Tuesday, 16 July 2024]

No 11—2024] FIRST SESSION, SEVENTH PARLIAMENT

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 16 JULY 2024

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1. Calling of Joint Sittings

CALLING OF JOINT SITTING OF PARLIAMENT

The Speaker of the National Assembly and the Chairperson of the National Council of Provinces, in terms of Joint Rule 13(2), have called a joint sitting of the Houses of Parliament to conduct a debate on the Opening of Parliament Address on 19 July 2024 at 10:00. The President's reply to the debate is scheduled for 22 July at 10:00.

A T DIDIZA, MP	**R MTSHWENI - TSIPANE, MP**
SPEAKER OF THE NATIONAL ASSEMBLY	**CHAIRPERSON OF THE NATIONAL COUNCIL OF PROVINCES**

National Assembly

The Speaker

1. Membership of Committees

(1) The following committee membership changes have been made by the African National Congress:

Portfolio Committee on Science, Technology and Innovation

Discharged: Gigaba, Mr KMN

Appointed: Shiviti, Ms TG

Portfolio Committee on Rural Development and Land Reform

Discharged: Shiviti, Ms TG

Appointed: Gigaba, Mr KMN

National Council of Provinces

The Chairperson

1. Calling of Joint Sittings

CALLING OF JOINT SITTING OF PARLIAMENT

In terms of section 84(2)(d) of the Constitution of the Republic of South Africa, 1996, read with Rule 13(1)(a) of the Joint Rules of Parliament, the President of the Republic of South Africa has called a joint sitting of the National Assembly and the National Council of Provinces on Thursday, 18 July 2024 at 19:00, in order to deliver the Opening of Parliament Address.

A T DIDIZA, MP	**R MTSHWENI - TSIPANE, MP**
SPEAKER OF THE NATIONAL ASSEMBLY	**CHAIRPERSON OF THE NATIONAL COUNCIL OF PROVINCES**

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Science, Technology and Innovation

Please Note: The following entries were submitted on 11 July 2024.

(a) Annual Performance Plan of the Department of Science and Innovation for 2024/25.

(b) Strategic Plan of the Department of Science and Innovation for 2020 – 2025.

(c) Annual Performance Plan of the Academy of Science of South Africa for 2024/2025.

(d) Strategic Plan of the Academy of Science of South Africa for 2020 – 2025.

(e) Shareholder's Compact of the Council for Scientific and Industrial Research for 2024/25.

(f) Strategic Plan of the Council for Scientific and Industrial Research for 2020 – 2025.

(g) Annual Performance Plan of the Human Science Research Council for 2024/25.

(h) Strategic Plan of the Human Science Research Council for 2020 – 2025.

(i) Annual Performance Plan of the National Advisory Council on Innovation for 2024/2025.

(j) Strategic Plan of the National Advisory Council on Innovation for 2020 – 2025.

(k) Annual Performance Plan of the National Research Foundation for 2024/25.

(l) Strategic Plan of the National Research Foundation for 2020 – 2025.

(m) Annual Performance Plan of the South African Council for National Scientific Professions for 2024/25.

(n) Strategic Plan of the South African Council for National Scientific Professions for 2020 – 2025.

(o) Annual Performance Plan of the South African National Space Agency for 2024/25.

(p) Strategic Plan of the South African National Space Agency for 2020 – 2025.

(q) Annual Performance Plan of the Technology Innovation Agency for 2024/25.

(r) Strategic Plan of the Technology Innovation Agency for 2020 – 2025.

2. The Minister of Trade, Industry and Competition

Please Note: The following entries were submitted on 11 July 2024.

(a) Annual Performance Plan of the Department of Trade, Industry and Competition for 2024/25.

(b) Strategic Plan of the Department of Trade, Industry and Competition for 2020 – 2025.

3. The Minister of Sport, Arts and Culture

(a) Annual Performance Plan of the Department of Sport, Arts and Culture for 2024/2025.

(b) Strategic Plan of the Department of Sport, Arts and Culture for 2020 – 2025.

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE PORTFOLIO COMMITTEE ON SOCIAL DEVELOPMENT ON THE BUDGET VOTE 19, THE ANNUAL PERFORMANCE PLANS OF THE DEPARTMENT OF SOCIAL DEVELOPMENT AND ITS ENTITIES FOR 2024/25 FINANCIAL YEAR DATED 16 JULY 2024

The Portfolio Committee on Social Development having considered and deliberated on the Budget Vote, the Annual Performance Plans of the Department of Social Development (DSD), the South African Social Security Agency (SASSA) and the National Development Agency (NDA) on 10 July 2024, reports as follows:

1. Introduction

The Committee's mandate as prescribed by the Constitution of South Africa and the Rules of Parliament is to build an oversight process that ensures a quality process of scrutinising and overseeing government's action that is driven by the ideal of realising a better quality of life for all people of South Africa.

As part of conducting its oversight the Committee has a constitutional mandate to scrutinise and thereafter approve the budget of the department and its entities. It also considers the Annual Performance Plans of these institutions. It, thereafter, draft a report (the current report) in which it reports of the APPs of the department and its entities as they were presented to it. It then raises its observations and formulate recommendations. As part of scrutinising the budget allocation and APPs the Committee makes use of the budget information contained in the National Treasury's Estimates of National Expenditure (ENE), social development sector presentations to the Portfolio Committee and international obligations (Sustainable Development Goals (SDGs, Agenda 2063), and national obligations

(National Development Plan (NDP), Medium Term Strategic Framework (MTSF) and the State of the Nation Address (SONA).

This report forms basis from which the Committee debates the budget and APPs of the department and its entities. This process culminates to the approval of the department's budget.

2. THE DEPARTMENT OF SOCIAL DEVELOPMENT ANNUAL PERFORMANCE PLAN (2024/2025)

The Department of Social Development's (DSD) Annual Performance Plan (APP) forms part of the Medium-Term Strategic Framework (MTSF) of Government and provides strategic direction to the national and provincial departments, entities, statutory bodies, and the sector as a whole. The APP is premised on Government's priorities as espoused in the MTSF 2019-2024 and builds towards the attainment of the National Development Plan (NDP): Vision 2030 aspirations.

Global financial context

South Africa, like the rest of the world, is still confronted with the effects of the Coronavirus disease (COVID-19) pandemic. The pandemic caused unprecedented shocks to the economy, health sector, and people's livelihoods. The unemployment rate in South Africa has been persistently high over time, hovering above 20 % over the last decade. The number of unemployed people in South Africa increased from 5.1 million in quarter 1 of 2014 to 8.2 million in quarter 1 of 2024. This has led to high rate of unemployment to 32.9% by 2024. Additionally, research indicates that structural challenges in the labour market and weak economic growth have undermined progress in reducing poverty, unemployment and inequality. The 2024 State of the Nation Address (SONA) indicated that government policies and programmes have, over the course of 30 years, lifted millions of people out of dire poverty. The DSD continues to implement a range of policies and pieces of legislation to intensify its efforts to fight poverty and improve the lives of ordinary South Africans.

The DSD's budget for 2024/25 is tabled at a time when South Africa and the world at large, are focusing on the post-pandemic recovery plans, and confronted by the reality of climate change which result in several disasters, and the need for an equitable Just Transition.

High-level budget overview

The Department's budget allocation for 2024/25 should also be viewed against budget cuts over the medium-term. The payment of social grants accounts for an estimated R774.4 billion of the Department's total budget over the MTEF period. The DSD reports that Cabinet has approved reductions in its budget amounting to R1.8 billion over the MTEF. Of this, transfers to the South African Social Security Agency (SASSA) will be reduced by R1.5 billion, while the Department's spending on goods and services is expected to be reduced by R226.3 million.

Through provincial Social Development departments, the delivery of social welfare services is estimated to result in expenditure of R68.4 billion over the medium-term.

2.1 OVERVIEW OF THE 2023/24 FINANCIAL YEAR

The DSD was initially appropriated R263 billion in February 2023, which was adjusted downwards to R260.9 billion through the adjusted appropriation in October 2023. Spending on transfers and subsidies were also adjusted downwards, with the exception of a transfer to the National Development agency (NDA) with remains unchanged at R220,1 million. By the end of the 4th quarter, the Department spent 99.4% of its allocation.

Table 1: Transfers to households main and adjusted appropriations 2023/24

Transfer detail	**Main appropriation** Feb 2023	**Adjusted Appropriation** Oct 2023
Social grants to households	R253,8 billion	R252,1 billion
SASSA for operations and admin of grants	R7,9 billion	R7,7 billion
National Development Agency	R220,1 million	R220,1 million

Table 2: Spending trends per quarter, 2023/24

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total spent in Rand	R63,1 billion	R128,8 billion	R194,7 billion	R259,3 billion
% spent of available budget	24%	49%	74.6%	99.4%
Variance in Rand	R2,2 billion lower than projected for the 1st quarter.	R2,1 billion lower than projected for 2nd quarter.	R48,6 million higher than projected spend for 3rd quarter.	R1,6 billion lower than projected spend for 4th quarter.
Reason for variance	The DSD did not capture social grant spending on time for June 2023.	Lower than anticipated social grant beneficiaries, lower spending on compensation of employees, lower spending on goods and services, and slower transfers to Non-Profit Organisations (NPOs).	Disability Grant spent R89,8 million higher, FCG spent R34,5 million higher, Grant in-Aid spent R24,2 million higher, CDG spent R10,5 million higher.	CSG spent R787,1 million lower and SRD spent R591,6 million lower.

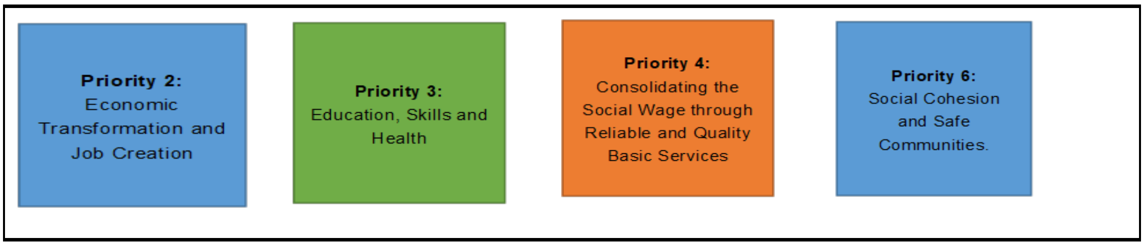
2.3 DEPARTMENTAL POLICY PRIORITIES FOR 2024/25

The mandate of the DSD is to provide social protection services and lead Government efforts to forge partnerships through which vulnerable individuals, groups, and communities become capable and self-reliant participants in their own development. This is to be achieved while giving effect to the right of everyone to have access to: (a) health care services, including reproductive health care; (b) sufficient food and water; and (c) social security, including if they are unable to support themselves and their dependents, appropriate social assistance, as stated in Section 27 (1) (2) of the Constitution. This mandate places the Department at the centre of Government's initiatives to improve the quality of life for all persons in the country.

The policy priorities of the Department should be in line with the aspirations of the NDP, MTSF, SDGs, AU Agenda 2063, and 2024 SONA policy imperatives. The MTSF has identified seven (7) priorities to be undertaken during 2019 - 2024 in order to place the country on a positive trajectory towards the achievement of the 2030 vision.

Although four (4) of the seven (7) priorities relate to the work of the Department, Priority 4 (consolidating the social wage through reliable and quality basic services) has a direct bearing on its work. The four (4) priorities are highlighted in Figure 1:

Figure 1: Selected MSTF 2019-2024 priorities related to the Social Development sector



South Africa is party to several international goals and regional standards and therefore has an obligation to fulfil its aspirations. The aspirations articulated in these international and regional frameworks resonate with those found in the NDP, MTSF, and the statutory and policy mandate of the Department.

Gender-Based Violence (GBV) is one of the priorities identified by Government and SDGs. The Department seeks to address GBV through the implementation of the National Strategic Plan (NSP) to eradicate GBVF.

The UN emphasises that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. Similarly, *Agenda 2063 (AU)* aspires to a continent in which all forms of violence and discrimination (social, economic, political) against women and girls would have been eliminated, and they would fully enjoy all their human rights by the year 2063. This means an end to all harmful social practices and barriers to accessing quality health and education for women and girls. *South Africa's National Strategic Plan (NSP) on GBVF*, highlights economic empowerment as a key area of concern that must be addressed.

SONA 2024 recognises the need to address and fight Gender Based Violence and Femicide (GBVF). In this regard, Government is committed to ending GBVF altogether by mobilising all of society. The President has highlighted that, in collaboration with civil society organisations (CSO's), Government has developed the NSP on GBV, as a society wide response to this pandemic. Around R21 billion was dedicated over the medium-term to the implementation of the six pillars of the plan, including the economic empowerment of women. Further, new laws were introduced to strengthen the response of the criminal justice system GBV and provide better support to survivors.

The *SDGs* place strong emphasis upon values such as *human dignity, equality, empowerment, and self-reliance*, which are also among the core values and principles of the work of the Department. *Agenda 2063* aspires to a *high standard of living*, *quality of life* and *well-being* for all citizens. The Department's priority of improving the optimisation of social welfare services through increased access, is thus aligned to both international and regional framework aspirations.

Research shows that social grants continue to be a major anti-poverty tool, providing income support to millions of poor households. The *NDP* supports social security reforms that are being considered by Government, including mandatory retirement contributions. It emphasises the need for social protection of the working age population, including enhancing public employment programmes such as the *Expanded Public Works Programme (EPWP*). *SONA* 2024 reiterates the importance of job creation and acknowledges the global financial crisis of 2007 and 2008 that ended a decade of strong growth and faster job creation.

SONA 2024 argues that social grants are an investment for the future of children. Research indicates that social assistance has increased school enrolment and attendance, lower school drop-out rates, and has contributed to the improvement in school pass rate. Currently, more than 19 million people receive some form of income support, which includes about 13 million CSG recipients.

Amid the COVID-19 pandemic, Government introduced the special Social Relief of Distress (SRD) Grant, which currently reaches 9 million unemployed people every month. SONA 2024 reports that Government it will extend the grant and improve it as the next step towards income support for the unemployed. The extension of the SRD has provided Government with an opportunity to press further on social security reforms, including the possibility of a Basic Income Support for the missing middle, the people in the age cohort, 18-59 that are without income. This is in line with the aspirations of the SDGs and the AU Agenda 2063, particularly SDG 1.3 which calls for the implementation of appropriate social protection systems and measures for all, including floor. Further, it calls for the achievement of substantial coverage for the poor and the vulnerable by 2030.

Agenda 2063 pays much attention to social protection by encouraging Member States to implement various policies and treaties. For some time, the AU has been elaborating an Additional Protocol to the African Charter on Human and Peoples' Rights on the Rights of Citizens to Social Protection and Social Security, which, once ratified, will become a legally binding instrument. Similarly, the NDP commits to achieving a defined social protection floor and defines social protection as mechanisms used by the government to protect the most vulnerable in society and ensure that all citizens live above the 'social floor'.

MTSF agenda for social protection considers how to progressively realise rights, mitigate current patterns of inequality, prevent further deprivation, as well as contribute to the economic and social transformation agenda. For social protection to play its expected developmental role, there is a need to consider new policy instruments and re-envision how the different policy instruments can interact and contribute to the betterment of poor citizens.

3. OVERALL DEPARTMENTAL BUDGET ANALYSIS, 2024/25

Table 3: Overall, DSD Budget per programme 2024/25

FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	Voted 2024/25	Voted 2025/26	Voted 2026/27
Programmes	R'000	R'000	R'000
ADMINISTRATION	420 058	436 896	457 491
SOCIAL ASSISTANCE	266 210 339	248 407 897	259 788 493
SOCIAL SECURITY POLICY AND ADMINISTRATION	7 854 666	7 883 791	8 238 577
WELFARE SERVICES POLICY DEVELOPMENT AND IMPL SUP	304 709	317 602	332 832
SOCIAL POLICY AND INTEGRATED SERVICE DELIVERY	351 316	361 461	378 261
Total	275 141 088	257 407 647	269 195 655

The DSD's overall budget for 2024/25 is R275 141 088 billion, compared to the adjusted appropriation of R263.1 billion for the 2023/24 financial year. This represents an increase of 4.60%. Over the medium- term, the Department's expenditure is set to decrease to R269 195 655 billion by 2026/27. To lessen the impact of these reductions on performance, the Department indicated that it would reduce spending on goods and services such as travel and subsistence, consultants, and venues and facilities. SASSA also plans to reduce spending on contract payments.

The DSD vote is dominated by the *Social Assistance* programme. Social grants constitute 81.8% of spending in this function over the medium term. *Social Assistance* programme's growth from the previous year stays above inflation (4.99 %). In 2023/24, nearly 19 million (approximately 31% of the population) benefitted from social grants.

The following main programmes decline in real terms from the previous financial year:

- *Administration* (-1.53%).
- *Social Security Policy and Administration* (-6,58%)
- *Social Welfare Policy Development and Implementation Support* (-2,58%).
- Social Policy and Integrated Service Delivery (-2.84%).

4. MAIN PROGRAMME ANALYSIS, 2024/25

4.1 Programme 1: Administration

The purpose of this programme is to provide leadership, management and support services to the Department and the sector.

Table 4: Administration Programme

P1: ADMINISTRATION			
FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	2024/25	2025/26	2026/27
R thousands	R'000	R'000	R'000
MINISTRY	43 578	45 334	47 465
DEPARTMENTAL MANAGEMENT	73 649	76 650	80 247
CORPORATE MANAGEMENT	169 833	176 627	184 835
FINANCE	75 163	78 203	81 880
INTERNAL AUDIT	17 115	17 847	18 674
OFFICE ACCOMODATION	40 720	42 235	44 391
Total	**420 058**	**436 896**	**457 491**

The Administration programme voted allocation for 2024/25 totals R420.1 million, compared to R431.8 million in the previous year. This reflects a 2.7 % nominal decrease, and when considering the inflationary effect, the programme budget declines in real term with –7.2%. The Ministry sub-programme declines both in nominal and real terms from the previous year. The Office Accommodation sub-programme experiences the highest decline, i.e. with 16% from the previous year.

In terms of spending classification, Compensation of Employees (CoE) decreases from R228 million (2023/24) to R222.3 million (2024/25). Additionally, goods and services decrease from R 197.9 million in 2023/24 to R191.6 million in the 2024/25 financial year. Programme 1 increases its allocation to machinery and equipment from R2.8 million in the previously, to R2.9 million. Audit costs: External allocation declines from R17.8 in 2023/24 to R17.1 million in 2024/25.

4.2 Programme 2: Social Assistance

Social Assistance transfers provide for the payment of social assistance grants to beneficiaries who qualify for social assistance in terms of the Social Security Act (No. 13 of 2004). It provides only funding related to payments to social assistance grant beneficiaries by the South African Social Security Agency and does not include salaries to staff.

Table 5: Social Assistance Programme

P2: SOCIAL ASSISTANCE			
FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	**2024/25**	**2025/26**	**2026/27**
R thousands	R'000	R'000	R'000
OLD AGE	107 015 763	115 681 460	121 423 948
WAR VETERANS	182	106	60
DISABILITY	29 233 472	31 090 226	33 037 915
FOSTER CARE	3 644 419	3 423 629	3 210 477
CARE DEPENDENCY	4 399 995	4 735 127	5 086 457
CHILD SUPPORT	85 807 124	90 285 562	93 441 650
GRANT-IN-AID	2 416 270	2 767 909	3 144 688
SOCIAL RELIEF	33 693 114	423 878	443 298
Financial Assets			
Total	**266 210 339**	**248 407 897**	**259 788 493**

The allocation to the Social Assistance programme increases from R252.1 billion in 2023/24, reaching R266.2 billion currently. The focus is on providing income support to socially vulnerable groups such as the elderly, persons with disabilities, and caregivers of children. The 2024/25 allocation to the programme stays above inflation, representing a nominal increase of 5.6% and real increase of 0.9%.

Expenditure under this programme is dominated by the Old Age and Child Support grants, which are allocated R107 billion and R85.8 billion, respectively. Both grant-types record above-inflation increases, i.e. 3.1% and 0.1% real growth, respectively.

The strongest growth in expenditure is projected for the Grant-in-Aid (i.e. 9.6% real growth). *This* is an additional grant to recipients of the Old Age, Disability or War Veterans grants, who require regular care from another person due to their physical or mental status. The Disability grant allocation increases by 9% in nominal terms and 4.2% in real terms, while Care Dependency grant increases by 7.5% (or R308.3 million) in nominal terms and 2.7% (or R110.8 million) in real terms.

The Social Relief of Distress (SRD) grant provides temporary income support (R350), food parcels and other forms of relief to people experiencing undue hardship. The SRD Grant will be improved and extended beyond March 2025. In 2024/25, R33.6 billion is allocated to the Department to fund the grant.

Most of the social grants experience above-inflation increases for 2024/25, with the exception of the following declines:

- *War Veterans* (-52,2%);
- *Foster Care* (-8,2%); and
- *Social Relief of Distress* (-6.3%).

The below inflation changes indicated for the War Veterans grant type listed above, is linked to projected numbers for the 2026/27 financial year.

4.3 Programme 3: Social Security Policy and Administration

The purpose of this programme is to provide for social security policy development, administrative justice, administration of social grants and the reduction of incorrect benefits payments.

