recommendations

Having considered the Annual Performance Plan and budget for the Department, the Committee recommends to the Minister for Women, Youth and Persons with Disabilities as follows:

9.1 General

- The Committee resolved that documentation from the Department should be sent a week in advance prior to a meeting as the late submission of documentation has been an ongoing concern for which the current Committee will not allow.
- The Committee resolved that Department limits its presentation to the APP of 2019/20 as tabled in Parliament on 1 July 2019.
- The Department was requested to submit its current organogram to the Committee by 4 July 2019.
- The new APP and Strategic Plan must include targets and indicators that are SMART. These targets should not only reflect outputs but outcomes as well.

9.2 Transitional arrangements

- The Department of Women, Youth and Persons with Disabilities should present the new draft APP and Strategic Plan within 30 days to the Committee. The Department should also indicate clearly what the mitigating measures it has implemented to deal with the amalgamation.
- The Department of Women, Youth and Persons with Disabilities should incorporate issues/concerns raised by the Committee in its new APP and Strategic Plan.
- The Department's new APP and Strategic Plan should take into consideration the Fourth Industrial Revolution; the green economy; LGBTQIA+ persons and parents of LGBTQIA+ persons; unemployment of youth, women and persons with disabilities; homelessness; female headed households; drug abuse; land reform and restitution; agriculture and women, youth and persons with disabilities; the boy child; a focus on programmes targeting men in addressing gender-based-violence; child marriages and the sexual reproductive health of women and youth.

9.3 Finances

- The Department to provide the Committee with a detailed breakdown of the consultants budgeted for in 2019/20 (duration, purpose, cost).

9.4 Programmatic issues

- The Department should submit a report to the Committee that clearly outlines its collaboration with Government departments, entities etc. and in particular the working relationship with the Interim Steering Committee following the National Gender-Based Violence and Femicide Summit and the Commission for Gender Equality.
- The Department should have programmes that has a direct impact on the lives of women such as programmes to reduce the number of women dependant on social grants so as to alleviate the burden on the State in terms of Government's social wage.
- The Department should have programmes dealing with LGBTQIA+ community issues which includes support rendered to parents in this regard.
- The Department should develop programmes related to the boy-child and men with specific reference to gender-based violence.
- The Department should forward to the Committee the break-down of engagements held with LGBTQIA+ community.
- The Department should provide the Committee with a detailed breakdown of all Community Outreach initiatives in terms of cost and the number of beneficiaries it intends targeting at each event.

9.5 The Committee also recommends the following to the Commission for Gender Equality:

- The Committee noted the very small budget allocated to the Commission and resolved to deal with the matter with National Treasury.
- The Commission should submit all outstanding responses to the Committee within 10 working days.

9.6 The Committee recommends to the Minister of Finance:

- The Committee recommends that National Treasury re-examines the funding model for the Commission for Gender Equality to ensure that the Commission receives adequate funding.

Report to be considered.