Table 6: Social Security Policy and Administration Programme

P3: SOCIAL SECURITY POLICY AND ADMINISTRATION			
FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	2024/25	2025/26	2026/27
R thousands	R'000	R'000	R'000
SOCIAL SECURITY POLICY DEVELOPMENT	64 928	67 822	71 213
APPEALS ADJUDICATION	36 364	37 995	39 982
SOCIAL GRANTS ADMINISTRATION	7 672 905	7 693 900	8 039 421
SOCIAL GRANTS FRAUD INVESTIGATIONS	75 532	78 916	82 531
PROGRAMME MANAGEMENT	4 937	5 158	5 430
Total	**7 854 666**	**7 883 791**	**8 238 577**

Social Security Policy and Administration programme increases from R7.68 billion in 2023/24 to R7.8 billion in 2024/25. This represents an increase in nominal (2.3%), but decreases overall in real terms (-2.3%). The strongest real decline is experienced by the Programme Management sub-programme (-16.4), followed by Appeals Adjudication sub-programme (-15.4%).

4.4. Programme 4: Welfare Services Policy Development and Implementation Support

This programme creates an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards, and best practices.

Table 7: Welfare Services Policy Development and Implementation Support Programme

P4: WELFARE SERVICES POLICY DEVELOPMENT AND IMPLEMENTAT			
FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	2024/25	2025/26	2026/27
R thousands	R'000	R'000	R'000
SERVICE STANDARDS	29 612	30 895	32 417
SUBSTANCE ABUSE	19 553	20 361	21 360
OLDER PERSONS	17 013	17 759	18 681
PEOPLE WITH DISABILITIES	13 457	14 032	14 699
CHILDREN	76 811	80 068	83 920
FAMILIES	10 472	10 917	11 437
SOCIAL CRIME PREVENTION AND VICTIM EMPOWERMENT	78 572	81 777	85 542
YOUTH	10 512	10 976	11 575
HIV AND AIDS	44 103	46 021	48 174
SOCIAL WORKER SCHOLARSHIPS	-	-	-
PROGRAMME MANAGEMENT	4 604	4 796	5 027
Total	**304 709**	**317 602**	**332 832**

Programme 4's voted allocation decreases from R312.8 million in 2023/24 to R304.7 million in 2024/25, which denotes a nominal decrease of -2.6%, and a real decrease of -7.0%. This decline is driven by reductions across all the sub-programmes, in real terms. The highest decreases are in the Youth (-20.4%) and Older Persons (15.4%) sub-programmes.

4.5. Programme 5: Social Policy and Integrated Service Delivery

This programme provides support to community development and promotes evidence-based policymaking in the Department and the social development sector.

Table 8: Social Policy and Integrated Service Delivery Programme

P5: SOCIAL POLICY AND INTEGRATED SERVICE DELIVERY			
FINANCIAL ALLOCATIONS FOR THE 2024 MTEF			
EXECUTIVE SUMMARY	2024/25	2025/26	2026/27
R thousands	R'000	R'000	R'000
SOCIAL POLICY RESEARCH AND DEVELOPMENT	6 729	7 019	7 344
SPECIAL PROJECTS AND INNOVATION	12 303	12 819	13 424
POPULATION POLICY PROMOTION	38 804	40 447	42 358
REGISTRATION AND MONITORING OF NPO	41 827	43 589	45 653
SUBSTANCE ABUSE ADVISORY SERVICE AND OVERSIGHT	6 623	6 884	7 223
COMMUNITY DEVELOPMENT	29 168	30 374	31 831
NATIONAL DEVELOPMENT AGENCY	212 001	216 305	226 214
PROGRAMME MANAGEMENT	3 861	4 024	4 214
Total	**351 316**	**361 461**	**378 261**

The allocation for Programme 5 decreases from R361,6 million to R351,3 million in 2024/25, denoting a nominal decrease of -2,8% (translating to a -7,21% real decrease). All sub-programmes decline in real terms, which means no growth above inflation.

The National Development Agency (NDA), an entity of the Department, is located within this programme. The *NDA* sub-programme budget decreases from R220.1 million previously, to R212 million in 2024/25. This shows a nominal decrease of -3,7% (-8.0% in real terms). Over the medium-term, the programme's budget shows an average growth rate of 1,5%.

The Substance Abuse Advisory Services and Oversight sub-programme experiences the highest decrease in allocation from the previous year, i.e. -11.2%.

COMMITTEE DELIBERATIONS

- **Vacancy in critical positions:** The Committee noted the commitment made by the Minister that she will ensure that the department fills vacancies in critical executive positions such as Director General, Deputy Director General: Welfare Services Policy Development and Implementation Support, Chief Financial Officer (CFO) and others. It noted with concern the number of vacancies in critical positions across the social development portfolio. It requested the Minister needs to regularly update the Committee on the filling of these positions.

  The department emphasized that filling of critical vacant posts is one of the priorities of the Minister. All the executive positions will be filled. Within the six months from the adoption of the Budget Vote there will be significant progress in filling these positions. The department will also make sure that this process is done according to all the legal requirements.

- **Basic Income Grant (BIG):** The Committee noted the continuous budget cuts and the impact they had in the APP targets. It wanted to know how the budget cuts will affect the implementation of the proposed BIG.

  The department reported that it was motivating for the BIG using the SRD grant as the best practice. The proposal is that the BIG will target 18 – 59-year-olds. The challenge is how the BIG will be funded because National Treasury has already indicated the discontinuation of the SRD in 2025. For the BIG to be introduced the Social Assistance Act will have to be amended to make provisions for it.

- **Budget cuts:** The Committee raised a concern over the impact of budget cuts on the employment of social workers and funding of NPOs, disaster management, fight against alcohol and drug abuse and other social ills. It wanted to know what plans the department has to circumvent the impact of the budget cuts. It also raised a concern that the department has no proactive programmes to prevent the social ills, such as substance abuse, older persons abuse, HIV/AIDS.

The department acknowledged that alcohol and drug abuse is a national crisis. It requires intersectoral intervention. It developed an integrated policy, which was approved by Cabinet and was published for public consultation. It was due to report back to Cabinet. It also indicated that the Department of Trade and Industry is mandated to amend the Liquor Act and DSD provided inputs in line with its mandate. This Bill has been in the pipeline for years.

Regarding older persons abuse, the department reported that it amended the Older Persons Act, which strengthened the protection of older persons. It also identified stakeholders that also have a critical role to play towards protection of older persons, such as traditional leaders and faith-based organizations. The department was also rolling out educational awareness on Alzheimer's disease and Dementia.

It was also implementing Social Behaviour Programmes and has ensured that these programmes have a national footprint. The department also runs the G2G (government to government) programme which focuses on providing core packages to orphaned and vulnerable children and youth (OVCY).

- **Status of the Bills:** The Committee cautioned the department against delaying the submission of Bills to Parliament, as it did in the previous administration. It noted that the Victim Support Services Bill attracted a lot of inputs from the NPO sector when it was gazetted. It wanted to know if the version that is planned to be submitted to Cabinet is the amended version or the original version.

The department reported that the 2024 APP has prioritised three Bills to be submitted to Cabinet. These are the Victim Support Services (VSS) Bill, the South African Social Security Agency Amendment Bill and the National Development Agency Amendment Bill.

- **Capacitation of NGOs:** The Committee expressed a concern over the closure of NGOs because of lack of funding. It wanted to know if the department has any plan to capacitate these NGOs.

  The department indicated that provinces shift funds between programmes as per their priorities. It was engaging with National Treasury on how this can be addressed. The decision that was taken by the Gauteng Department of Social Development to discontinue funding of some NPOs and delays in funding was because of the failure of the administration. The national department has 290 thousand registered NPOs. The increase in registered NPOs has had significant budget implications. The department is planning on approaching big businesses to fund NPOs. It has also developed a system that assisted the provincial departments to disburse funds on time. The system was piloted in the Eastern Cape and the Western Cape provinces.

- **Balancing CSG payment and the spread of HIV/AIDS:** The Committee also wanted to know how the department was balancing the payment of the CSG and the fight against the spread of HIV/AIDS and increase in teenage pregnancy.

  The department explained that the social assistance programme does not encourage teenage pregnancy and the spread of HIV/AIDS, but it fulfils the mandate of the department to provide child protection services.

- **Monitoring of the NPO sector:** The Committee advised the department to monitor the work of NGOs because some of them allegedly receive funding from international companies that seek to destabilise the State.

The department explained that the Nonprofit Organisation Amendment Bill was withdrawn because of the passing of the General Law Amendment Act (GLA) which made provision for the appointment of members of the NPO board and risk assessment of NPOs that could be involved in money laundering. The GLA regulations require DSD to strictly monitor NGOs that have been red flagged. In compliance with the regulations, the department developed a risk management strategy. It had requested for the names of the red flagged NGOs, but the request was not granted as this involved intelligence work.

- **Child protection services:** The Committee urged the department to consider the legalisation of Baby Savers.

- **Implementation of the electronic monitoring and evaluation system**: The Committee wanted to know the reason the system is planned to be rolled out in two provinces instead to all nine provinces.

  The department explained that it was implementing this system according to different capacities and resources of provinces and district offices. The system will then be implemented incremental based on the capacities and resources of the provinces and district offices.

- **Lack of coordination between government departments:** The Committee also raised a concern over the lack of coordination between government departments. For example, the Department of Human Settlement requires people with disabilities to submit a certificate of disability when they apply for housing even though they already receive a disability grant, which also requires them to be assessed and certified by a medical doctor of their disability.

- **Politization of the Extended Public Works Programme:** The Committee raised a concern over the politization of this programme. It allegedly benefits members of certain political parties.

The department explained that it only develops recruitment guidelines and conducts monitoring on their implementation. The social development sector concluded Phase 4 with over 1 million recruitments. President Ramaphosa implemented Phase 5, which has set a target of over a million recruitments.

5. THE SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA) ANNUAL PERFORMANCE PLAN 2024/2025

The mandate for South African Social Security Agency (SASSA) is to ensure the provision of comprehensive social security services against vulnerability and poverty within the constitutional and legislative framework.

SASSA's work for the Medium Term Expenditure Framework (MTEF) period is streamlined towards achieving the four outcomes as identified and detailed in its strategic plan 2019 – 2024. These outcomes include:

- Reduced poverty levels.
- Economic transformation - empowered individuals and sustainable communities.
- Improved customer experience.
- Improved organisational efficiencies.

For 2024/25 financial year, SASSA has prioritised the following interventions:

- Implementation of the social assistance programme.
- Improved financial management, particularly addressing both internal and external audit findings.
- Migration from legacy systems to web-based.
- Automation of business processes.
- Implement measures to reduce costs of administering social assistance.
- Build management capacity for efficient and effective organisational environment.
- Intensify the fight against fraud and corruption.

Global and domestic policy context

The **NDP** alludes that South Africa needs to ensure that vulnerable groups and citizens are protected from the worst effects of poverty by 2030. The social protection measures proposed to support those in need, including children, people with disabilities and the elderly. In addition, the NDP seeks to promote active participation in the economy and society for those who are unemployed and underemployed through labour market activation measures, employment services, income support programmes and other services to sustain and improve quality of life. The NDP recommends that priority should be improving efficiency in the delivery of services, addressing exclusions by identifying and reaching those who are entitled to the existing benefits of social protection, reducing the administrative bottlenecks that prevent people from accessing benefits. In this regard, SASSA is responsible for the provision of a basket of social assistance services (income support and safety net to the most vulnerable) through amongst others and oversee services responding to the needs of the community.

The Government's MTSF adopted seven (7) priority outcomes through which the sixth administration is implementing the NDP. The main priority that speaks directly to the mandate of SASSA is Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services. SASSA also contributes to Priorities 1 (a capable, ethical and developmental State) and 2 (economic transformation and job creation).

To address the exclusion of those eligible for social protection, SASSA has over the sixth administration set targets reach children below the age of 1, which the research it had conducted with Unicef had identified that these children were often excluded from the social protection. From 2020/2021 – 2022/2023 financial years it reached 1 604 586 children. Also, the Child Support Grant (CSG), Old Age Grant (OAG) and the Disability Grant (DG) have the highest numbers of beneficiaries. As at, December 2023 more than 13 067 million children received CSG, 3 999 million older persons received OAG and 1 065 million people with disabilities received DG.

SASSA continues to face challenges of long queues at its offices, poor infrastructure and shelter, inaccessibility for older persons and people with disabilities and lack of SASSA ablution facilities, water and sanitation. South African Post Office branches, which Postbank still uses as pay points, lack any proper infrastructure and facilities to meet the needs of the beneficiaries.

To address these challenges, SASSA had set a target to develop and implement the Office Accommodation Strategy in 288 local offices (18 in 2022/2023, 54 in 2023/2024, 63 in 2024/2025, 72 in 2025/2026 and 81 in 2026/2027). The strategy focuses on physical accessibility, branding, dignity services ad network connectivity. For the year under review, it plans to implement the strategy in 63 local offices compared to 54 local offices in 2023/2024 financial year. The target of 18 local offices for 2022/2023 financial year was not achieved. The strategy was developed and implemented in 13 offices. The performance for 2023/2024 is yet to be reported on in the 2023/2024 annual report in September 2024. SASSA reports that it has 389 local offices and that means 376 offices are yet to be implemented with this strategy. If the targets are achieved this means a total of 288 local offices will be implemented with the accommodation strategy the end of 2026/2027 financial year, instead of 389 local offices. It is important for SASSA to achieve this target as it seeks to address accessibility of SASSA offices, especially to vulnerable groups.

SASSA has also digitised the application processes for the CSG, FCG, OAG and the Social Relief of Distress (SRD) Grant. It implemented a new web based front-end solution to integrate the online application system with SOCPEN for processing of application for these grants. For the year under review, it has set a target to roll out the system in 27 local offices.

It also set a target to implement the queue management system in local offices. For 2022/2023 and 2023/2024 financial years the system was implemented in 23 and 27 local offices, respectively. For the 2024/2025 financial year, it has set a target to implement it in 54 local offices.

SASSA also prioritised improving coverage of the social assistance programme, including for eligible refugees, with the objective to ensure that South Africans who are unable to support themselves and/or their dependents are not excluded. For the year under review, it has set targets to approve 1 600 000 social grants applications, have 19 501 748 grants in payment including Grant-in-Aid and process 95% of Covid 19 SRD Grant.

To contribute toward Priority 2, SASSA, over the medium-term period had set a target to procure a certain percentage to the designated enterprises with 51% or more ownership i.e. black women, black youth and black people with disabilities (in line with PPPFA). For

SASSA was established, amongst others, to eliminate poverty and its causes and this speaks to the **SDGs** aspirations. The SDGs, otherwise known as the Global Goals, is a global agenda consisting of 17 goals aimed at ending poverty, protecting the planet and ensuring that humanity enjoys peace and prosperity. The SDGs recognises that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. In this regard, SASSA contributes to South Africa's target of ensuring that deserving South African receiving social grants and as indicated earlier research studies have shown that social grants have had significant contribution towards poverty eradication. SASSA also provides temporary relief of distress to individuals and households experiencing undue hardship due to disasters, loss of breadwinners etc.

The **2024** SONA outlined several policy imperatives for the social development sector. Regarding poverty eradication, it highlighted the progress made by government over the 30 years to eradicate poverty and inequality. In 1993, the estimated percentage of South Africans living in poverty was 71.1% and by 2010 it had dropped to 60.9% and 55.5% in 2020 as reported by the World Bank. SONA further accentuated the impact of social grants on the lives of South Africans. They contributed towards the increase in school enrolment and attendance, lower school drop-out rates, and improved that school pass rate. The Covid 19 SRD Grant has also provided an income safety net to 9 million unemployed people every month. Due to its positive impact, government will extend it and improve it as the next step towards income support for the unemployed in South Africa. All of this points to SASSA's contribution toward the attainment of national and international frameworks.

6.1 BUDGET ANALYSIS FOR 2024/25 FINANCIAL YEAR

Table 9: overall appropriation of SASS 2022/23, 2023/24 and 2024/25

	2023/24	2024/25	2025/26	2026/27
Original Allocation	7 970 261	7 910 237	8 264 616	8 644 787
Change	(400 000)	(461 800)	(491 800)	(521 300)
Additional for SRD350 admin cost	-	300 000	-	-
New Allocation	7 570 261	7 748 437	7 772 816	8 123 487
%Reduction on the orginal allocation	*-5%*	*-2%*	*-6%*	*-6%*
% y/y increase/decrease		*2%*	*0%*	*5%*

For the year under review, SASSA was originally allocated a budget of R7 910 237 billion, which was reduced by R461 800 million due to budget cuts across government departments, resulting to a -2% decline. It was then allocated an additional amount of R300 million towards the payment of the SRD Grant, which increased SASSA's budget to R7 748 437 million. This marked only 2% budget increase for 2024/2024 from 2023/2024 financial year budget of R7 970 million. However, over the medium-term period, SASSA's budget will have a growth rate of -0.4%, due to discontinuation of the SRD Grant in 2025.

To deal with the impact of the budget reduction, SASSA reported that it would undertake the following provisions:

- Identify items where the R461 million could be implemented and create no space for funding new activities.
- Ensure alignment to the Annual Performance Plan (APP) and that all the targets in the APP are funded.
- Prioritize contractual obligations and compensation of employees, followed by other essential items necessary for the operations of the agency.

The reduction to SASSA's budget also had a particular impact on the operations as the allocation process entailed serious reprioritization of funds from other items to fund essential operations in alignment with the APP since the bulk of the budget is on contractual obligations. Some of the strategy undertaken to deal with this included:

- **Compensation of employees –** SASSA has a committee that was established as a strategic channel to deal with staffing issues across the Agency. The Committee ensures optimal staffing, affordability and financial sustainability of the staffing strategy. The Committee looks into all the posts that are required to be filled against the available budget. For the 2024/25 financial year and the MTEF, the Committee will consider which posts are affordable to be filled vs. the available budget.
- **Cost containment measures –** SASSA will continue with these measures which will be strengthened for relevance and impact in the new financial year and MTEF.

- **Service / Administration Fees:** The closure of CPPs and discontinuation of OTC by Postbank offered some respite from the budget pressure. Thus, some funds were redeployed from cash handling fees to fund other budget pressures.

6.2 BUDGET ANALYSIS PER PROGRAMME

Table 10: Budget allocation per programme, 2024/2025

Programme	Allocation R'000	%Share
Administration	3 372 336	44%
Benefits Administration & Support	4 376 100	56%
Total	**7 748 437**	

Programme 1: Administration's budget has been allocated a budget of R3 372 billion in 2024/25 financial year, which is a slight decrease from R3 350 billion in 2023/2024. This is despite the important targets SASSA set to achieve under this Programme – implementation of the BPR Transitional Plan and the Organisational Structure, integration of the front-end-web based system, its roll out to 27 local offices and roll out of the beneficiary biometrics.

Programme 2: Benefit Administration Support's budget allocation for 2024/2025 also decreased from R4 876 billion in 2023/2024 to R4 376 billion.

The two programmes had over 90% (Programme 1: 96% and Programme 2: 97%) actual expenditure for 2023/2024**.**

6. PROGRAMME TARGET ANALYSIS

Table 11: overall targets of SASSA for 2024/25 financial year

Programme	2023/2024 Targets	2024/25 Targets
Administration	18	19
Benefits admin & support	11	8
Total targets	**29**	**27**

As can be seen on Table 2 above, SASSA has set itself to achieve 27 performance targets for 2024/25, which is two targets short compared to the previous year. These are the targets that related to finalisation of financial misconduct cases, current and backlog cases.

Below is the analysis of the performance targets per programme against the allocated budget:

a. Programme 1: Administration

The Administration Programme provides leadership, as well as management and support services. In line with the outcome based planning, the programme's work will contribute towards the realisation of the three SASSA outcomes, namely, economic transformation, improved customer experience and improved organisational efficiency. Over the medium term, SASSA's critical interventions for this programme will include:

- Improved financial management, particularly addressing both internal and external audit findings.
- Implementation of the BPR outcomes through various SASSA line functions.
- Migration from legacy systems to web-based.
- Automation of business processes.
- Implement measures to reduce costs of administering social assistance.
- Build management capacity for efficient and effective organisational environment.
- Intensify the fight against fraud and corruption.
- Improve communication with clients.

For the year under review, SASSA's critical targets for this programme will include:

Table 12: Linking SASSA outcomes with key annual performance targets

Outcomes	Annual performance targets
Improved organisational efficiency	• BPR transitional plan implemented.

	• Human Capital Management Policy developed and approved. • Organisational structure approved (with phased in implementation). • Integration of new technology with legacy system: • Front-end web-based system rolled out in 27 local offices. • SASSA ICT Enterprise Architecture Reviewed and Optimised. • Beneficiary biometrics rolled out to all regions. • Office accommodation improvement strategy implemented in 63 local offices focusing on: ○ Physical ○ accessibility ○ Branding, ○ Dignity ○ services ○ Network ○ connectivity ○ Alternative ○ power. • Suspected fraud detected and referred to relevant • Stakeholders (Administration, Postbank, and commercial Banks) for corrective action.
Economic transformation	• 5% procurement spent through the designated enterprises with 51% or more ownership i.e. black women,

	black youth and black people with disabilities (in line with PPPFA).

a. Programme 2: Benefits Administration and Support

The Benefits Administration and Support Programme provides a grant administration service and ensures that operations within SASSA are integrated. The programme manages the full function of grant administration from application to approval, as well as beneficiary maintenance.

This programme is responsible for the core business of SASSA and ensures the implementation of the full value chain of grants administration. The functions relating to this programme cut across all levels within the Agency, including the day-to-day interface with clients. Over the medium term, SASSA's critical interventions for this programme will include:

- Increase the number of grants in payment including grant-in-aid to an estimated 19.5 million at the end of March 2025. Gradually improve the turnaround time for processing social grant applications.
- Improve customer experience.
- Explore the possible value that can be added to the SASSA beneficiaries using the economies of scale that it has and the improvements in the payment landscape.

Table 13: Linking SASSA outcomes with key annual performance targets

Outcomes	**Annual performance targets**
Reduced levels of poverty	• 1 600 000 social grant applications. • 19 501 748 grants in payment including Grant in- • Aid at a cost of R233 billion. • 75% of eligible children below the age of 1 in receipt of children's grants.

	• 95% of COVID-19 SRD applications processed.
Improved Organisational efficiency	• 95% of new grant applications taken through face to face interaction processed within 5 days. • 80% of online applications processed within 5 days. • Beneficiary biometrics rolled out in all local offices for new applications.
Improved customer experience	• 90% of customer enquiries resolved within 5 days. • 80% of customer disputes resolved within 14 days. • Queue Management system implemented in 45 local offices.

7. COMMITTEE DELIBERATIONS

- **Fraud in the SRD Grant:** The Committee wanted to know the number of government employees who were either dismissed or handed over to law enforcement for illegally receiving the SRD Grant.

  SASSA reported that National Treasury established a committee called Fusion Centre that monitors the cases of public servants who unduly benefitted from the SRD Grant. SASSA accounts to this committee. The committee consists of members of the National Prosecuting Authority (NPA) and the South African Police Service. It is led by the financial intelligence centre. The committee also monitors cases of fraud across all national departments. SASSA referred 763 cases to the committee. A total of 333 cases were referred to the NPA. SASSA was able to recover some monies from some of these cases. In terms of convictions, a total of 13 cases were convicted. Fifty-five cases were pending court decisions.

- **Payment of social grants to non-South Africans:** The Committee also wanted to know the budget implications of the payment of social grants to non-South Africans.

  SASSA explained that by law refugees and asylum seekers are allowed to access social grants. There are about 12 000 non-South Africans who receive social grants and 60 000 who receive the SRD Grant. These numbers do not have significant budget implications.

- **Age limit of the CSG:** The Committee also raised a concern that CSG age limit is 18 years. This is creating a lot of financial challenges to children who turned 18 years whilst they were still at school.

  SASSA indicated that the age limit of CSG is legislated in the Social Assistance Amendment Act. The Act, however, allows the Foster Child Grant to be extended to 21 years if there is a court order and the child is still at school. The department tried to extend CSG to age 21, but the policy proposal was not approved.

- **Filling of critical positions:** The Committee also noted with concern the various vacant positions in critical positions.

8. NATIONAL DEVELOPMENT AGENCY (NDA) ANNUAL PERFORMANCE PLAN 2024/2025

The NDA is classified as a public entity under Schedule 3A of the *Public Finance Management Act (Act No. 1 of 1999)*. It was established in November 1998 by the *National Development Agency Act (Act No. 108 of 1998)*, as the government's response to the challenge of poverty and its causes in South Africa. The NDA reports to Parliament through the Department of Social Development (DSD). It plays a critical role in contributing towards shifting the country from the scourge of poverty towards the total eradication of poverty. The

NDA's vision is "developing a society free from poverty", with a mission of coordinating and integrating developmental interventions that are provided to the poor who rely on social security grants as their only source of livelihood. This vision and mission require all developmental interventions provided by government institutions, the private sector and civil society organisations (CSOs) to have a coordination and integration mechanism.

The NDA through the Turnaround Strategy has prioritised the following key priorities over the next five (5) years:

- Create a conducive policy environment for economic development and sustainability of communities;
- Create sustainable communities through resource mobilisation from strategic partners and collaborative engagement with other stakeholders within the District Development Model (DDM) mechanism.
- Review and alignment of IT architecture to the NDA model;
- Strengthening NDA institutional capacity, capabilities and skills required to deliver on the mandate of poverty eradication; and
- Diversify NDA development funding sources.

Global and domestic policy context

The NDP, the MTSF, Sector Plans and the SDGs guide the functions of the NDA. The NDP aims to eliminate poverty and reduce inequality by 2030. The NDP aspires to:

- Reduce the proportion of persons living below the lower-bound poverty lines from 39% (in 2009) to zero by 2030.
- Reduce income inequality from 0,7 in 2010 to 0,6 by 2030.
- The share of income going to the bottom 40% of income earners should rise from 6% to 10% by 2030.
- Reduce poverty-induced hunger to 0% by 2030.

The **NDP** Vision 2030 has a long-term perspective to eliminate poverty and reduce inequality by 2030. Accordingly, South Africa can realise its goal of eliminating poverty and reduction of inequality by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. In the attainment of the NDP aspirational goals, the MTSF identifies priorities to be undertaken during the 5-year implementation plan (2019-2024)

The NDA over the **MTSF** focuses on CSOs in the most deprived and prioritised districts in South Africa, and its main contribution is towards building the capacity of these organisations. In that regard, the strategy is based on the NDA integrating its work with the social development sector, municipalities, and other public and private agencies that work with communities and CSOs.

The strategic direction of the NDA is in line with, and will contributes to, the NDP approach of eliminating poverty and reducing inequality by 2030. The NDP position is that South Africa has the potential and capacity to eliminate and reduce inequality over the next two decades. For this to happen, it avers that there should be a shift from passive communities receiving services from the state to a situation that systematically includes the socially and economically excluded, where people are active champions of their development. Thus, the role of the NDA within the social development sector is to provide developmental programmes and projects that support and provide a continuum for poverty relief for the social grant beneficiaries, including self-help developmental interventions that bring income to these individuals and families.

As stated earlier, the NDA was established to eliminate poverty and its causes; this speaks to the **SDG's** aspirations. The SDGs, otherwise known as the Global Goals, is a global agenda consisting of 17 goals aimed at ending poverty, protecting the planet and ensuring that humanity enjoys peace and prosperity. The SDGs recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

The NDA reported in its APP that the classification of exact services provided to CSOs is not sufficient, this is because the ultimate beneficiary group is not sufficiently defined (in terms of the actual beneficiaries behind the CSOs). The diverse CSOs differing ideological perspectives on the exact meaning of development as well as what government's role should be in social and economic development respectively makes it complicated for the NDA. Additionally, these apparent functional overlaps with other government departments, state owned enterprises, agencies, and local government, as well as the lack of consensus over development definition and responsibilities has consistently left the NDA at a disadvantage to more focussed organs of state when competing for the government spending purse.

The NDA has put in place a five-year strategy 2024-2029 whose intention is to accelerate the economic inclusion of the marginalised communities. The NDA in the 2024/25 financial year and the Medium Term Strategic Framework (MSTF) indicated that it will be focusing on using the DDM as a framework to eradicate poverty and developing sustainable mechanisms of working with all stakeholders at district level. The stakeholders include government, civil society organisation and the private sector to shift the DDM from a framework to operational mechanisms and plans for community development approaches to eradicate poverty and its causes.

Funding Challenges

The NDA faces funding challenges due to the shrinking allocations available to organs of state in general. Since 2008, the government has not been able to collect sufficient revenue on an annual basis to fund all its expenses and have been taking on debt to fund the resulting deficits. As the debts have grown the funding available for service delivery has also steadily diminished, with debt service cost growing at 13% per annum ,leaving the NDA increasingly vulnerable to being defunded by National Treasury.

8.1 BUDGET ANALYSIS, 2024/2025

As a Schedule 3A entity, about 90% of the NDA revenue is a transfer from the DSD, and 10% is derived from third-party donors and other income, which includes unconditional grants that the organisation receives and interest on bank balances. The main source (90%) of funding for the NDA is the allocation from the DSD, located within Programme five (5): Social Policy and Integrated Service Delivery.

Table 14: Budget allocation for the 2024/2025 financial year

AVAILABLE RESOURCES	BASE YEAR 2023/2024	YEAR 1 2024/2025	YEAR ON YEAR % INCREASE/ DECREASE	YEAR 2 2025/2026	YEAR ON YEAR % INCREASE/ DECREASE	YEAR 3 2026/2027	YEAR ON YEAR % INCREASE/ DECREASE
Original baseline allocation per 2024 MTEF	220 116 000	230 001 000		240 305 000		251 314 000	
Cuts to baseline allocations	-	(18 000 000)	-8%	(24 000 000)	-10%	(25 100 000)	-10%
FINAL APPROVED BASELINE ALLOCATION	**220 116 000**	**212 001 000**	**-4%**	**216 305 000**	**2%**	**226 214 000**	**5%**
Interest Income	2 082 626	2 280 000	1%	2 382 600	1%	2 489 817	1%
TOTAL REVENUE	**222 198 626**	**214 281 000**	**100%**	**218 687 600**	**100%**	**228 703 817**	**100%**

The NDA receives a budget allocation of R214.3 million for the 2024/25 financial year, down from a revised budget allocation of R222.2 million in 2023/24. This shows a decrease in the rand value of R-7.7 million, or a -4% reduction from the previous financial year. However, when the inflation rate is taken into consideration, the budget decreased by R-17.3 million (-7.8%) from previous financial year. Over the medium term period, the baseline allocation of the NDA will decrease by an average of 10%.

All three main programmes declined significantly in 2024/25, with Programme 2 budget decreasing by -4.4% nominal change (-8.7% real decline). This is the programme tasked with the NDA's core function, i.e. granting funds to civil society organisations to implement development projects in poor communities.

8.2 BUDGET ALLOCATION PER PROGRAMME

Programme 1: Governance and Administration

This programme has an allocation of R110.4 million for 2024/25, up from a revised budget allocation of R112.2 million for 2023/24 financial year. This shows a decline in both nominal (-2.23%) and real terms (-6.62%).

Programme 2: Civil Society Organisation Development

The budget allocation for this programme declines from R99,3 million in 2023/24 to R94.9 million in 2024/25 financial year. This represents a -4.43% nominal and -8.72% real decrease in the budget for this programme compared to the previous year.

Programme 3: Research

Programme 3 is only allocated R9.7 million as opposed to R10.6 million in the previous year (2023/24). This programme's budget shows a nominal decrease of -8.49% and -12.60% in real terms from the previous year.

8.3 PROGRAMME TARGET ANALYSIS

The NDA has a total of 16 targets for the 2024/25 financial year, the majority of which are located within Programme 1.

Programme 1: Governance and Administration

This programme promotes and maintains organisational excellence and sustainability through effective and efficient administration.

For the 2024/25 financial year, here are selected indicators from the six (6) performance targets the NDA set for itself:

Table 15: Indicators and annual performance targets for Programme 1

Output indicator	Annual target
Marketing Strategy	Strategy will be implemented.
Developed Digital platform	Digital platform developed
Evaluation Reports	NDA will produce 3 evaluation reports on poverty eradication programmes

Output indicator	Annual target
Percentage of prior year audit findings resolved.	80% of prior year audit findings of resolved

Programme 2: CSO Development

This programme designs and implements programmes and projects that respond to poverty eradication through sustainable livelihood. It uses a combination of interventions to support efforts to eradicate poverty in poor communities. The key intervention target is those people that have no means of creating gainful income from economic activities to support their sustainable livelihood to escape poverty.

The programme will use the District Development Model (DDM) model architecture and mechanisms to deploy its development interventions to poor households using CSOs as a vehicle for delivering developmental projects to poor communities.

The key annual performance targets for the programme include the following:

Table 16: Indicators and annual performance targets for Programme 2

Output Indicators	Annual Target
Rand value of financial resources raised	Raise R100 million (is this funding CSO's?)
Number of Community Owned Enterprises who have accessed resources from strategic partners	22 Community Owned Enterprises
Community driven projects to build self-sustainable communities	22 Community Owned Enterprises support towards self-reliance
Percentage of COE members earning above the Upper Bound Poverty Line	10% of COE members
Number of COEs capacitated with skills to implement development interventions	22 Community Owned Enterprises

Programme 3: Research

This programme is responsible for conducting evidence-based research and evaluations to inform debates and engagement on development policy and generating information on best practices for improving the NDA development programme interventions. There are 2 distinct outputs that directly contribute to the outcome. The first is to produce research outputs that shape policy development processes and outcomes, and the second one is to organise and conduct dialogue engagements to influence social, economic and development policies in South Africa.

This programme has a total of five (5) performance targets for 2024/25 financial year. The NDA is planning to align itself with this target by creating jobs because of CSO development interventions.

Key annual performance targets under the programme include:

Table 17: Indicators and annual performance targets for Programme 3

Output Indicators	Annual Target
Policy environment scanned report	NDA will produce a research report on policy landscape
Research publications produced on identified priority areas	Research publications on development, social and economic policy Impediments will be produced.
Dialogues for policy change	NDA will conduct dialogues in development, social and economic sectors.

9. COMMITTEE DELIBERATIONS

- **Budget allocation:** The noted the difference between the baseline allocation reported on in the APP (R214.2 million) and in the Estimates of National Expenditure (ENE) (R212 million) and wanted to know the reason for that.

  The NDA explained that the budget allocation that is reported on APP includes the R2.1 million interest income.

- **Research publications:** It also wanted to know how many research publications and reports the Research Programme will produce in the year under review.

  The NDA explained that the focus of research studies is on responding to emerging policy issues that influence policy formulation. It was, therefore, difficult to quantify the publications that will be produced.

- **Poverty eradication:** The Committee noted the NDA's mandate to eradicate poverty in South Africa. It raised a concern that this may be a difficult mandate to achieve considering that poverty levels are increasing in the country. Recent statistics showed that there are about 33 people million living in poverty. For the 5-year term, the NDA has set a target to support 66 community owned enterprises and that translates to only 13 enterprises a year, even though for 2024/2025 the target is 22 community enterprises. It wanted to know how the NDA is going to measure poverty eradication through these community owned enterprises. Are these targets achievable? Also, taking into consideration that the bulk of the NDA's budget goes to compensation of employees.

  The NDA explained that the NDA Act mandates it to eradicate poverty by working and capacitating the CSOs. This means the NDA will not be a grant funder, but it will work with CSOs that have common interests. Some of these CSOs raise their own funds and approach the NDA for partnership. The NDA also works through the District Development Model, which consists of other government departments that have a mandate to eradicate poverty. In this context, the NDA's role is to coordinate and facilitate the resource mobilisation from these stakeholders towards poverty eradication through community owned enterprises.

- **Funding model of the NDA:** The Committee noted the NDA's explanation that the National Development Agency Act specifies a funding model for the NDA. It states that the NDA is to be funded in four (4) categories, 1) money appropriated by Parliament, 2) donations and contributions lawfully received by the NDA from any source, 3) interest on investments of the NDA and 4) income lawfully derived from any other source. The Act further stipulated that funds appropriated by Parliament should fund the administrative costs of the NDA. The core mandate of the NDA should be funded through donor funding, organs of State and foreign governments. It then sought clarity on the reasons the NDA has over the years paid grant funding from its Parliament's appropriated funds.

  The NDA explained that the Act also allows the NDA to utilize funds to cover costs of funding CSOs in terms of the prescripts of the Act. The complexities of this funding model are some of the reasons the NDA Act has been amended.

- **Practicality of community owned enterprises:** The Committee further sought clarity on how community owned enterprises will have practical impact on the lives of people considering the varying social ills they face, which are often addressed by NPOs. This gives an impression of a gradual shift away from NPOs.

  The NDA explained that as opposed to NPOs, community owned enterprises focus on multiple needs identified by communities. They also focus on skills transfer to community members. The NDA through community owned enterprises will identify existing assets and skills within community members. They also enable communities to interact with one another to identify interventions. This in turn promotes social cohesion and development.

- **Donor funding for 2024/2025:** The Committee wanted to know how much donor funding the NDA has already received for the year under review?

- **Filling of critical positions:** The Committee also noted with concern the various vacant positions in critical positions.

10. RECOMMENDATIONS

Having considered the strategic plans and the annual performance plans of the department and its entities, the Committee makes the following recommendations:

10.1 Department of Social Development

- The Minister should ensure that the department regularly updates the Committee on the progress made in the recruitment process to fill the executive positions in the department. The Minister should also adhere to her commitment that within six months from the adoption of the Budget Vote, there will be significant progress in filling these positions, particularly the Director General position.

- The Minister should also ensure that the department finalizes the long-standing policies by the end of 2024/2025 as planned – the policy on income support for 18 to 59-year-olds, policy on integrating children's grant beneficiaries with government services, policy on Maternal Support and policy on voluntary cover for retirement and risk benefits for atypical and informal sector workers. These policies are crucial towards the attainment of the National Development Plan's priority of South Africa having a comprehensive social security. The Minister should ensure that the department secures a budget from National Treasury for the implementation of these policies, especially the policy on income support for 18- to 59-year-olds (Basic Income Grant) as the departments proposes that it replaces the SRD Grant targeting this age cohort.

- The Minister and the department should engage with the Minister of Trade and Industry and the department on the status of the Liquor Amendment Bill as it has significant bearing to the work of the Department of Social Development in the fight against alcohol abuse. The Minister and the department should report back to the Committee on the outcome(s) of the engagement(s).

- The Minister should also ensure that the department meets its target of finalizing and submitting to Cabinet the Victim Support Services Bill (VSS), the South African Social Security Agency Amendment Bill and the National Development Agency Amendment Bill within this current year as planned so that they can be submitted to Parliament. VSS is a critical legislative framework of the department in response to the National Strategic Plan on Gender Based Violence and Femicide.

10.2 South African Social Security Agency (SASSA)

- The Minister should ensure that SASSA fills all critical vacant positions, especially at executive level, within the 2024/2025 financial year.

10.3 National Development Agency (NDA)

- The Minister should ensure that the NDA submits a report to the Committee on donor funding it has already received for 2024/2025 financial year.

- The Minister should also ensure that the process of recruiting the CEO of the NDA is approved and finalized within six months from the adoption of the Budget Vote by Parliament.

- The Minister should ensure that SASSA fills all critical vacant positions, especially at executive level, within the 2024/2025 financial year.

Report to be considered.

2. REPORT OF THE STANDING COMMITTEE ON FINANCE ON BUDGET VOTE 8: NATIONAL TREASURY, DATED 15 July 2024

The Standing Committee on Finance (the Committee), having considered the National Treasury's annual performance plans and Budget Vote 8 (2024/25), reports as follows:

1. INTRODUCTION

1.1. On 9 and 15 July 2024, the National Treasury briefed the new Standing Committee on Finance on its annual performance plans for the 2024/25 fiscal year. This annual performance plan had been tabled by the Minister of Finance in April 2024, alongside those of other entities within the Finance portfolio. This tabling was in accordance with section 10(1)(c) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (Money Bills Act), ensuring both consideration and report. Presenting these plans is a crucial step in ensuring transparency and accountability in managing public finances and aligns with legislative requirements governing performance and financial oversight.

1.2. During these sessions, officials from the National Treasury, led by the Director General, Dr. Duncan Pieterse, provided a briefing on the annual performance plan and the 2024/25 budget of the National Treasury. The briefings offered a look at the planned activities, objectives, and financial allocations for the upcoming fiscal year.

1.3. The briefings covered several key aspects, including the alignment of the Treasury's objectives with national priorities as outlined in the Medium-Term Strategic Framework (MTSF). It also highlighted the specific programs and initiatives the Treasury will focus on to drive economic stability, fiscal prudence, and effective financial management across all levels of government.

1.4. The National Treasury plays a crucial role in ensuring the financial and economic stability of South Africa. Its mandate is rooted in several key constitutional and legislative frameworks, including Chapter 13 of the Constitution, Chapter 2 of the Public Finance

Management Act (PFMA), and Chapter 5 of the Municipal Finance Management Act (MFMA). These frameworks guide the Treasury in coordinating intergovernmental financial and fiscal relations, promoting national fiscal policy, and enforcing transparency and effective management of public funds.

1.5. A primary function of the National Treasury is to manage the budget preparation process, ensuring that national priorities are reflected in fiscal planning and expenditure. This includes overseeing revenue and expenditure, managing assets and liabilities, and regulating public entities and constitutional institutions. Additionally, the Treasury is responsible for coordinating the country's macroeconomic policy, ensuring the stability and soundness of the financial system and financial services.

1.6. The National Treasury aligns its activities with several key priorities outlined in the Medium-Term Strategic Framework (MTSF). These priorities are Priority 1: Capable, Ethical, and Developmental State; Priority 2: Economic Transformation and Job Creation; Priority 3: Education, Skills, and Health; Priority 5: Spatial Integration, Human Settlements, and Local Government; and Priority 7: A Better Africa and World

1.7. In fulfilling its mandate, the National Treasury ensures that financial resources are allocated efficiently and effectively, supporting the country's broader development goals and contributing to a stable and prosperous economy.

2. POLITICAL OVERVIEW BY THE MINISTER OF FINANCE

2.1. The Minister of Finance, Mr. Enoch Godongwana, apologized for not being able to provide a political overview to the Committee, as all Ministers were attending the Cabinet Lekgotla. He however attended the 15 July meeting where he engaged with the Committee. The Minister’s Executive Statement in the annual performance plan outlined several critical points. Over the coming year, the National Treasury will continue taking strategic action to secure long-term growth prospects. Mr. Godongwana emphasized that there are no easy solutions to the country's economic challenges. The department, government, and nation must make difficult and informed trade-offs necessary to revive the economy.

2.2. The South African economy and fiscal position face various challenges. Global inflation remains stubbornly high, increasing the cost of living for households, raising interest rates across the economy, and driving up government borrowing costs. Key global concerns include escalating tensions in the Middle East, the ongoing Russia-Ukraine war, and uncertainty about China's economic recovery. Domestically, the persistence and severity of load-shedding remain a significant constraint to production, investment, and employment. Additionally, some downside risks to the fiscal outlook have materialized, including weaker revenue collection and higher debt-service costs.

2.3. Given the dire economic situation, urgent and considered actions are required. The National Treasury aims to foster higher and more inclusive economic growth, address fiscal vulnerability, and stabilize public finances. These are essential for addressing poverty and unemployment. As outlined in the 2023 Medium-Term Budget Policy Statement (MTBPS), the Treasury will continue pursuing high and sustained economic expansion. In 2024, the government remains committed to improving employment and reducing inequality, requiring a balanced approach that stabilizes debt, improves spending quality through effective procurement management, addresses shortcomings in combating financial crimes, and enhances the delivery of critical capital projects.

2.4. The Treasury will expand efforts to stabilize state-owned companies (SOCs) to ensure they are financially and fiscally sustainable while delivering on national growth and development objectives. The Treasury is committed to navigating challenging economic conditions through stable, balanced, and clear policies that support faster growth and address emerging fiscal risks. In response to the electricity crisis, the Treasury has taken over R254billion of Eskom's debt to ease pressure on the company's balance sheet, enabling investment in transmission and distribution infrastructure and essential maintenance to improve electricity availability.

2.5.Additional allocations to SARS support continued efforts to rebuild the institution and improve revenue collection. Draft taxation legislation will be published to enhance the fairness and effectiveness of the tax system. The Treasury is implementing the action plan agreed with the Financial Action Task Force (FATF) to address deficiencies, aiming for an exit from the grey-list by early 2025.

2.6.He emphasised that decisive action is needed to restore the integrity of the municipal sector. Unfunded mandates, over-expenditure, and ineffective revenue management have led many municipalities into financial and service delivery crises. In response, the Treasury has placed 25 municipalities under mandatory intervention under section 139(5) of the Constitution, with three municipalities under section 139(7) intervention. Going forward, the Treasury will support the implementation of the Municipal Standard Chart of Accounts (MSCOA) through country-wide training and the provision of free tools and training opportunities.

2.7.He further explained that the National Treasury is working to deepen trade links regionally and globally, leveraging participation in international institutions like the World Bank, IMF, and AfDB to strengthen South Africa's position in multilateral forums. Following the successful BRICS Summit hosting, South Africa will host the G20 in 2025, aiming to drive the agenda for international financial and economic cooperation.

3. OVERVIEW OF THE NATIONAL TREASURY BUDGET AND PROGRAMMES

3.1. The total allocation for National Treasury for 2024/25 is R33.2 billion, slightly lower than the adjusted appropriation of R34.3 billion for 2023/24. Thus, the National Treasury budget decreases by 3.28% in nominal terms from 2023/24 to 2024/25, but this represents a larger decrease of 7.63% in real terms when adjusted for inflation. Programme 4 experiences the most significant decrease in both nominal and real terms from 2023/24 to 2024/25, followed by Programme 5 and Programme 8. Conversely, Programme 7 and Programme 3 see marginal increases in their allocations.

3.2. For the 2024/25 financial year, transfers and subsidies are earmarked at R29.5 billion. Notably, transfers to departmental agencies include entities such as the Financial Intelligence Centre, Accounting Standards Board, Independent Regulatory Board of Auditors, Financial and Fiscal Commission, the Government Pensions Administration Agency, the South African Revenue Service (SARS), and Government Technical Advisory Centre, among others (See the National Treasury APP 2024/25; the Estimates of National Expenditure: 2024/25 and the discussion of the entities allocations in number 4 below). SARS, in particular, accounts for 46.1% (R33.203 billion) of the total transfers spending of R71.978 billion over the previous three financial years. This pattern persists over the medium term, with 41.9% (R37.666 billion) of the total R89.858 billion transfers budget allocated to SARS.

3.3. Table 1 illustrates the nominal and real percentage changes per programme for NT's 2024/25 budget. The real percentage changes are adjusted for Consumer Price Inflation (CPI), providing a clearer picture of the budget's impact over time. Individual programmes are discussed in subsequent sections for a detailed understanding of these changes.

TABLE 1: NT budget summary and vote expenditure trends 2024/25 MTEF

Programme	2023/24	2024/25	2025/26	2026/27	Nominal Change	Real Change	Nominal % Change	Real % Change
Programme 1: Administration	645.4	522.9	548.2	575.9	-122.5	-145.97	-18.98	-22.62
Programme 2: Economic Policy, Tax Financial Regulation and Research	150.4	148.1	156.6	164.3	-2.3	-8.95	-1.53	-5.95
Programme 3: Public Finance and Budget Management	4011.5	4181	3805.7	4105.5	169.5	-18.19	4.23	-0.45

Programme	2023/24	2024/25	2025/26	2026/27	Nominal Change	Real Change	Nominal % Change	Real % Change
Programme 4: Asset and Liability Management	658.7	132.4	136.9	143.3	-526.3	-532.24	-79.90	-80.80
Programme 5: Financial Accounting and Supply Chain Management System	920.3	749.7	775.6	817.5	-170.6	-204.25	-18.54	-22.19
Programme 6: International Financial Relations	2749.1	2765.7	2895.5	3033	16.6	-107.55	0.60	-3.91
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	6632.9	7068.1	7356.6	7708.4	435.2	117.91	6.56	1.78
Programme 8: Revenue Administration	13157.6	12388.6	12881.6	12395.3	-769	-1325.13	-5.84	-10.07
Programme 9: Financial Intelligence and State Security	5424.5	5265.6	5522.3	5775.2	-158.9	-395.27	-2.93	-7.29
Total	**34350.4**	**33222.1**	**34079**	**34718.4**	**-1128.3**	**-2619.65**	**-3.28**	**-7.63**

Source: National Treasury (2024)

Programme 1: Administration

3.4. The Administration programme provides strategic leadership, management, administrative support, and capacity building to the Department. It also supports the Minister and Deputy Ministers by providing executive and administrative services. The budget allocation for this programme is R522 million for 2024/25, R548.2 million for 2025/26, and R575.9 million for 2026/27. Over the medium term, the majority of the allocation in Programme 1 is dedicated to goods and services, amounting to R277.1 million. Expenditure on compensation of employees constitutes 43.5% of the programme's budget for the 2024/25 financial year. Over the medium term, expenditure on compensation of employees grows by 1.5%, from R219.6 million in 2023/24 to R227.9 million in 2024/25. The number of personnel is expected to decrease from 329 employees to 323 employees over the medium term.

3.5. The budget reductions across various components within Programme 1 reflect significant strategic adjustments. The budget for the Ministry increases slightly from R4.6 million in 2023/24 to R4.8 million in 2024/25, reflecting a nominal increase of R0.2 million.

However, in real terms, after accounting for inflation, there is a slight decrease of R0.02 million, indicating that the increase is not keeping pace with inflation.

3.6. The budget for Department Management decreases from R67.7 million in 2023/24 to R60.6 million in 2024/25, representing a nominal decrease of R7.1 million. In real terms, this reduction is more pronounced, with a decrease of R9.82 million. The nominal percentage change is -10.49%, and the real percentage change is -14.51%. This significant reduction suggests a strategic shift in resources or a reorganization of departmental priorities.

3.7. Corporate Services experiences the most substantial reduction, with the budget decreasing from R274.9 million in 2023/24 to R166.2 million in 2024/25. This represents a nominal reduction of R108.7 million and a real reduction of R116.16 million. The nominal percentage change is -39.54%, and the real percentage change is -42.26%. This large cut indicates significant restructuring, cost-cutting measures within Corporate Services.

3.8. The budget for Enterprise-wide Management increases slightly from R40.7 million in 2023/24 to R41.7 million in 2024/25, reflecting a nominal increase of R1 million. However, in real terms, this budget slightly decreases by R0.87 million, indicating that the increase is not sufficient to cover inflation. The nominal percentage change is 2.46%, and the real percentage change is -2.14%.

3.9. Financial Administration's budget decreases from R60.9 million in 2023/24 to R50.8 million in 2024/25, a nominal reduction of R10.1 million. In real terms, this represents a reduction of R12.38 million. The nominal percentage change is -16.58%, and the real percentage change is -20.33%. This reduction may reflect efficiency gains or a reduction in the scope of activities within Financial Administration.

3.10. Legal Services sees a modest budget increase from R24.3 million in 2023/24 to R24.9 million in 2024/25, a nominal increase of R0.6 million. However, in real terms, there is a slight decrease of R0.52 million. The nominal percentage change is 2.47%, and the real percentage change is -2.13%, suggesting that the increase does not keep up with inflation.

3.11. The budget for Internal Audit increases significantly from R24.5 million in 2023/24 to R28 million in 2024/25, a nominal increase of R3.5 million. In real terms, this represents an increase of R2.24 million. The nominal percentage change is 14.29%, and the real percentage change is 9.16%. This increase reflects an enhanced focus on internal controls and audit functions.

3.12. Communications' budget decreases slightly from R8.8 million in 2023/24 to R8.5 million in 2024/25, a nominal reduction of R0.3 million. In real terms, this represents a reduction of R0.68 million. The nominal percentage change is -3.41%, and the real percentage change is -7.75%, indicating a slight scaling back of communications activities.

3.13. The budget for Office Accommodation decreases from R139 million in 2023/24 to R137.5 million in 2024/25, a nominal reduction of R1.5 million. In real terms, this reduction is more substantial at R7.67 million. The nominal percentage change is -1.08%, and the real percentage change is -5.52%. This reduction reflects cost-saving measures or optimization of office space usage.

3.14. The total budget for Programme 1 decreases significantly from R645.4 million in 2023/24 to R522.9 million in 2024/25, a nominal reduction of R122.4 million. In real terms, this represents a reduction of R145.88 million. The nominal percentage change is -18.96%, and the real percentage change is -22.60%. These reductions indicate a strategic reallocation of resources, focusing either on efficiency and cost-saving measures, or both, across the programme while maintaining essential services and functions

3.15. There are five planned targets under this programme. The key performance indicators include the delivery of ICT standards, ensuring that the Department produces unqualified audit opinions in both financial and non-financial performance, and ensuring that quarterly reports on the implementation of the action plan on gender mainstreaming are produced.

Programme 2: Economic Policy, Tax, Financial Regulation and Research

3.16. Programme 2 focuses on economic research, maintaining economic models, and drafting economic policies and legislation, utilizing internal capacity and consultancy services as needed. The budget allocation for 2024/25 is R148.2 million, with R156.6 million allocated for 2025/26 and R164.3 million for 2026/27. Over the medium term, the majority of the allocation in Programme 2 is directed towards compensation of employees, constituting 61.0% of the programme's budget for the 2024/25 financial year.

3.17. The total allocation for Programme 2, R148.2 million for 2024/25, is slightly lower than the adjusted appropriation of R150 million for 2023/24, indicating a nominal decrease of 1.4% over the period from 2023/24 to 2025/26. However, in real terms, accounting for inflation, the decrease is more pronounced at 5.82% over the same period. Below are allocations to subprogrammes.

3.18. Programme Management: There is an increase in the budget from R38.9 million in 2023/24 to R41.6 million in 2024/25, reflecting a nominal increase of R2.7 million. In real terms, this represents an increase of R0.83 million. The nominal percentage change is 6.94%, and the real percentage change is 2.14%, indicating a moderate increase to support programme management functions.

3.19. Financial Sector Policy: The budget decreases significantly from R33.1 million in 2023/24 to R26.0 million in 2024/25, a nominal reduction of R7.1 million. In real terms, this reduction is even greater at R8.26 million. The nominal percentage change is -21.4%, and the real percentage change is -24.97%. This reduction may indicate streamlined activities or a shift in policy focus within the financial sector.

3.20. Tax Policy: There is a slight budget increase from R28.9 million in 2023/24 to R31.2 million in 2024/25, a nominal increase of R2.3 million. In real terms, this increase is R0.89 million. The nominal percentage change is 7.95%, and the real percentage change is 3.11%, suggesting continued investment in tax policy development and administration.

3.21. Economic Policy: The budget increases from R28.5 million in 2023/24 to R32.5 million in 2024/25, reflecting a nominal increase of R4.0 million. In real terms, this represents an increase of R2.5 million. The nominal percentage change is -14.0%, but the real percentage change is positive at 8.9%, indicating strategic growth in economic policy initiatives despite the nominal decrease.

3.22. Cooperative Banks Development Agency: The budget decreases from R20.9 million in 2023/24 to R16.9 million in 2024/25, a nominal reduction of R4.0 million. In real terms, this reduction is R4.7 million. The nominal percentage change is 19.1%, and the real percentage change is -22.76%. This reduction reflects adjusted priorities or cost-cutting measures.

Programme 3: Public Finance and Budget Management

3.23. Programme 3 focuses on providing analysis and advice on fiscal policy and public finances, managing intergovernmental financial relations, and overseeing the annual budget process and public finance management support. The budget allocation for this programme is R4.1 billion for 2024/25, decreasing to R3.8 billion in 2025/26, and then increasing back to R4.1 billion in 2026/27. Over the medium term, a significant portion of the allocation in Programme 3 is directed towards the facilitation of Conditional Grants, with transfers projected at R6.1 billion.

3.24. Expenditure on compensation of employees amounts to R251.5 million for the 2024/25 financial year, constituting a significant portion of the programme's budget. Over the medium term, there is an average growth rate of 3.3% in expenditure on compensation of employees, increasing from R248 million in 2023/24 to R274.6 million in 2026/27. The number of personnel is expected to decrease slightly from 236 employees to 230 employees over the same period.

3.25. There are 12 planned targets under Programme 3. Over the medium term, the department aims to standardize infrastructure service delivery across all spheres of government to enhance alignment in infrastructure planning, budgeting, implementation, and reporting. Additionally, the programme plans to realize 35 approved catalytic projects in strategically targeted areas within metropolitan cities, intermediate cities, and rural towns. This initiative includes preparing spatially targeted investment plans followed by the execution of capital projects. Below is the analysis of subprogrammes.

3.26. Programme Management: The budget decreases significantly from R35.0 million in 2023/24 to R28.5 million in 2024/25, with further reductions in subsequent years.

3.27. Intergovernmental Relations: There is a substantial increase from R177.1 million in 2023/24 to R330.8 million in 2024/25, indicating expanded efforts in managing intergovernmental financial relations. This is followed by moderate increases in the following years.

3.28. Facilitation of Conditional Grants: While there is a slight increase from R2,384.6 million in 2023/24 to R2,424.0 million in 2024/25, there is a notable decrease in the subsequent years. This suggests varying allocations based on evolving grant requirements and fiscal priorities.

3.29. Catalytic Infrastructure and Development Support: There is a substantial increase from R565.6 million in 2023/24 to R785.7 million in 2024/25, reflecting heightened investment in catalytic infrastructure projects aimed at regional development.

Programme 4: Asset and Liability Management

3.30. Programme 4 focuses on managing financial assets, national debt, and liquidity requirements to facilitate national expenditure and maintain favourable sovereign debt ratings. The budget for this programme is allocated as R132.4 million for 2024/25, R136.4 million for 2025/26, and R143 million for 2026/27. Expenditure on compensation of employees accounts for R93.3 million of the programme's budget for 2024/25.

3.31. The total allocation of R132.4 million for 2024/25 is notably lower than the adjusted appropriation of R658.6 million in 2023/24. This decrease represents a significant reduction of 79.9% in nominal terms over the period from 2023/24 to 2025/26, with a corresponding 80.8% decrease in real terms. The substantial difference is attributed to a one-off allocation in 2023/24 for recapitalizing of state-owned entities, which did not recur in subsequent years.

3.32. Over the medium term, Programme 4 focuses strategically on overseeing SOEs to ensure they align with government policy objectives in a financially and fiscally sustainable manner. Additionally, the programme aims to promote sound corporate governance within SOEs. It will implement and monitor the Approved Guarantee Reduction Framework Minimum Criteria concerning new or additional guarantee requests.

3.33. State Owned Entity Financial Management and Governance subprogramme: The significant decrease from R535.0 million in 2023/24 to R38.8 million in 2024/25 reflects the absence of a one-time SOE recapitalization allocation in the latter year. This substantial reduction impacts the overall budget of Programme 4 significantly.

3.34. Asset and Liabilities sub-programme: This component also experiences a substantial decrease, aligning with the overall budget reduction for Programme 4. It underscores the strategic adjustment following the one-time expenditure in the previous fiscal year.

3.35. Government Debt Management, Financial Operations, and Strategy and Risk Management sub-programme: These areas show relatively minor changes in comparison, focusing on maintaining operational efficiency and strategic oversight within narrower budget constraints.

Programme 5: Financial Accounting and Supply Chain Management System

3.36. Programme 5 focuses on financial accounting and supply chain management systems, aiming to enhance efficiency and compliance across financial operations. The budget for this programme is allocated as follows: R749.7 million for 2024/25, R775.6 million for 2025/26, and R871.5 million for 2026/27. The majority of the allocation is directed towards goods and services, amounting to R771 million in 2022/23. Compensation expenditure totals R237.7 million for the 2024/25 financial year.

3.37. The total allocation of R749.7 million for 2024/25 is lower than the adjusted appropriation of R920.3 million for 2023/24, indicating a decrease of R170.6 million or 18.54% in nominal terms over the period from 2023/24 to 2025/26. Adjusted for inflation, this decrease is approximately 22.19% in real terms.

3.38. Programme 5 aims to achieve several key performance indicators, including the development of a comprehensive instruction framework consolidating all relevant provisions. It also focuses on advancing the Public Procurement Bill through parliamentary processes and drafting its associated regulations. National Treasury plans to roll out and institutionalize the Strategic Procurement Framework and Good Practice guides to foster competitive procurement practices based on market demand and supply dynamics.

Programme 6: International Financial Relations

3.39. The International Financial Relations programme is allocated a budget of R2.7 billion for 2024/25, which incrementally rises to R3.03 billion by 2026/27. This funding underscores its pivotal role in managing South Africa's global interests, shaping policies that advance economic, financial, and developmental objectives nationally and across

Africa. The programme's strategic priorities include contributing to the AU budget based on the approved scale of assessment for 2024-2026, reaffirming South Africa's commitment to continental goals with a substantial financial pledge.

3.40. Key performance indicators (KPIs) for the programme encompass developing comprehensive engagement strategies and policy positions for forums such as the G20, G24, New Development Bank (NDB), and the International Monetary Fund (IMF). These initiatives are supported by an increased allocation for international economic cooperation, which sees a significant rise from R40.6 million in 2023/24 to R66.4 million by 2026/27. This growth underscores proactive efforts to expand economic partnerships globally, enhancing South Africa's influence in shaping international economic policies.

3.41. Financially, the programme reflects strategic adjustments with a slight decrease in nominal terms for the 2023/24-2024/25 period, followed by incremental increases in subsequent years. Despite this, substantial funding remains dedicated to African integration and support initiatives, totalling R1.7999 billion by 2026/27. This allocation highlights the programme's commitment to regional economic development and solidarity, leveraging global resources for mutual benefit despite minor reductions in funding for international development institutions, which decreases from R1.130 billion to R1.1257 billion over the same period.

Programme 7: Civil and Military Pensions, Contribution to Funds and Other Benefits

3.42. The Civil and Military Pensions, Contribution to Funds, and Other Benefits programme is crucial in ensuring that the South African government fulfils its pension and post-retirement medical benefit obligations to former state employees and retired military members. The budget allocation for this programme shows a steady increase from R7.06 billion in 2024/25 to R7.7 billion in 2026/27. This funding supports various targets aimed at efficient service delivery, including paying 99% of benefits within 20 working days and maintaining 99% integrity of client data through continuous cleansing, maintenance, and monitoring efforts.

3.43. Specifically, the Government Pensions Administration Agency receives a budget allocation that decreases slightly from R72.5 million in 2023/24 to R66.7 million in 2024/25, focusing on enhancing administrative efficiency despite the nominal decrease. The majority of the programme's budget is dedicated to Civil Pensions and Contributions to Funds, which increases incrementally from R6.3155 billion to R7.355 billion over the medium term. This reflects ongoing commitments to meet pension obligations and contribute to retirement funds in accordance with statutory requirements.

3.44. Meanwhile, Military Pensions and Other Benefits receive allocations that rise from R244.9 million to R277.4 million, underscoring efforts to support retired military personnel with their post-service needs. These allocations signify the programme's strategic focus on improving turnaround times for medical account payments within the Military Pension sector and expanding training for employer departments to efficiently process injury on duty claims.

3.45. The programme's budget adjustments demonstrate a commitment to meeting pension and post-retirement obligations effectively while enhancing service delivery standards. The incremental increases in funding for civil and military pensions reflect proactive measures to uphold financial commitments and ensure sustainable support for retired government and military personnel across South Africa.

Programme 8: Revenue Administration

3.46. Programme 8, Revenue Administration, plays a pivotal role in South Africa's fiscal landscape by managing the budget allocation directed to the South African Revenue Service (SARS) for tax collection and administration. For the fiscal year 2024/25, a budget of R12.4 billion is allocated, with slight variations in subsequent years: R12.8 billion in 2025/26 and

R12.3 billion in 2026/27. These funds are crucial for supporting SARS in its mandate to collect taxes efficiently and enforce tax compliance across the country.

3.47. The budget allocation reflects a strategic adjustment, with a decrease from R13.1576 billion in 2023/24 to R12.3886 billion in 2024/25, signalling a reduction of R769 million in nominal terms. This reduction continues into the following years, demonstrating a trend aimed at optimizing revenue administration within tighter budget parameters. In real terms, the decrease is even more pronounced, highlighting efforts to manage costs while maintaining effective tax administration services.

3.48. The primary focus of this programme remains on supporting SARS in enhancing tax collection mechanisms, improving compliance, and ensuring that revenue targets are met despite budget constraints. These efforts are crucial for sustaining government revenue streams and funding essential public services and developmental initiatives across South Africa. The adjustments in budget allocations underscore a strategic approach to fiscal management, aiming to achieve fiscal sustainability and efficiency in revenue administration over the medium term.

Programme 9: Financial Intelligence and State Security

3.49. Programme 9, Financial Intelligence and State Security, plays a critical role in safeguarding South Africa's financial system and national security by allocating resources to combat financial crimes such as money laundering and terrorist financing activities. For the fiscal year 2024/25, a budget of R5.26 billion is allocated, with incremental increases to R5.5 billion in 2025/26 and R5.77 billion in 2026/27. These funds are primarily transferred to the Financial Intelligence Centre (FIC) and the Secret Service to enhance their capabilities in monitoring and investigating financial transactions that pose risks to national security.

3.50. The budget allocation for the Financial Intelligence Centre sees a modest increase from R385.7 million in 2023/24 to R400.9 million in 2024/25, reflecting a rise of R15.2 million. This nominal increase aims to bolster the FIC's capacity to gather and analyse financial intelligence, crucial for identifying and disrupting illicit financial activities effectively. In real terms, there is a slight decrease of -2.8%, indicating efforts to streamline operations while maintaining operational effectiveness.

3.51. Conversely, the Secret Service, responsible for broader state security measures including counter-intelligence and protection of national interests, experiences a reduction in budget from R5.0387 billion in 2023/24 to R4.8647 billion in 2024/25, amounting to a decrease of R174 million. This reduction continues into subsequent years, reflecting a strategic adjustment aimed at optimizing resource allocation while ensuring operational readiness and effectiveness in national security functions.

4. OVERVIEW OF ENTITIES

Accounting Standards Board

4.1. The Accounting Standards Board (ASB) was established to develop uniform standards of generally recognised accounting practice (GRAP) for all spheres of government, as mandated by section 216(1)(a) of the Constitution and the Public Finance Management Act of 1999. Its objective is to promote transparency and effective management of revenue, expenditure, assets, and liabilities among entities subject to these standards. The ASB's "Taking Stock" programme is pivotal, assessing the development, approval, and adoption of GRAP standards by state organs. The programme is set to conclude in 2026, after which the ASB aims to enhance the use of financial statement information and align existing standards with international best practices. A notable milestone includes the anticipated approval of the GRAP standard on social benefits by the Minister of Finance in 2024/25, followed by the development of guidelines on non-exchange expenses in 2025/26.

4.2. The ASB has a range of programmes and objectives to ensure the effective implementation and awareness of GRAP standards. One of the key performance indicators is the consistent hosting of eight accounting forum meetings annually to address issues related to the application of GRAP standards, aligned with Priority 3: Education, skills, and health. Another critical activity involves publishing four communication articles per year to raise awareness among stakeholders about new developments in accounting practices, supporting Priority 1: A capable, ethical, and developmental state. Additionally, the ASB ensures its participation in four international board meetings annually, which aligns with Priority 7: A better Africa and world.

4.3. For the financial year 2024/25, the ASB's total expenditure is estimated to be R15.1 million, with projections increasing to R15.6 million in 2025/26 and R16.3 million in 2026/27. The spending on compensation for the board's seven employees is expected to rise from R10.5 million in 2023/24 to R12.8 million in 2026/27, reflecting an average annual increase of 6.7% in line with inflation. Conversely, expenditure on goods and services is expected to decrease from R4.2 million in 2023/24 to R3.5 million in 2026/27, due to the board's transition to remote work, which has reduced operational costs. Overall, the ASB's total expenditure is anticipated to grow at an average annual rate of 3.4%, matching the expected increase in revenue, which is primarily derived from departmental transfers.

4.4. The board's financial performance highlights a stable growth trajectory in its revenue, projected to rise from R14.8 million in 2023/24 to R16.3 million in 2026/27. This revenue is predominantly sourced from departmental transfers, accounting for 98.9% of total revenue. Non-tax revenue, although minor, contributes a consistent amount to the total income. The cash flow statement indicates that while there have been fluctuations in net cash flow from operating activities, the ASB is expected to maintain a balanced cash flow with modest investments in property, plant, equipment, and intangible assets.

Cooperative Banks Development Agency

4.5. The Cooperative Banks Development Agency (CBDA) focuses on expanding cooperative banking, enhancing financial inclusion, and promoting the cooperative financial institution model through education, technical assistance, and monitoring activities. Established under the Cooperative Banks Act (2007), the CBDA aims to develop a sustainable, professional, and modern cooperative banking sector that contributes to economic transformation and job creation.

4.6. In 2022/23, the CBDA conducted 13 outreach and education activities under its administration program, a decrease from 33 in 2021/22 and 26 in 2020/21. The projected targets for the next four years (2023/24 to 2026/27) are consistent at 10 activities annually, increasing slightly to 12 in the last year. For providing technical assistance, the CBDA helped 64 cooperative financial institutions in 2022/23, down from 72 in 2021/22 and 66 in 2020/21. The targets for the following years are set at 99 in 2023/24, 100 in 2024/25, and 100 again in both 2025/26 and 2026/27. Monitoring visits totalled 42 in 2022/23, down from 45 in 2021/22 and 23 in 2020/21, with future targets set at 40 annually from 2023/24 to 2025/26 and increasing to 45 in 2026/27.

4.7. Total expenditure for the CBDA increased at an average annual rate of 4.8% from R21.3 million in 2020/21 to R24.6 million in 2023/24. The budget for 2024/25 is projected at R21.0 million, increasing to R24.0 million in 2025/26, and R25.3 million in 2026/27, reflecting a modest annual growth rate of 1.0%. The administration program accounted for the majority of expenditure, with a slight average annual growth of 0.6% between 2020/21 and 2023/24. Capacity building and information program expenditure grew significantly by 11.7% over the same period.

4.8.Revenue decreased at an average annual rate of 5.5% from R29.1 million in 2020/21 to R24.6 million in 2023/24, with future projections stabilizing at R21.0 million in 2024/25, increasing to R24.0 million in 2025/26, and R25.3 million in 2026/27. The agency relies heavily on transfers from the department, which make up 82.9% of its revenue over the medium term. Non-tax revenue, including other sales, has seen a significant decline, projected to stabilize at R4.1 million annually from 2024/25 to 2026/27.

4.9.The CBDA employs 18 personnel, with a projected slight reduction to 15 from 2024/25 onwards. The compensation of employees is projected to increase from R13.9 million in 2023/24 to R14.0 million in 2026/27, reflecting a nominal annual growth rate of 0.2%. The staff structure includes positions from salary levels 1-6 to 13-16, with the majority of employees in levels 7-10.

4.10. The CBDA plans to merge with the Small Enterprise Development Agency and Small Enterprise Finance Agency by April 2025. Over the medium term, the agency aims to enhance its cooperative banking institutions' footprint, promote financial inclusion, and support economic transformation. Despite budget reductions, the CBDA will continue to focus on its core activities, supported by departmental transfers and modest increases in non-tax revenue.

Development Bank of Southern Africa

4.11. The Development Bank of Southern Africa (DBSA) has been consistently focusing on promoting economic development and growth through various initiatives, with a primary emphasis on infrastructure development. According to the performance indicators, the cost-to-income ratio (bank-wide) for the years 2020/21, 2021/22, and 2022/23 was 25%, 23.7%, and 24% respectively. The estimated performance for 2023/24 is 32%, with a consistent target of 31% for the following three years until 2026/27. Additionally, the value of disbursements to infrastructure-related projects per year in the development finance sector was R13.5 billion in 2020/21, R12.9 billion in 2021/22, and R12.7 billion in 2022/23. The bank aims to increase this figure to R14 billion in 2023/24 and further to R14.5 billion and R15 billion for the years 2024/25 and 2025/26, respectively.

4.12. The DBSA, reconstituted under the Development Bank of Southern Africa Act (1997), serves as a development finance institution with the core objective of mobilizing financial and other resources from both national and international private and public sectors for sustainable development projects. Over the medium term, the DBSA plans to focus on infrastructure development to support government economic recovery efforts. The bank intends to disburse R15.9 billion by 2026/27, prioritizing areas such as energy, transport, and ICT, while also contributing to the development of municipal capacity in providing electricity, water, and sanitation.

4.13. In terms of financial projections, spending on compensation of employees is expected to grow at an average annual rate of 8.1%, from R1 billion in 2023/24 to R1.3 billion in 2026/27, driven by salary increases and performance incentives. The total expenditure of the DBSA is anticipated to rise at an average annual rate of 8.1%, from R8.5 billion in 2023/24 to R10.7 billion in 2026/27. The bank's revenue, primarily derived from interest on investments and fees charged, is expected to contribute 96.5% (R40.2 billion) of the total revenue over this period.

4.14. The expenditure trends and estimates by programme/objective/activity highlight significant growth areas. For instance, the administration expenses grew from R865.4 million in 2020/21 to an estimated R1,723.6 million in 2023/24, with an average growth rate of 25.8%. This is projected to increase to R2,084.4 million by 2026/27. Development finance expenses, which form the bulk of the bank’s expenditure, increased from R5,228.9 million in 2020/21 to an estimated R6,484.8 million in 2023/24, with a projected rise to R8,293.0 million by 2026/27. Non-financing development activities also saw growth, from

R190.2 million in 2020/21 to an estimated R246.4 million in 2023/24, expected to reach R309.5 million by 2026/27.

4.15. The bank's financial performance has shown an increase in non-tax revenue, which grew from R7,667.2 million in 2020/21 to an estimated R10,885.9 million in 2023/24, with projections of R14,558.7 million by 2026/27. The total revenue also reflects a positive trend, expected to grow from R11,084.7 million in 2023/24 to R14,558.7 million by 2026/27. Expenses have similarly increased, with current expenses rising from R6,096.0 million in 2020/21 to an estimated R7,926.0 million in 2023/24, projected to grow to R10,241.1 million by 2026/27.

4.16. The cash flow statement reveals that the DBSA's cash flow from operating activities grew from R3,813.5 million in 2020/21 to an estimated R4,948.3 million in 2023/24, with a projection of R6,498.3 million by 2026/27. The net cash flow from advancing activities, reflecting the financial disbursements and repayments, showed a significant increase from -R1,977.4 million in 2020/21 to an estimated -R6,602.5 million in 2023/24, with projections indicating a reduction to -R2,901.5 million by 2026/27.

4.17. The statement of financial position highlights the bank's assets and liabilities. The carrying value of assets increased from R487.3 million in 2020/21 to an estimated R668.6 million in 2023/24, with projections of R881.9 million by 2026/27. Investments, however, showed a decline from R6,256.0 million in 2020/21 to an estimated R3,907.4 million in 2023/24, with a slight recovery expected, reaching R4,241.4 million by 2026/27. Loans, which form a significant portion of the bank's assets, increased from R84,029.5 million in 2020/21 to an estimated R96,189.3 million in 2023/24, with a further increase to R101,768.4 million by 2026/27. The total assets of the DBSA grew from R100,047.7 million in 2020/21 to an estimated R107,303.4 million in 2023/24, with projections indicating a rise to R113,826.8 million by 2026/27.

Financial and Fiscal Commission

4.18. The Financial and Fiscal Commission (FFC) has specific performance indicators related to its programme, objectives, and activities, aligned with national priorities. One of the key indicators is the number of policy briefs published annually. The Research programme, under Priority 1: A capable, ethical, and developmental state, has shown consistent output with four briefs published in 2020/21, eleven in 2021/22, ten in 2022/23, and an estimated ten each year from 2023/24 to 2026/27. Another indicator is the number of technical reports published annually, with one report published each year consistently from 2020/21 to the projected 2026/27. The annual submission to Parliament for the Division of Revenue Bill, with recommendations, is also a key indicator, with one submission each year except in 2022/23, which saw two submissions.

4.19. The FFC derives its mandate from the Financial and Fiscal Commission Act of 1997, which mandates the commission to advise authorities on the financial and fiscal requirements for various spheres of government as per section 220 of the Constitution. This mandate is further informed by other legislation, including the Borrowing Powers of Provincial Governments Act (1996), the Intergovernmental Fiscal Relations Act (1997), the Provincial Tax Regulation Process Act (2001), the Municipal Finance Management Act (2003), the Municipal Systems Amendment Act (2003), the Municipal Fiscal Powers and Functions Act (2007), and the Money Bills Amendment Procedure and Related Matters Act (2009). Over the medium term, the FFC remains dedicated to providing recommendations to stakeholders, including Parliament, to enhance the credibility of financial stewardship and the efficacy of public spending.

4.20. Spending on goods and services by the FFC is projected to increase at an average annual rate of 9%, from R26.3 million in 2023/24 to R34 million in 2026/27, primarily due to rising ICT and operational costs. Conversely, spending on employee compensation is expected to decrease at an average annual rate of 0.4%, from R33.7 million in 2023/24 to R33.3 million in 2026/27, owing to a freeze on non-essential posts. Overall expenditure is expected to rise at an average annual rate of 3.9%, from R60.3 million in 2023/24 to R67.7 million in 2026/27. The FFC is expected to generate 97.5% of its revenue, amounting to R189.1 million over the MTEF period, through transfers from the department.

4.21. Examining the FFC's expenditure trends and estimates by programme/objective/activity, the Administration programme shows a decline from R56 million in 2020/21 to R41.5 million in 2023/24, with an average annual growth rate of -9.5%. However, it is projected to grow to R44.3 million by 2026/27, with an average annual growth rate of 2.2% over the medium term. The Research programme, on the other hand, displays growth from R10.8 million in 2020/21 to R18.8 million in 2023/24, with a substantial average annual growth rate of 20.4%. It is expected to continue growing to R23.4 million by 2026/27, with an average annual growth rate of 7.6%. The total expenditure across all programmes is projected to increase from R60.3 million in 2023/24 to R67.7 million in 2026/27, with an average annual growth rate of 3.9%.

4.22. Regarding the financial performance, the FFC's revenue has shown a decline from R64.3 million in 2020/21 to R60.3 million in 2023/24, with an average annual decrease of 2.1%. However, it is expected to rise to R67.7 million by 2026/27, reflecting an average annual growth rate of 3.9%. The primary source of revenue remains transfers received, which constituted 98.4% of the total in 2023/24. Expenses are projected to follow a similar trend, decreasing from R66.8 million in 2020/21 to R60.3 million in 2023/24, with an average annual decrease of 3.3%, before increasing to R67.7 million by 2026/27. The most significant expense is compensation of employees, which is expected to decrease from R33.7 million in 2023/24 to R33.3 million in 2026/27, with an average annual decline of

0.4%. Goods and services expenses are expected to increase from R26.3 million in 2023/24 to R34 million in 2026/27, with an average annual growth rate of 9%.

4.23. In terms of cash flow, the FFC projects receipts to decrease from R64.3 million in 2020/21 to R60.3 million in 2023/24, with an average annual decline of 2.1%, but then to increase to R67.7 million by 2026/27. Payments are expected to decrease from R56.3 million in 2020/21 to R53.5 million in 2023/24, before rising to R65.4 million by 2026/27. Net cash flow from investing activities is projected to be negative throughout the period, with a slight increase from a decrease of R1.3 million in 2023/24 to a decrease of R1.5 million by 2026/27.

4.24. The FFC's financial position indicates an increase in total assets from R23 million in 2020/21 to R22.6 million in 2023/24, before growing to R25.8 million by 2026/27. The primary components of assets are cash and cash equivalents, which are expected to rise from R18.1 million in 2023/24 to R20.6 million by 2026/27. Liabilities are primarily provisions, projected to increase from R15.5 million in 2023/24 to R17.7 million by 2026/27.

4.25. Finally, personnel numbers and costs show a decrease from 45 posts in 2022/23 to 32 posts by 2026/27, reflecting a reduction in non-essential positions. The cost per post is expected to increase from R0.8 million in 2023/24 to R1 million by 2026/27, with a notable reduction in the number of posts at salary levels 1–6 from 10 posts in 2023/24 to 1 post by 2026/27.

Financial Intelligence Centre

4.26. The Financial Intelligence Centre (FIC) plays a critical role in combating money laundering, the financing of terrorist activities, and identifying the proceeds of unlawful activities in South Africa. To fulfil its mandate, the FIC operates under the Financial Intelligence Centre Act (2001), alongside other legislation such as the Prevention of

Organised Crime Act (1998) and the Protection of Constitutional Democracy Against Terrorist and Related Activities Act (2004). The centre's activities are aligned with several national priorities, including social cohesion and safer communities, as well as contributing to a better Africa and world.

4.27. Over the years, the FIC has shown significant progress in its performance indicators. For instance, the number of elevated financial intelligence reports issued to stakeholders on illicit financial flows increased from 32 in 2021/22 to an estimated 45 in 2023/24, with targets set to reach 60 by 2026/27. Similarly, the number of risk-based inspection reports has shown a substantial rise from 402 in 2022/23 to a target of 600 by 2026/27. These reports are essential for the delivery of intelligence on financial crimes and regulatory services, ensuring compliance with the Financial Intelligence Centre Act (2001).

4.28. The FIC's proactive approach is evident in the number of high-priority financial intelligence reports issued annually. This figure peaked at 144 in 2022/23 and is expected to stabilize at around 100 reports per year by 2026/27. Additionally, the centre continues to issue a significant number of medium- to lower-priority financial intelligence reports, maintaining a target of 850 reports per year by 2026/27. The FIC also demonstrates a strong commitment to international collaboration, achieving a 100% response rate to technical assistance requests from countries within the Eastern and Southern Africa Anti-Money Laundering Group region.

4.29. Financially, the FIC is scaling up its forensic work to support high-impact investigation cases, which is expected to reduce costs incurred by the state through private forensic service providers. This scaling-up effort is projected to cost R265.2 million over the Medium-Term Expenditure Framework (MTEF) period. The centre is also investing in fintech to combat financial crime in the digital environment, ensuring that its ICT infrastructure remains relevant, secure, and capable of supporting complex operations.

4.30. In terms of expenditure, the FIC's total spending is expected to increase from R391.9 million in 2023/24 to R487.9 million in 2026/27, reflecting an average annual growth rate of 7.6%. This increase is partly driven by a projected rise in spending on compensation of employees, which is set to grow at an average annual rate of 12%, from R225.5 million in 2023/24 to R317.2 million in 2026/27. The number of personnel is expected to increase from 316 to 337 over the same period.

4.31. Revenue for the FIC is primarily generated through transfers from the National Treasury, accounting for an estimated 98.5% of the centre's revenue over the medium term. Total revenue is projected to grow at an average annual rate of 5.5%, from R399.8 million in 2023/24 to R469.9 million in 2026/27. Non-tax revenue is also expected to see a significant increase, growing at an average annual rate of 16%, from R4 million in 2023/24 to R6.3 million in 2026/27.

Financial Sector Conduct Authority

4.32. The Financial Sector Conduct Authority (FSCA) oversees the financial sector to ensure market efficiency, fair treatment of consumers, and financial stability. Key performance indicators reflect their objectives, such as the number of on-site inspections and the analysis of compliance reports. For example, the FSCA conducted 134 on-site inspections in 2020/21, increasing to 183 in 2022/23, but expected to stabilize at 122 annually from 2023/24 to 2026/27. Compliance report analysis reached 95.5% in 2021/22 but is targeted at 80% for subsequent years.

4.33. Empowerment workshops for SMMEs have varied, peaking at 81 in 2021/22, but decreasing to 18 from 2023/24 onwards. Analysis of returns from registered funds showed a high compliance rate, reaching 91.3% in 2021/22, with targets of 90% to 100% for future years.

4.34. The FSCA's mandate, established by the Financial Sector Regulation Act (2017), involves enhancing financial market integrity and promoting consumer protection. Their expanded responsibilities now include managing the Financial Sector and Deposit Insurance Levies Act (2022). Over the medium term, the FSCA will focus on market conduct regulation, consumer protection, and financial literacy.

4.35. Financial projections show employee compensation rising by 7.4% annually, from R650 million in 2023/24 to R804.9 million in 2026/27, reflecting an increase in personnel to 790 by 2026/27. Overall expenditure is expected to grow from R1 billion in 2023/24 to R1.2 billion in 2026/27, an annual increase of 5%.

4.36. Revenue, mainly from financial institution levies and licensing fees, is projected to increase at an average annual rate of 4.9%, from R985.1 million in 2023/24 to R1 billion in 2026/27.

4.37. The FSCA's expenditure by program shows diverse growth rates. For instance, 'Administration' expenses are expected to grow by 1.8% annually, while 'Conduct of business supervision' will see a 5.1% annual increase.

4.38. Financial performance indicates steady revenue from non-tax sources, primarily through the sale of goods and services, projected to rise from R950.5 million in 2023/24 to R1.1 billion by 2026/27. Current expenses, including employee compensation and goods/services, are set to increase by 6.5% annually, reaching R1.2 billion in 2026/27. However, the FSCA anticipates a deficit, growing from R75.2 million in 2023/24 to R89.9 million by 2026/27.

4.39. Investments in assets, particularly intangible ones, will significantly increase, with a notable acquisition cost of R138.9 million in 2023/24. The FSCA's cash flow projections indicate fluctuations, with operating activities generating positive cash flow, though decreasing over time.

4.40. The statement of financial position highlights a significant rise in asset value, particularly intangible assets, expected to grow by 32.1% annually. The overall financial health, reflected by the total assets, will see a slight decline from R844.3 million in 2023/24 to R787.8 million by 2026/27.

4.41. Personnel numbers are set to grow modestly, with an increase in funded posts from 751 in 2023/24 to 790 by 2026/27. The cost per employee will rise correspondingly, reflecting the FSCA's commitment to expanding its capabilities to meet its regulatory and supervisory roles.

Government Technical Advisory Centre

4.42. The Government Technical Advisory Centre (GTAC) operates under the Public Service Act (1994) with the mandate to enhance the financial management capacity of state organs. It focuses on providing consulting services to government departments, specialized procurement support for high-impact initiatives, feasibility advice on infrastructure projects, and knowledge management support. These objectives remain GTAC’s primary focus areas.

4.43. GTAC’s performance indicators reflect its dedication to capacity building and efficient project management. The number of foundational public-private partnership capacity-building events has consistently been four per year from 2020/21 to 2022/23, with an increase to six events annually from 2023/24 to 2026/27. Project appraisal reports have seen a steady increase from 11 in 2020/21 to a projected 21 in both 2025/26 and 2026/27. Additionally, the percentage of spending review capacity-building initiatives delivered per year is set to achieve 100% from 2023/24 onwards.

4.44. GTAC's financial projections for the medium term reflect strategic adjustments. Spending on compensation of employees is expected to grow at an average annual rate of 5.3%, from R151.2 million in 2023/24 to R176.5 million in 2026/27. Conversely, expenditure on goods and services is projected to decline at an average annual rate of 3.9%, from R124.1 million in 2023/24 to R110 million in 2026/27, primarily due to Cabinet-approved reductions amounting to R24 million over the medium term. Overall, total expenditure is anticipated to increase at a modest average annual rate of 0.8%, from R283.5 million in 2023/24 to R290.4 million in 2026/27.

4.45. GTAC derives its revenue from departmental transfers, cost recovery, donor funds, administration fees, and interest. Revenue trends align with expenditure projections, indicating stability in financial management. The Centre's total revenue is expected to grow from R283.5 million in 2023/24 to R290.4 million in 2026/27.

4.46. In terms of expenditure trends by programme, GTAC's administration costs are projected to grow from R70 million in 2023/24 to R72.7 million in 2026/27. The Transaction and Advisory Services programme, which encompasses the majority of GTAC's activities, is expected to see an increase in expenditure from R105.3 million in 2023/24 to R120.6 million in 2026/27. The Project Management Unit, which handles the Jobs Fund and municipal finance improvement programme, is anticipated to experience a slight decrease in expenditure, from R108.2 million in 2023/24 to R97.1 million in 2026/27.

4.47. GTAC's non-tax revenue contributed significantly to total receipts, which are expected to rise modestly from R283.5 million in 2023/24 to R290.4 million in 2026/27. Compensation of employees is a major component of current expenses, projected to increase from R151.2 million in 2023/24 to R176.5 million in 2026/27. Although goods and services expenditure is set to decrease, overall current expenses are expected to grow, maintaining GTAC's operational capabilities.

4.48. Personnel data indicates a stable workforce, with the number of funded posts increasing slightly from 167 in 2023/24 to 171 in 2026/27. This reflects GTAC's commitment to maintaining a skilled workforce to deliver on its mandate efficiently.

Independent Regulatory Board of Auditors

4.49. The Independent Regulatory Board for Auditors (IRBA) is tasked with regulating the auditing profession in South Africa under the Auditing Profession Act (2005). Over the medium term, IRBA focuses on enhancing sustainability and relevance while ensuring the quality of audits through comprehensive stakeholder engagement and rigorous regulatory measures. Key objectives include developing and maintaining internationally comparable ethical and auditing standards, overseeing auditor education and training, conducting inspections, and investigating non-compliance and misconduct among auditors.

4.50. In terms of financial allocations, IRBA's budget is set to increase steadily over the MTEF period, with total expenditure projected to rise from R197.8 million in 2023/24 to R240.1 million in 2026/27. This growth reflects investments in ICT infrastructure upgrades and increases in compensation for employees, essential for supporting operational efficiency and regulatory effectiveness. Revenue sources primarily include transfers from the government and fees from auditors' registrations, renewals, and inspections, aligning with expenditure growth.

4.51. Performance indicators are pivotal in measuring IRBA's effectiveness. For instance, the number of monitoring visits completed annually under the Education programme is targeted to remain stable at 43 visits per year throughout the MTEF period. Similarly, planned inspections and investigations are anticipated to maintain consistency, ensuring that regulatory oversight remains robust despite varying challenges and demands within the auditing landscape.

4.52. Personnel management at IRBA is structured across various salary levels, reflecting a strategic distribution of resources to support regulatory activities effectively. With 102 funded positions across different salary bands, including roles from Levels 1 to 22, IRBA maintains a diverse workforce capable of handling regulatory inspections, investigations, standards development, and administrative functions critical to its mandate.

Land Bank

4.53. The Land Bank, as a development finance institution, plays a critical role in advancing agricultural and rural development in South Africa. Governed by the Land and Agricultural Development Bank Act (2002) and the Public Finance Management Act (1999), its mandate encompasses promoting equitable ownership of agricultural land, agrarian reform, and land redistribution among historically disadvantaged groups. Key objectives include enhancing productivity, profitability, investment, and innovation in agriculture, fostering growth in agricultural sectors, promoting land access for agricultural purposes, and ensuring food security.

4.54. The bank's workforce includes approximately 500 employees across various divisions, supporting its operations nationwide. Notably, its cost-to-income ratio, a measure of efficiency, aims for improved performance over the medium term, targeting to maintain costs relative to income within manageable limits. The bank has shown resilience in managing its capital adequacy ratio, aiming to sustain it at 15% across the MTEF period to ensure robustness in its lending operations.

4.55. Regarding its loan disbursements, the Land Bank plans to maintain a steady disbursement level of approximately R6.8 billion annually from 2023/24 onwards. This consistency underscores its commitment to supporting agricultural development and related economic activities despite varying economic conditions and internal adjustments.

4.56. In terms of financial sustainability, the bank anticipates a reduction in interest income, decreasing at an average annual rate of 8.1% from R2.5 billion in 2023/24 to R1.9 billion in 2026/27. This projection aligns with a planned decrease in the loan book, reflecting strategic adjustments to optimize financial resources while balancing operational needs and economic realities.

4.57. Expenditure trends reveal a proactive approach to cost management. The Land Bank expects total expenses to decrease at an average annual rate of 12.4% from R2.4 billion in 2023/24 to R1.6 billion in 2026/27. This reduction strategy includes decreasing current expenses, compensation of employees, and goods and services expenditures, demonstrating disciplined financial stewardship and alignment with operational efficiencies.

Office of the Ombud for Financial Services Providers

4.58. The Office of the Ombud for Financial Services Providers (FAIS Ombud) plays a critical role in resolving complaints against financial services providers, primarily intermediaries selling investment products, as mandated by the Financial Advisory and Intermediary Services Act (2002). Key performance indicators highlight its commitment to efficiently resolving complaints and enhancing stakeholder awareness.

4.59. For the period up to 2026/27, FAIS Ombud aims to maintain high standards in complaint resolution, with a target of closing 92% of complaints within 9 months of receipt annually. This performance underscores its priority to operate as a capable, ethical, and developmental state entity.

4.60. In terms of stakeholder engagement, FAIS Ombud plans to conduct 117 activities per year aimed at improving brand awareness, financial literacy, and customer education. This initiative supports its objective under Priority 3: Education, skills, and health, focusing on enhancing stakeholder management and public understanding of financial services rights and responsibilities.

4.61. Financially, FAIS Ombud anticipates gradual increases in both expenditure and revenue. Total expenditure is projected to rise from R83.5 million in 2023/24 to R89.5 million in 2026/27, reflecting an average annual growth rate of 2.3%. This growth will primarily support increased compensation of employees, expected to grow at an average rate of 4.6% annually, reaching R57.2 million by 2026/27.

4.62. Revenue generation, mainly through levies collected, is also expected to increase at the same average annual rate of 2.3%, aligning with the introduction of a special levy on financial institutions. This revenue trajectory supports FAIS Ombud's operational sustainability and its ability to fulfil its statutory mandate effectively.

Ombud Council

4.63. The Ombud Council, established under the Financial Sector Regulation Act (2017), plays a pivotal role in overseeing alternative dispute resolution processes within the financial sector. Its mandate includes ensuring that financial consumers have access to fair and independent resolution mechanisms for complaints against financial institutions. The council also facilitates cooperation among industry ombud schemes, resolves jurisdictional overlaps, and monitors the performance of these schemes to enhance financial inclusion and consumer protection.

4.64. Looking ahead to the medium-term, the Ombud Council's performance plan for the years 2024/25 through 2026/27 outlines strategic priorities aimed at maintaining high standards of regulatory oversight and service delivery. Key objectives include responding promptly to stakeholder requests for technical and regulatory inputs on policy reforms, aiming for 100% responsiveness each year. Additionally, the council plans to conduct four on-site inspections annually to ensure compliance and operational effectiveness within the financial ombud sector.

4.65. In terms of personnel, the council anticipates maintaining a stable workforce, with an expected increase in compensation costs reflecting a 19.6% growth rate. This increase supports efforts to retain skilled staff essential for robust regulatory oversight and efficient dispute resolution. The council's staffing strategy includes roles across various salary levels, ensuring adequate expertise to fulfil its statutory responsibilities effectively.

4.66. Financially, the council projects a slight increase in total expenditure, from R22.7 million in 2024/25 to R23.2 million by 2026/27, primarily driven by rising personnel costs. Despite a decrease in revenue due to reduced fiscal allocations, the council aims to maintain financial stability through prudent spending and operational efficiencies. These financial measures are designed to support ongoing regulatory activities while adapting to budgetary constraints.

Public Investment Corporation

4.67. The Public Investment Corporation (PIC) is a key financial services provider wholly owned by the South African government, managed under the Financial Advisory and Intermediary Services Act (2002). Its primary mandate involves managing assets on behalf of public entities, focusing on economic transformation and job creation.

4.68. Financially, the PIC's estimated net profit after tax is projected to increase steadily from R204 million in 2023/24 to R267 million by 2026/27. This growth aligns with an anticipated rise in funds under management, climbing from R2.8 trillion in 2023/24 to R3 trillion by 2026/27. This expansion necessitates increased staffing, with personnel expected to grow from 385 in 2023/24 to 445 by 2026/27. Consequently, compensation costs are set to rise from R490 million to R759.9 million over the same period, reflecting a strategic investment in human capital.

4.69. In terms of financial operations, the PIC's revenue is forecasted to escalate from R1.6 billion in 2023/24 to R2.4 billion by 2026/27, driven by higher management fees and portfolio growth. Concurrently, total expenditure is projected to increase from R1.2 billion to R1.6 billion, largely driven by higher personnel and ICT-related expenditures to accommodate organizational growth.

4.70. Expenditure trends illustrate a focus on balancing administrative costs, which are expected to rise from R576.4 million to R808.6 million, and investment-related expenses, from R602.7 million to R832.2 million, over the same period.

4.71. The PIC anticipates maintaining a surplus, supporting ongoing strategic initiatives amidst anticipated financial growth and expanded operational capacity.

South African Revenue Services

4.72. In 2024/25, the South African Revenue Service (SARS) is projected to maintain its focus on key performance indicators aimed at enhancing revenue collection efficiency and taxpayer satisfaction. The estimated revenue collection target remains at 100% of the agreed amount with the Minister of Finance, ensuring substantial contributions to government fiscal priorities. This stability aligns with SARS' strategic objectives under its Deputy Commissioner for Taxpayer Engagement and Operations, reinforcing its role in supporting a capable and developmental state as a top priority.

4.73. Moreover, efforts to improve taxpayer satisfaction continue, with targeted increases in satisfaction rates expected over the medium term. By 2024/25, SARS aims to achieve an 83% satisfaction rate among taxpayers surveyed regarding the clarity and certainty provided by the revenue service. This goal reflects ongoing initiatives to streamline service delivery and enhance transparency in tax administration, crucial for fostering compliance and trust.

4.74. Technological modernization remains pivotal to SARS' operational strategy, particularly through ICT system upgrades aimed at promoting eFiling and overall service efficiency. The agency's investment in ICT-related projects is set to increase, driving a gradual rise in goods and services expenditures by an average annual rate of 2.9%. This funding will support initiatives aimed at enhancing taxpayer experiences, monitoring compliance, and optimizing tax collection processes.

4.75. Financially, SARS anticipates a decrease in total expenditure by 1.6% annually from 2023/24 to 2026/27, primarily attributed to a planned reduction in compensation of employees expenditure. This reduction, averaging 3% annually, reflects strategic adjustments in bonus allocations. Concurrently, transfers from the government are expected to decline marginally, reinforcing SARS' commitment to efficient resource utilization amid fiscal constraints.

4.76. In the fiscal year 2024/25, SARS is focused on achieving its revenue collection target, which is set at 100% of the agreed amount with the Minister of Finance. This target represents a critical milestone in SARS' mandate to contribute significantly to government revenue and fiscal stability. The projected revenue collection for the year stands at over ZAR 2 trillion, reflecting SARS' strategic alignment with national economic priorities and financial sustainability goals.

4.77. In terms of personnel, SARS anticipates maintaining a stable workforce, with a slight decrease in compensation of employees expenditure planned at an average annual rate of 3%. This adjustment includes strategic reductions in bonus allocations while ensuring operational efficiency and employee engagement. The agency continues to prioritize skill development and capacity building initiatives, essential for enhancing service delivery and compliance monitoring capabilities across its operational domains.

South African Special Risks Insurance Association

4.78. The South African Special Risks Insurance Association (SASRIA) has several key performance indicators that are closely aligned with national priorities. For instance, the percentage growth of gross written premium income has been a significant focus under the sustainability revenue growth programme. This initiative aims to maintain sustainable underwriting profit and aligns with Priority 2, which emphasizes economic transformation and job creation. The growth percentages have been substantial, showing a 13% increase to R3.2 billion in 2021/22, a 45% increase to R4.6 billion in 2022/23, and a consistent target growth of 10% for the following years up to 2026/27.

4.79. Customer-centricity is another crucial objective for SASRIA, particularly the fast-tracking of claims settlements. This program is aligned with Priority 1, which focuses on a capable, ethical, and developmental state. The performance metrics show that 90% of all fast-tracked claims were settled within 30 days of submission in 2020/21. However, this figure dropped to 53% in 2022/23 before returning to a 90% target from 2023/24 onwards, with an ambitious target of 95% by 2026/27. Similarly, the percentage of large loss claims finalized within 60 days, an initiative under Priority 2, was at 83% in 2020/21 and fluctuated before settling at a target of 80% by 2026/27.

4.80. SASRIA's personnel information reflects a steady increase in compensation of employees. The expenditure is set to grow at an average annual rate of 1.1%, from R180.7 million in 2023/24 to R186.6 million in 2026/27. Concurrently, spending on goods and services is expected to increase by 2.5% annually, from R5.2 billion in 2023/24 to R5.6 billion in 2026/27. Overall, total expenditure is projected to rise by 2.7% annually, reaching R5.8 billion by 2026/27.

4.81. Revenue generation for SASRIA primarily comes from insurance premiums, which are projected to grow at an impressive average annual rate of 8.8%. This increase is attributed to organic growth, heightened brand and product awareness, and the introduction of new and enhanced products. Revenue is expected to climb from R6.2 billion in 2023/24 to R8 billion in 2026/27.

4.82. The detailed financial statements further illustrate SASRIA's financial performance, cash flow, and position. Revenue from non-tax sources, predominantly from the sale of goods and services, is projected to grow by 8.8% annually, reaching nearly R8 billion by 2026/27. Current expenses are estimated to increase modestly, with compensation of employees growing by 1.1% and goods and services by 2.5%. Despite fluctuations in expenses and significant financial activities, SASRIA is positioned to maintain a stable surplus, with an anticipated increase from R846.5 million in 2023/24 to over R2 billion by 2026/27.

4.83. In terms of the cash flow statement, SASRIA anticipates a recovery from a negative cash flow position in previous years to a positive net cash flow from operating activities, expected to be around R2.4 billion by 2026/27. Investment activities will continue to be a significant area, with substantial investments in property, plant, equipment, and other intangible assets.

5. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

5.1. This report on Budget Vote 8 of the National Treasury stems from a briefing received during the first meeting of the Committee for the 7th Parliament. Due to the urgency following the May 2024 national and provincial elections and the formation of the 7th Parliament and Executive, Committees had to engage with Budget Votes without first being taken through the Legacy/Handover reports of the outgoing Committees. The Committee understands the importance of passing budget Votes on time under these circumstances. A session will soon be hosted to review the Legacy Report from the 6th Parliament and consider all relevant issues when planning its programme going forward.

Vote allocation and expenditure trends

5.2. The Committee notes the consistent trend of budget reductions in the National Treasury's allocations from 2023/24 to 2026/27, indicating fiscal tightening across various programmes. The total budget for 2024/25 is R33.22 billion, down from R34.35 billion in the previous year, reflecting a nominal decrease of R1.13 billion and a real decline of R2.62 billion when adjusted for inflation.

5.3.Overall, there is a 3.28% nominal decrease and a 7.63% real decrease in the total budget from 2023/24 to 2024/25, highlighting the challenging fiscal environment. Key areas such as revenue administration face significant cuts, potentially compromising operational efficiency and financial stability. For instance, during the Adjusted Estimates of National Expenditure (AENE), SARS received R1 billion to enhance its revenue collection capabilities. However, continued budget reductions pose challenges for SARS in fulfilling its mandated duties.

5.4.In contrast, programmes related to public finance, pensions, and benefits show slight nominal increases or minimal real changes, suggesting prioritization in these areas amidst broader fiscal constraints.

5.5.In Programme 1: Administration, there is a notable budget reduction with a nominal change of -R122.5 million and a real change of -R145.97 million, equating to nominal and real percentage changes of -18.98% and -22.62%, respectively. This reduction could impact the department's operational efficiency and administrative functions.

5.6.Similarly, Programme 2: Economic Policy, Tax Financial Regulation, and Research experience a slight nominal decrease of -R2.3 million, reflecting a more pronounced real decrease of -R8.95 million. This translates to nominal and real percentage changes of -1.53% and -5.95%, potentially affecting essential economic policy and financial regulation activities.

5.7.Programme 3: Public Finance and Budget Management shows a nominal increase of R169.5 million, but a real decrease of -R18.19 million, resulting in nominal and real percentage changes of 4.23% and -0.45%. Despite the nominal increase, the real value remains stagnant, potentially limiting effective public finance and budget management.

5.8.The most significant budget cut is evident in Programme 4: Asset and Liability Management, where there is a nominal decrease of -R526.3 million and a real decrease of

-R532.24 million. This translates to nominal and real percentage reductions of -79.90% and -80.80%, respectively. This reduction primarily stems from the suspension of R502 million allocated for the Land and Agricultural Development Bank of South Africa's recapitalisation. This amount was instead charged against the National Revenue Fund to cover the bank's government-guaranteed debt obligations, as mandated by section 70 of the Public Finance Management Act (1999). Ensuring effective management of assets and liabilities is crucial for maintaining financial stability within the National Treasury.

5.9. Programme 5: Financial Accounting and Supply Chain Management System also faces substantial reductions, with a nominal change of -R170.6 million and a real change of -R204.25 million, resulting in nominal and real percentage decreases of -18.54% and -22.19%, respectively. These cuts may undermine efforts to maintain transparent and efficient financial practices.

5.10. In Programme 6: International Financial Relations, although there is a nominal increase of R16.6 million, the real decrease of -R107.55 million suggests challenges in maintaining international financial engagements and commitments, with nominal and real percentage changes of 0.60% and -3.91%, respectively.

5.11. Conversely, Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits sees a nominal increase of R435.2 million and a real increase of R117.91 million, resulting in nominal and real percentage changes of 6.56% and 1.78%, respectively. This programme’s real-term increase ensures better maintenance of pension and benefit commitments compared to other areas.

5.12. Programme 8: Revenue Administration faces significant budget cuts, with a nominal reduction of R769 million and a real reduction of R1,325.13 million. These cuts represent nominal and real percentage decreases of 5.84% and 10.07%, respectively. Such reductions are likely to impact SARS's ability to efficiently collect revenue, potentially affecting the overall fiscal health of the country. Given SARS's crucial role in revenue collection for government expenditure, the Committee believes it is essential to ensure that SARS is adequately funded.

5.13. The Committee recommends close monitoring of the impact of budget reductions on NT's ability to fulfil its mandate, especially in critical areas like asset and liability management and revenue administration. Consideration should be given to reallocating resources or finding efficiencies to mitigate the impact of cuts in vital programmes. Enhanced scrutiny of spending efficiency and effectiveness across all programmes is essential to ensure that limited resources are used optimally to achieve intended outcomes.

Fiscal consolidation, poverty and inequality

5.14. The Committee raises concerns regarding the persistent challenges of high poverty rates, escalating living costs, and extreme inequality levels in South Africa, which have been exacerbated by a prolonged period of economic stagnation with growth rates consistently low (sometimes below 1%). Members highlighted the urgent need for National Treasury to adopt more impactful policies that directly address these pressing socio-economic issues, emphasizing the public's growing disillusionment with the status quo.

5.15. The Committee also recognizes the National Treasury's goal to achieve debt control by 2026 through fiscal consolidation. However, there are significant concerns regarding the potential impact of these measures on public service delivery. Balancing fiscal restraint with the imperative to support vulnerable populations and maintain essential services poses a complex challenge that requires careful management.

5.16. The Committee recommends that the National Treasury enhance its communication strategy to clearly articulate how it plans to navigate the trade-offs between fiscal consolidation and sustaining service delivery. This includes transparently outlining measures to mitigate adverse effects on essential public services and fostering economic growth. Additionally, fostering stakeholder engagement to gather diverse perspectives and inputs will be crucial in shaping effective fiscal policies that promote sustainable development while addressing fiscal challenges.

Issues concerning municipalities

5.17. The Committee notes that National Treasury plans to introduce the Smart Meters Indirect Grant over the medium term. This grant aims to enhance local government efficiency, billing accuracy, and service delivery by facilitating the deployment of smart meter technology by municipalities. Allocations of R500 million in 2024/25, R650 million in 2025/26, and R800 million in 2026/27 within the Catalytic Infrastructure and Development Support subprogramme of the Public Finance and Budget Management programme underscore the department’s commitment to sustainable development and investment in energy infrastructure at the local government level. The Committee expects to be briefed on the progress of this initiative by National Treasury in its quarterly reports to the Committee.

5.18. The Committee further notes that the Municipal Finance Improvement Programme (MFIP) will continue to bolster financial management changes within local government, with a redesign slated for 2024/25 to bolster compliance, support, monitoring, and oversight. Over the medium term, the Catalytic Infrastructure and Development Support Programme subprogramme is allocated R2.9 billion, while conditional grants total R6.1 billion in the Facilitation of Conditional Grants subprogramme. These subprogrammes collectively account for 21.2% and 53% of the Public Finance and Budget Management programme's budget, respectively.

5.19. The Committee, however, expresses growing concern regarding the current state of municipalities throughout South Africa, acknowledging the challenges they face in financial management and service delivery. In response to these concerns, the Committee has decided to take proactive steps to address these issues. Specifically, the Committee plans to convene a briefing session with the National Treasury to delve into the MFIP and the effectiveness of Conditional Grants in supporting municipal governance and service delivery.

5.20. To gain a comprehensive understanding of the MFIP's, outcomes and challenges, the Committee recognizes the necessity of collaborating closely with the Portfolio Committee on Cooperative Government and Traditional Affairs (COGTA). This collaborative effort will facilitate a joint briefing that examines the lessons learned from the MFIP and assesses the effectiveness of Conditional Grants in advancing municipal financial management objectives. The Chairperson of SCOF will liaise with the Chairperson of the Portfolio Committee on COGTA to determine the feasibility of having joint oversight over these issues.

5.21. In addition to its focus on municipal finances, the Committee has highlighted another critical area of concern: the debt owed to Eskom by municipalities and various state entities. Recognizing the potential detrimental impact on Eskom's financial sustainability, the Committee has underscored the urgency of receiving a comprehensive briefing on this matter. The accumulation of debt owed to Eskom by municipalities and other state entities poses significant risks to the utility's operational and financial stability. This debt burden not only strains Eskom's ability to maintain reliable electricity supply but also exacerbates its financial challenges. Moreover, it highlights broader issues within the governance and financial management of state-owned entities.

Two-pot system

5.22. The Committee emphasises the need for briefing updates from the National Treasury, the South African Revenue Service (SARS), and other affected agencies regarding their readiness to implement the two-pot retirement system by the proposed date of 1 September

2024. This system represents a significant reform in pension fund management, aimed at allowing members to withdraw funds from their pension funds in cases of emergency. The Committee notes with concern that the Pension Funds Amendment Bill, which was passed by Parliament on 16 May 2024 and is essential for the implementation of the two-pot system from 1 September 2024, has not yet been assented to by the President.

Integrated Financial Management System

5.23. The Standing Committee on Finance recognizes the ongoing challenges and controversies surrounding the Integrated Financial Management System (IFMS). The IFMS project has been subject to scrutiny from multiple oversight bodies and investigative agencies due to concerns over mismanagement, irregularities, and significant wasteful expenditure. Despite efforts to address these issues, including ongoing investigations and audits, the Committee notes that substantial progress in resolving the IFMS matters has yet to be achieved.522. The Committee recommends that the Minister of Finance provide a comprehensive briefing to update the Committee on the status and progress made in resolving the issues surrounding the IFMS. This briefing should include detailed information on the measures taken to address mismanagement, irregularities, and wasteful expenditure highlighted by various agencies and oversight bodies. Furthermore, the Committee emphasizes the importance of transparency and accountability in the resolution process, urging the Minister to outline concrete steps and timelines for rectifying the IFMS challenges. By regularly updating the Committee on these matters, the Minister can ensure ongoing oversight and facilitate effective resolution of the IFMS project issues.

Other Issues

5.24. Given that this is the final year of the implementation of the MTSF 2019-2024, the Committee requires the National Treasury to provide a detailed account of its achievements, or challenges, related to the MTSF commitments from 2019 to 2024 in its next quarterly briefing.

5.25. A member raised an issue regarding the size of the new Cabinet, including Deputy Ministers, and the cost implications this will have on the fiscus. The Minister of Finance promised to provide the Committee with a response once these costs have been determined.

Having considered the annual performance plans and the proposed budget vote for the National Treasury, the Committee asks the National Assembly to adopt Budget Vote 8 and this Report.

Report to be considered.

The Economic Freedom Fighters (EFF) and uMkhonto Wesizwe (MK) Party Objected.

The Democratic Alliance (DA) supports the Report but reserves its position on the Budget.

3. REPORT OF THE PORTFOLIO COMMITTEE ON PLANNING, MONITORING AND EVALUATION ON BUDGET VOTE 10: PUBLIC ENTERPRISES, AND ON THE STRATEGIC PLAN AND ANNUAL PERFORMANCE PLAN FOR 2024/25 OF THE FORMER DEPARTMENT OF PUBLIC ENTERPRISES, DATED 16 JULY 2024

The Portfolio Committee on Public Enterprises has ceased to exist in the 7th Administration of Parliament. This has been informed by the President's decision not to include the Ministry of Public Enterprises in his Cabinet. The President, on the 30th of June 2024, pronounced that the coordination of the relevant public enterprises will be located in the Presidency during the process of implementing a new shareholder model. The Minister in the Presidency responsible for Planning, Monitoring and Evaluation has been tasked with setting up the holding company. On the 05th of April 2024, the Minister of Public Enterprises tabled the Department of Public Enterprises' Annual Performance Plan 2024/25 to the Acting Speaker of Parliament.

1. Introduction

Guided by the Rules of Parliament, promulgated in terms of the Constitution, the Portfolio Committee on Planning, Monitoring and Evaluation will play an oversight role over the former Department of Public Enterprises and State-Owned Companies.

The Committee's role is to scrutinise the Strategic Plan and Annual Performance Plan of the Department and its entities to see if the funds requested are aligned to the objectives as stated in the respective Strategic Plan and Annual Performance Plan documents.

1.1 Background

The State has a developmental role to play and uses State-Owned Companies (SOCs) as the implementation tools for fulfilling this role. The developmental role should support several economic and development goals, including delivery of strategic infrastructure that will unlock growth potential in the country; support of the wider economy and marginal business sectors and support of economic recovery and reconstruction where needed. The State requires strategic, organisational and operational capacity to play its developmental role. State-Owned Companies act as the extension of the state's capabilities in this regard, and act as the implementing agents for execution of projects assigned in line with national priorities.

2. Annual Performance Plan of the Former Department of Public Enterprises

The Department described the overarching policy and strategic direction and priorities of Government, as articulated by the 2024 State of the Nation Address by the President, the National Development Plan, and other pronouncements of Government on the repositioning and repurposing of the SOCs.

The Department's allocation is a product of a budget process of the National Treasury, which starts in July of a prior year and culminates in the Medium-Term Budget Policy Statement (MTBPS) in November of the prior year, and the confirmation of allocations in the February Minister of Finance' Budget Statement (Estimates of National Expenditure), with a three-years view, that are then outlined in the Department's Annual Performance Plans.

The Department in the Annual Performance Plan includes the priorities set in the Medium-Term Strategic Framework, which are to be implemented by either the Department directly or indirectly through its SOCs.

2.1 Mandate of the Former Department of Public Enterprises

The Department of Public Enterprises (DPE or the Department) undertook shareholder oversight for Government and is currently instructed by the Executive Authority to oversee SOCs. Currently, the DPE does not have a legislated constitutional mandate. The DPE is recognised as a Government Department through Proclamation No. 82 of 1999. It has an agreed and assigned dual responsibility. The DPE aims to drive investment, productivity and transformation in the Department's portfolio of SOCs, their customers and suppliers to unlock growth, drive industrialisation, create jobs and develop skills. The Department's portfolio has six state-owned companies namely; Alexkor, Denel, Eskom, South African Forestry Company (SAFCOL), South African Airways (SAA), and Transnet.

2.1.1 Vision

The vision of the Department is to create an enabling environment in which SOCs add real economic value by focussing on operational excellence, commercial viability and fiscal prudence. This will drive developmental objectives, industrialisation, job creation and skills development.

2.1.2 Objectives and Mission

The DPE's mission is to drive investment, productivity, and transformation in the SOEs, ultimately contributing to the country's overall economic growth and development. Key objectives include:

- Enhancing Governance and Performance: Ensuring SOEs adhere to good governance practices and improve their operational performance.
- Financial Sustainability: Working towards the financial stability and sustainability of SOEs to reduce dependency on government bailouts.
- Infrastructure Development: Facilitating significant investments in infrastructure to support economic activities and job creation.
- Transformation and Development: Promoting socio-economic transformation through the activities of SOEs, including empowerment initiatives and local economic development.

2.2 A Synopsis of the Economic Outlook

Global growth is forecast to increase, from 3.1 per cent this year to 3.2 per cent in 2025. The moderate improvement is due to growth in the United States and several large emerging economies. There are downside risks from potential spikes in the global oil price, if the conflict in the Middle East escalates and if growth falters in China – the country's largest trade partner. Despite the improved global outlook for 2024, South Africa's near-term growth remains hamstrung by lower commodity prices and structural constraints. It is estimated that real GDP growth of 0.6 per cent in 2024. This is down from 0.8 per cent growth estimated during the 2023 MTBPS. The revision is due to weaker-than-expected outcomes in the third quarter of 2023, particularly in household consumption and fixed investment. Between 2024 and 2026, growth is projected to average 1.6 per cent. The growth outlook is supported by the expected easing of power cuts as new energy projects begin production, and as lower inflation supports household consumption and credit extension. But there are also risks to the domestic outlook. These include persistent constraints in electricity supply, freight rail and ports; and a high sovereign credit risk.

2.3 Policy Priorities for 2024/25

The DPE's strategic priorities for 2024 are focused on several critical areas:

- Restructuring and Reforming SOEs: Implementing measures to restructure and reform SOEs to improve efficiency, financial health, and service delivery. This includes the unbundling of Eskom into separate entities for generation, transmission, and distribution.
- Improving Operational Efficiency: Enhancing the operational efficiency of SOEs through better management practices, technological upgrades, and addressing capacity constraints.
- Strengthening Governance Frameworks: Tightening governance frameworks to ensure accountability and transparency within SOEs. This includes revising policies and improving oversight mechanisms.
- Financial Turnaround Strategies: Developing and implementing financial turnaround strategies to restore the financial viability of struggling SOEs.
- Stakeholder Engagement: Engaging with stakeholders, including labour unions, business communities, and the public, to build support for the reform initiatives and ensure alignment with broader socio-economic goals.

3. Programmes of the Department

3.1 Programme 1: Administration and Corporate Management

The purpose of this programme is to provide strategic management and support services to the Department.

The programme includes the Office of the Director-General/Management. The programme is currently made up of the following sub-programmes: Management; Security and Facilities Management; Information Management and Technology; Office of the Chief Financial Officer; Human Resources; Communications; Strategic Management; and Internal Audit.

The Department’s core functions require significant administrative support, and a substantial portion of the budget is in the Administration programme, an amount of R167.4 million for 2024/25 financial year, which has cross-cutting sub-programmes providing for intergovernmental and international relations, strategic planning, monitoring and evaluation, and communications. The majority of the budget, R92.7 million, is for compensation of employees, while R70.4 million is for goods and services. The balance of R4.2 million is for machinery and equipment.

The spending focus over the medium term will be on supporting the Department to play its oversight role on SOCs by providing administrative support services to the Department. Over the medium term, much of the allocation is within compensation of employees, which will provide technical and administrative support to the Department.

The Department participated in the Task Team on Cable Theft and Infrastructure Vandalism, and National Rail Crime Combating Forum to support measures by Government to curb cable theft and infrastructure vandalism. The Department signed the Memorandum of Understanding (MoU) with relevant SOEs' to implement interventions that will assist in dealing with the impact caused by theft, vandalism and trade in ferrous and non-ferrous metal wastes, scrap etc.

3.2 Programme 2: SOCs Governance Assurance and Performance

The purpose of this programme is to provide and enforce SOCs' governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the Shareholder, and to ensure alignment with Government's priorities.

Over the medium term, the programme will ensure the effective shareholder oversight of state-owned companies by:

- Providing governance and legal systems;
- Developing and maintaining shareholder risk profiles and mitigating strategies; and
- Monitoring, evaluating and reporting on the financial and non-financial performance, and proposing intervention measures when required.

The programme has the smallest budget of the three programmes of the Department, amounting to R62.4 million for the 2024/25 financial year. The majority of the budget goes to compensation of employees of R 36.0 million, with the balance going to goods and services amounting to R26.4 million.

The Department states that the programme's focus will be the National State Enterprises Bill (NSEB) (Overarching law to be enacted by Government which will govern all SOEs' to reduce the current burden of compliance with multiple laws and regulations), as well as the implementation of the Minority Shareholding Oversight Framework and establishment of a Holding Company.

3.2.1 Sub-programme: Management

The Management sub-programme comprises the office of the Deputy Director General, which provides strategic leadership and management of the programme personnel.

The sub-programme **Legal** provides external legal services and oversight support to sector teams. This entails providing legal services, including transaction and contract management support to the Department, as well as work specifically related to sector teams' oversight of commercial activities of state-owned companies within their portfolios.

The sub-programme **Governance** develops, monitors and advises on legislative, corporate governance and shareholder management systems for the Department and its portfolio of state-owned companies. Risk and compliance management is a component of this unit, which is responsible for developing and implementing risk and compliance with laws and regulations.

The sub-programme **Financial Assessment and Investment Support** analyses SOEs' capital plans, operational performance, the execution of capital programmes and proposed restructuring proposals, and advises on appropriate action.

3.2.2 Sub-programme: Governance, legal assurance, risk profiling and mitigation.

The sub-programme had the following indicators in the previous financial year:

- Business case for the National State Enterprises Holding Company (NSEHC) in pursuit of a centralised Shareholder model.
- Presidential State-Owned Enterprises Council (PSEC) Strategic and Secretariat support provided (quarterly reports).

This financial year's indicators are as follows:

- Develops standardised indicators for the SOEs'.
- Performs Governance assurance reviews and reports thereon.
- Develops and facilitates the implementation of Governance enhancement initiatives.
- Provides technical assistance to the Minister on the Boards' functions.

3.2.3 Sub-programme: Financial Assessment and Investment Support

The sub-programme indicators are:

- Number of SOEs' quarterly financial reviews conducted.
- Number of Corporate Plans reviewed.
- Number of reports on monitoring compliance to conditions related to Eskom debt relief package.

3.3 Programme 3: Business Enhancement, Transformation and Industrialisation

The purpose of the programme is to provide sector oversight to ensure that state-owned companies contribute to the advancement of industrialisation, transformation, intergovernmental relations and international collaboration services. The programme will also support the shareholder in strategically positioning and enhancing the operations of state-owned companies.

Through this programme, the Department will contribute to the performance SOCs on an ongoing basis by:

- Conducting reviews, research and modelling of pipeline and new business enhancement opportunities within SOCs;
- Assessing operations of SOCs and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry; and
- Conducting research, modelling job creation and transforming instruments for SOCs to inform compact alignment imperatives.

The budget for the programme amounts to R66.7 million for the 2024/25 financial year. The programme's main cost driver is the compensation of employees at R 54.4 million, and goods and services making up the balance at R19.6 million.

3.3.1 Sub-programme: Business Enhancement Services

This sub-programme Business Enhancement Services provides SOCs business enhancement services. This includes developing and coordinating the implementation of SOCs' strategies to leverage localisation programmes; provide intergovernmental coordination and support to programmes and SOCs in relation to economic development programmes, as agreed with provincial and local governments. It will also maintain a register of commitments made by SOCs and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.

The sub-programme has the following output indicator:

- Number of DDMs technical structures that DPE participated in.

3.3.2 Sub-programme: Energy Resources

This sub-programme Energy Resources is responsible for the oversight of three SOCs, namely Eskom, Alexkor and the South African Forestry Company (SAFCOL). The sub-programme has five indicators, down from the nine performance targets in the previous year.

The sub-programme has the following indicators:

- Number of Progress reports on implementation of the Recovery Plan.
- Number of reports on the progress of the NTCSA to trade.
- Number of Shareholder Compacts (SHCs) signed per year.
- Number of Progress reports on consultations with stakeholders on the proposed role of Alexkor.
- Number of Progress reports on strategic projects to diversify products and enhance operations of SAFCOL.

The previous years' output indicators were the following:

- Percentage on Energy Availability Factor (EAF) increased (increased above 65 per cent).
- Three Eskom companies separated and operationalised.
- Koeberg Nuclear Power Plant Extension Programme units completed.
- Alexkor Repositioning Study conducted.
- Revitalisation of State forestry assets.

3.3.3 Sub-programme: Transport and Defence

This sub-programme Transport and Defence is responsible for the oversight of three SOCs, namely Transnet, South African Airways (SAA), and Denel.

The sub-programme has the following indicators:

- Number of Assessment reports on rail addressable market share versus customer willingness to move to rail.
- Number of Assessment reports on rolling stock in identified corridors in line with Transnet's Recovery Plan.

- Number of reports on the reform actions and deliverables of Roadmap for the Freight Logistics in South Africa.
- Number of Assessment reports on PSPs opportunities pursued.
- Number of SHCs signed per year.
- Number of reports assessing the implementation of Denel's 2022/23 restructuring plan.

The output indicators for the previous financial year, were as follows:

- Implementation of the agreed decision of Government on the Structure and functions of Transnet National Ports Authority (TNPA);
- Percentage growth in year-on-year rail volumes;
- Rail Infrastructure Manager established as a ring-fenced organisational function;
- Rail Access Pricing Formulae Rail Access Procedures 3rd Part Access Contract;
- Number of Private Sector Participation (PSP) projects concluded;
- DPE Transnet Roadmap finalised; and
- Number of progress reports on the implementation of Denel's Restructuring Plan.

3.3.4 Sub-programme: Research and Economic Modelling

This sub-programme Research and Economic Modelling conducts cost-benefit analysis reviews on proposed business enhancement and transformation initiatives and develops economic sustainability models for proposed work packages and projects.

The sub-programme has the following output indicator:

- Number of Progress reports on the implementation of "Just" Energy Transition Framework.

In the previous financial year, the sub-programme had the following output indicator.

- Komati Agrivoltaic commissioned, and training centre operationalised; 150MW PV EIA completed.

4. Budget

Over the medium term, the Department will continue to focus on enhancing reforms to stabilise these companies and strengthen its oversight capacity to ensure that they are sustainable and contribute to economic development and transformation. Overall, the Department's budget increases by 7.74 per cent in nominal terms from R275.3 million in 2023/24 to R296.5 million in 2024/25.

Table 1 below gives the department's medium-term allocations with the real and nominal increase over the current financial year.

Table 1. Estimate of Expenditure over the 2023 medium term

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
R million	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2022/23-2023/24**		**2022/23-2023/24**	
Programme 1: Administration	168,0	165,4	179,6	174,7	-2,6	-10,3	-1,55 per cent	-6,15 per cent
Programme 2: State-Owned Companies Governance Assurance and Performance	60,6	65,6	62,6	70,0	5,0	1,9	8,25 per cent	3,19 per cent
Programme 3: Business Enhancement, Transformation and Industrialisation	34 121,5	71,9	74,1	85,7	- 34 049,6	- 34 053,0	-99,79 per cent	-99,80 per cent
TOTAL	**34 350,1**	**302,9**	**316,4**	**330,4**	**- 34 047,2**	**- 34 61,3**	**-99,12 per cent**	**-99,16 per cent**

Source: National Treasury (2023a)

As shown in table 1 above, there are notable changes in the allocations for each of the Department's programmes including the following:

- Programme 1: Administration, accounts for the largest allocation of the Department's overall budget in 2024/25 with a total allocation of R167.4 million or 56.5 per cent of the total budget. Programme 1: Administration has a nominal increase of 11.67 per cent in 2024/25, with a real decrease of 6.66 per cent.
- Programme 2: State-Owned Companies Governance Assurance and Performance receive the smallest allocation in 2024/25 will a total allocation of R62.4 million or 21.0 per cent of the total budget. The programme decreases by 1.11 per cent nominally in 2024/25 and decreased in real terms by 5.55 per cent.
- Programme 3: Business Enhancement, Transformation and Industrialisation accounts for the second largest allocation of the budget, R66.7 million or 22.5 per cent of the total budget. Programme 3 allocations has increased by 7.23 per cent nominally due to the no further transfers to the SOCs in the 2024/25 financial year.

Compensation of employees amounts to R176.5 million for 2024/25, an increase of 5.50 per cent on R167.3 million in 2023/24, which constitutes the Department's largest administrative cost driver. Goods and services amount to R115.7 million, an increase of 11.57 per cent on R103.7

million in 2023/24. Of the goods and services budget, the use of consultants constitutes 28.1 per cent while operating leases accounts for 12.6 per cent and travel and subsistence accounts for 13.1 per cent of the goods and services budget for 2024/25. Travel and subsistence increase from R14.0 million in 2023/24 to R15.1 million in 2024/25; while consultants increase from R24.5 million in 2023/24 to R32.5 million in 2024/25.

The Departments personnel complement is expected to increase from 201 employees in 2023/24 to 211 employees in the 2024/25 financial year. However, as the Department has been absorbed into the Presidency, the number of employees going forward is uncertain.

4.1. Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management, and support services to the Department. The Department’s core functions require significant administrative support, and a substantial portion of the budget is in the Administration programme, which has cross-cutting sub-programmes providing for intergovernmental and international relations, strategic planning, monitoring and evaluation, and communications.

Over the medium term, the majority of the allocation is within programme 1 is the compensation of employees, which will provide technical and administrative support to the Department. The overall budget for the programme increases by 11.6 per cent from R149.9 million in 2023/24 to R167.4 million in 2024/25. Sub-programmes Communications (22.6 per cent), Ministry (21.2) and Human Resources (19.2 per cent) constitutes the majority of expenditure in the programme. Expenditure on compensation of employees constitutes 55.4 per cent of the programme budget for the 2024/25 financial year. Over the medium term, expenditure on compensation of employees remains steady at approximately 55.9 per cent.

Goods and services constitute 42,1 per cent of the budget for the 2024/25 financial year. Goods and services increase from R61.2 million in 2023/24 to R70.4 million in 2024/25, an increase of 13.1 per cent. Operating leases and consultants make up the largest portion of goods and services for the 2024/25 financial year, constituting 20.7 per cent and 16.2 per cent respectively.

4.2. Programme 2: State-Owned Companies Governance Assurance and Performance

The purpose of this programme is to provide and enforce state-owned companies’ governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the shareholder to ensure alignment with government priorities.

The objectives of the programme are to ensure effective shareholder oversight of state-owned companies on an ongoing basis by:

- Providing governance systems and legal support;
- Developing and maintaining shareholder risk profiles and mitigating strategies for government's state-owned companies; and
- Monitoring, evaluating, and reporting on financial and non-financial performance of state-owned companies, and proposing intervention measures when required.

The programme has four sub-programmes namely:

- **Management** comprises the office of the deputy director general, which provides strategic leadership and management for the programme's personnel.
- **Legal** provides external legal services and support, including transaction and contract management support, to sector teams and the commercial activities of the state-owned companies within their portfolio.
- **Governance** develops, monitors, and advises on legislative, corporate governance, and shareholder management systems for the department and its portfolio of state-owned companies. The sub-programme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- **Financial Assessment and Investment Support** analyses state-owned companies' capital planning, operational performance, execution of capital programmes and proposed restructuring proposals, and advises on appropriate action.

The sub-programme Management constitutes the smallest unit of the programme at 4.8 per cent of the budget for the 2024/25 financial year. The largest sub-programme is Legal at 37.7 per cent of the budget followed by the Governance sub-programme at 34.1 per cent and Financial Assessment and Investment Support at 23.4 per cent of the budget. The overall budget for the programme decreases by 0.7 per cent from R63.1 million in 2023/24 to R62.4 million in 2024/25. For the 2024/245 financial year, 57.7 per cent of the programme 2 budget is allocated for spending on compensation of employees. Compensation of employees increases by 8.3 per cent, from R33.0 million in 2023/24 to R36.0 million in 2024/25.

Goods and services constitute 42.3 per cent and decreases from R30.1 million in 2023/24 to R26.4 million in 2024/25, a decrease of 14.0 per cent. Legal services constitute 50.8 per cent while Consultants constitute 35.2 per cent of the Goods and services budget. Expenditure on consultants is expected to decrease by 28.0 per cent from R11.9 million in 2023/24 to R9.3 million in 2024/25. Legal services decrease by 8.2 per cent and decreases from R14.5 million in 2023/24 to R13.4 million in 2024/25.

4.3. Programme 3: Business Enhancement, Transformation and Industrialisation

The purpose of the programme is to provide sector oversight to ensure that state-owned companies contribute to the advancement of industrialisation, transformation, intergovernmental relations and international collaboration services. The programme will also support the shareholder in strategically positioning and enhancing the operations of state-owned companies. Through this programme, the department will contribute to the enhancement of the performance of SOCs on an ongoing basis by:

- Conducting reviews, research and modelling of pipeline and new business enhancement opportunities within SOCs;
- Assessing operations of SOCs and developing mitigation instruments in conjunction with policy departments, regulatory bodies and industry; and
- Conducting research, modelling job creation and transforming instruments for SOCs to inform compact alignment imperatives.

The programme's budget increases by 4.5 per cent from R62.2 million in 2023/24 to R66.7 million in 2024/25. The increase in mostly within the goods and services component.

This programme has four sub-programmes, namely;

The sub-programme **Energy Resources** exercises shareholder oversight over Eskom, Alexkor and the South African Forestry Company (SAFCOL). The budget for Energy Resources is expected to increase by 44.0 per cent from R15.0 million in 2023/24 to R26.8 million in 2024/25. The sub-programme constitutes 26.8 per cent of the programme's budget. The Department will no longer make any further transfers to Eskom over the medium term.

The sub-programme **Research and Economic Modelling** conducts cost benefit analysis reviews on business enhancement and transformation initiatives and develops economic sustainability models for proposed work packages and projects. The budget decreases from R6.0 million in 2023/24 to R3.8 million in 2024/25, a decrease of 57.9 per cent in nominal terms.

The sub-programme **Transport and Defence** exercises shareholder oversight over Transnet, South African Airways, and Denel. The budget for the sub-programme constitutes 21.3 per cent of the programme budget for the 2024/25 financial year. The sub-programme budget decreased in nominal terms by 24.6 per cent from R17.7 million in 2023/24 to R14.2 million in 2024/25.
The sub-programme **Business Enhancement Services** develops and coordinates the implementation of SOCs' strategies to leverage localisation programmes; provide

intergovernmental coordination and support to programmes and SOCs in relation to economic development programmes, as agreed with provincial and local governments; and maintains a register of commitments made by SOCs and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth. The sub-programme's budget decreases in nominal terms by per cent from R23.5 million in 2023/24 to R21.9 million in 2024/25.

Compensation of employees constitutes 71.8 per cent of the programme's budget under economic classification. Compensation of employees decreases by 4.0 per cent from R49.8 million in 2023/24 to R47.9 million in 2024/25. Personnel in the programme is projected to decrease from 46 employees in 2023/24 to 43 employees in the 2024/25 financial year. Goods and services constitute 28.3 per cent of the programmes' budget and is projected to increase by 34.4 per cent from R12.4 million in 2023/24 to R18.9 million in 2024/25. Consultants decrease by 44.9 per cent from R6.5 million in 2023/24 to R11.8 million in 2024/25. Consultants accounts for 62.4 per cent of the goods and services budget for the 2024/25 financial year.

5. State-Owned Companies' Performance

State-owned companies are experiencing financial and operational challenges that have affected their performance. The following section deals with their performance and plans.

The Department has oversight of six entities, namely, Alexkor, Denel, Eskom, South African Forestry Company (SAFCOL), South African Airways (SAA), and Transnet. As these are independent companies, they do not receive funding from the fiscus and should be fully self-sufficient. Therefore, the entities budget does not need to be approved through the national budget appropriation. However, in the situation of Eskom, Denel, SAA and Transnet that are struggling financially, the government as shareholder can make the decision to recapitalise these companies as and when required. When this decision is taken, a special appropriation bill will be required to allocate monies to the entity.

State-owned enterprises (SOEs) are important institutions for implementing industrial policy. SOEs can be very effective in achieving a broad range of socio-economic objectives, if properly established and run. They represent a unique type of public organisation that can assume different forms and play a direct role in the economy, through their involvement in the production of goods and in the provision of services. Due to their intrinsic business-like nature, the policy function of individual SOEs has sector-specific characteristics, but it is not entirely confined by them.

South Africa faces the opportunity to elaborate an industrial strategy that addresses national challenges through the transformation of its national system of state-owned enterprises. By creating a mission-oriented state holding company (SHC), as announced by President Ramaphosa in 2022 State of the Nation Address, the South African government can realise the full potential of its SOE portfolio. Below we discuss the mandate of the SOC, its priorities in the medium-term and performance.

5.1 Alexkor

Alexkor was established in terms of the Alexkor Limited Act (1992) to exploit marine and land diamonds in Alexander Bay, Northern Cape. The company holds a 51 per cent share interest in the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture and the Richtersveld Community holds 49 per cent. Alexkor does not have any other mining operations outside the joint venture. Over the medium term, the company will focus on its turnaround strategy for joint venture operations, which have significantly declined over the past 3 years, with land mining production decreasing to 35 000 carats in 2022/23. Reasons for this include a lack of funding to undertake exploration activities and maintain old infrastructure. An immediate intervention is to seek mining contractors with the financial and technical capabilities to undertake large-scale mining operations. For the long term, Alexkor's role should be determined in light of the challenges it faces. As such, the department is conducting a study, which is expected to be completed before the end of 2023/24, to determine the company's optimal shareholding structure. This study considers the market characteristics of the diamond mining industry in relation to government's developmental plans.

Despite decreasing production, the company's unaudited results for 2021/22 indicate a significant increase in revenue from R228 million in 2021/22 to R482 million in 2022/23, largely driven by a favourable exchange rate and the high quality of diamonds produced.

Expenditure is expected to increase at an average annual rate of 5.8 per cent, from R339 million in 2023/24 to R401.9 million in 2026/27. Spending is mainly driven by mining activities, which account for an estimated 85.7 per cent (R974.6 million) of total expenditure over the medium term. Alexkor derives its revenue from the sale of mined diamonds. Revenue is expected to increase at an average annual rate of 5.2 per cent, from R356.9 million in 2023/24 to R415.6 million in 2026/27.

5.2 Denel

Denel was incorporated as a private company in 1992 in terms of the Companies Act (1973), with the South African government as its sole shareholder. It operates in the military aerospace and landward defence environment and provides strategic defence equipment. The company's broad focus over the medium term will be on implementing its turnaround plan, which entails rolling out its new operating model, optimising its cost structure and restructuring. The new operating model reduces Denel's structure from 6 core business units to 4 according to capability domains – aviation, munitions, and land and integrated systems solutions.

In 2021/22, government helped Denel settle R3.2 billion guaranteed debt, which relieved the entity of annual interest payments amounting to R250 million. The following financial year, government allocated an additional R3.4 billion through the Special Appropriation Act (2022) to help implement the company's turnaround plan. Following these interventions, Denel has experienced growth in its order pipeline, which is estimated at more than R25 billion. The company's immediate focus is to stabilise its operations and deliver on existing contracts to improve cash flow and continue to build trust with customers and partners.

However, since 2021/22, the company has lost a significant number of experienced personnel with critical skills due to decreased business activity and poor financial position, threatening its capacity to maintain strategic defence industrial capabilities. Since the improvement in the company's financial position from mid-2022/23, Denel has stabilised its employee turnover rate and has been able to attract leadership and other critical skills to fulfil contracts.

Expenditure is expected to increase at an average annual rate of 10 per cent, from R2.4 billion in 2023/24 to R3.2 billion in 2026/27. This increase is attributed to the expected improvement in business activity and intensifying implementation of the turnaround plan. Spending on goods and services, mainly for material supplies, accounts for 50.8 per cent (R4.5 billion) of the total expenditure.

Revenue is projected to increase at an average annual rate of 19.1 per cent, from R2.1 billion in 2023/24 to R3.5 billion in 2026/27, due to the turnaround strategy having been implemented by the board in June 2022. Denel derives 95.7 per cent (R9 billion) of its revenue through sales of defence and security equipment and the services that it provides. The Auditor-General of South Africa is in the process of auditing its 3 outstanding financial statements (2020/21, 2021/22 and 2022/23).

5.3 Eskom

Eskom is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Key infrastructure programmes that Eskom is currently executing include the construction of the Medupi and Kusile power stations; the Medupi flue gas desulphurisation and battery energy storage system; a technical plan for the coal generation fleet focusing on control and instrumentation replacement, cooling towers, coal automation, switchgear and protection upgrades, and ash dump and disposal facilities; and its generation projects focused on particulate emission reduction, burner replacement, a fabric filter plant, high frequency power supply and electrostatic precipitator upgrade, and dust handling plants. Eskom has budgeted R269.3 billion for infrastructure for the period 2023/24 to 2028/29.

Over the medium term, the company's board will work with the national energy crisis committee to improve its operational performance. The committee will oversee the implementation of an energy action plan to end load shedding and achieve energy security. Specifically, through its generation recovery plan, Eskom aims to recover 6 000 MW by March 2025 by prioritising 9 poorly performing power stations (Arnot, Duvha, Kendal, Kriel, Kusile, Majuba, Matimba, Matla and Tutuka) that contribute to a combined 77 per cent of total unplanned outages. To increase these stations' performance, the power utility is focusing on maintenance and fixing damaged equipment. Its generation division plans to recover 3 115 MW from these 9 stations by March 2024.

Based on the company's financial plan for the period 2022/23 to 2026/27, its expenditure is projected to increase at an average annual rate of 5.3 per cent, from R333.1 billion in 2023/24 to R389.1 billion in 2026/27. Generation is Eskom's main cost driver, constituting 58.9 per cent (R653.5 billion) of its total budget over the medium term. Expenditure in the transmission division accounts for 29.2 per cent (R345.6 billion) of total spending, increasing at an average annual rate of 13.3 per cent, from R84.2 billion in 2023/24 to R122.4 billion in 2026/27, due to the execution of the transmission development plan for grid expansion.

The company generates revenue mainly through the sale of electricity. Revenue is expected to increase at an average annual rate of 9.2 per cent, from R319.6 billion in 2023/24 to R415.8 billion in 2026/27, driven mainly by annual tariff increases imposed on customers supplied directly by Eskom. The company's net loss is projected to decrease marginally from R23.9 billion in 2022/23 to R23 billion in 2023/24. Net debt increased by 7 per cent (R27.6 billion), from R396.3 billion in 2021/22 to R423.9 billion in 2022/23, whereas municipal arrears increased by 30.6 per cent (R13.7 billion) from R44.8 billion in 2021/22 to R58.5 billion in

2022/23. To mitigate against any further increases to Eskom's net debt, National Treasury has implemented a municipal debt relief support programme. Despite some marginal improvements, Eskom's financial position remains weak, and the company is not able to generate enough cash from operations to cover its debt obligations. Eskom has been facing significant challenges, primarily due to operational inefficiencies and financial constraints. The entity has been grappling with issues related to aging infrastructure, coal supply constraints, and operational inefficiencies that have led to frequent load shedding. Efforts are underway to stabilize the entity and improve its operational performance through restructuring and efficiency enhancement measures.

5.4 South African Airways

South African Airways operates a full-service network in the regional and domestic markets, and, more recently, has returned to the international market. The airline is responsible for promoting air links with South Africa's key business, trading and tourism markets across the world, and contributing to key domestic air linkages.

The company was placed under business rescue in December 2019 and came out of the process in April 2021. It resumed flight operations in September 2021, operating domestically and regionally, and initially operated 6 aircraft on 5 routes. The airline is now operating 13 aircraft on 15 routes. Over the MTEF period, the airline plans to increase its operations and improve its service offering. This is expected to be done by increasing its fleet size and route network. In the 2023 Budget, R1 billion was allocated to the airline for settling obligations emanating from its business rescue process.

SAA has been undergoing a significant restructuring process to address its financial and operational challenges. The airline has focused on reducing costs, streamlining operations, and improving service delivery.

In line with the airline's expansion plan and business restart following the sale, expenditure is expected to increase at an average annual rate of 34.2 per cent, from R7.3 billion in 2023/24 to R17.7 billion in 2026/27.Spending on goods and services constitutes 90.1 per cent (R40.8 billion) of total expenditure over the period ahead, mainly driven by fuel, leases and maintenance costs.

As the airline expands its routes domestically, regionally and internationally, its revenue is expected to increase at an average annual rate of 36 per cent, from R7.5 billion in 2023/24 to R18.9 billion in 2026/27. The airline's revenue is generated through the sale of air tickets.

5.5 South African Forestry Company

The South African Forestry Company was established in 1992 in line with the Management of State Forests Act (1992). Its mandate is to develop and manage the state's commercial plantation forests, timber-processing plants and other assets within the entity's group.
The company contributes to rural economies in Mpumalanga, Limpopo and KwaZulu-Natal through the creation of about 1 513 direct jobs and more than 1 000 employment opportunities in small to medium companies through community projects and other services.

The company aims to diversify its revenue strategy over the medium term by focusing on contributions from high-value products, particularly plantation, processing and related ventures. Central to this is the enhancement of the Timbadola processing plant in Limpopo, which is expected to significantly trim operational expenses and thereby elevate overall performance. The company will commercialise its strategic project pipeline. This includes the establishment of the combined heat and power plant using biomass from the forests, which will reduce the impact of load shedding on operations and enable the sale of electricity to the local municipality as well as commission a finger jointer and planer machine to produce high quality products.

The operations of Komatiland Forests, the company's main revenue-generating subsidiary, constitutes an estimated 81.3 per cent (R4.4 billion) of total expenditure over the MTEF period. Spending on goods and services constitutes 73.9 per cent (R3.9 billion) of the company's budget over the next 3 years, while compensation of employees accounts for 21.9 per cent (R1.2 billion). Expenditure is expected to increase at an average annual rate of 0.4 per cent, from R1.85 billion in 2023/24 to R1.87 billion in 2026/27.

The company generates 98.8 per cent (R6 billion) of its revenue from the sale of sawlogs and lumber. Revenue is expected to increase at an average annual rate of 9.9 per cent, from R1.6 billion in 2023/24 to R2.1 billion in 2026/27, in line with the anticipated increase demand for the company's products.

SAFCOL has been working on improving its operational efficiency and expanding its market presence. The entity has focused on sustainable forestry management and enhancing revenue through value-added products.

5.6 Transnet

Transnet provides and operates freight transportation services and infrastructure. The company's key strategic objectives include improving the competitiveness of logistics, promoting a modal shift from road to rail, increasing logistics connectivity, attracting private investment, developing skills and promoting reindustrialisation.

Transnet has experienced a series of challenges that have resulted in underperformance and affected its liquidity and financial position. These include declining operational and maintenance efficiency, limited investment capital, a high-cost base, reduced asset availability and reliability, increased crime and vandalism to equipment and infrastructure, and operational disruptions. The decline has been more pronounced in the freight rail division, accounting for about 53 per cent of the company's business, which has had a decrease in volume from 226 million tonnes in 2017/18 to 149.5 million tonnes in 2022/23.

To address this decline and optimise business operations over the medium term, Transnet will implement its recovery plan, which provides for 18 months to transition the company to profitability. As such, it plans to spend R19.2 billion on capital investments into, among other things, locomotives, and improving the availability and reliability of critical equipment and the quality of assets at ports.

Through this spending, Transnet anticipates rail freight volumes to increase to 154 million tonnes by 2023/24 and 193 million tonnes by 2024/25. Port volumes are also expected to increase based on a series of initiatives at both the ports and rail divisions. Accordingly, container volumes are expected to increase from 4 912.4 TEUs (thousand 20-foot-equivalent units) in 2023/24 to 6 933.3 TEUs in 2026/27.

As a result, expenditure is expected to increase at an average annual rate of 3.9 per cent, from R89.6 billion in 2023/24 to R100.4 billion in 2026/27. Spending on compensation of employees constitutes an estimated 31.6 per cent (R87.9 billion) of total expenditure over the next 3 years, whereas that on goods and services constitutes 28.8 per cent (R83.6 billion).

Revenue is projected to increase at an average annual rate of 6.3 per cent, from R93.9 billion in 2023/24 to R112.8 billion in 2026/27. The company expects to generate 93.7 per cent (R291.6 billion) of its revenue through providing rail freight services.

Transnet has shown resilience in its operational performance despite facing economic challenges. The entity's focus on improving rail and port efficiencies has yielded positive outcomes. However, infrastructure constraints and maintenance backlogs remain areas of concern.

6. Committee Observations

The Committee made the following observations:

6.1 The Committee welcomes the strategic plan and annual performance plan of the former department but notes with concern the constrained budget of the department to effectively exercise oversight over state-owned companies.

6.2 The Committee notes with concern that the Shareholder Management Bill featured as a deliverable in 2023/24 financial year, never materialised. The Committee raised concern that the Shareholder Management Bill has not been included as a target for the 2024/25 financial year. The absence of such an overarching law continues to weaken the ability of the State to direct SOCs in advancing the developmental objectives of government.

6.3 The Committee expressed concern regarding the ageing infrastructure and the lack of investment in capital equipment and machinery in most state-owned companies, and the over-reliance on private sector investment which affected the productivity of the companies.

6.4 The Committee expressed concern over a lack of transformation and lack of effort to ensure that the local content in goods and services purchased by SOCs, is improved.

6.5 The Committee expressed concern regarding the establishment of the National State Enterprises Holding Company (NSEHC) without having developed and passed the Government Shareholder Management Bill. The Committee felt that the legislation is critical to guide the policy and governance of such a holding company. The National State Enterprises Bill was introduced and tabled in Parliament but was not processed by then Portfolio Committee on Public Enterprises.

6.6 The Committee welcomes the recapitalisation of SOCs and will continue to closely monitor the implementation of the turnaround strategy.

6.7 The Committee notes that energy security remains critical for socio-economic growth and will further monitor the restructuring of Eskom into three subsidiaries, namely Generation, Transmission and Distribution, as planned.

6.8 The Committee noted with concern that the recovery of monies, assets and intellectual properties from SOCs during the State Capture process has been slow, particularly the properties of state-owned companies.

6.9 The Committee highlighted the importance of the DPME in providing oversight role to the SOCs. However, the Committee is concerned about the potential risk of blurred reporting lines, as the Ministry will be overseeing departments and doing monitoring and evaluation of the performance of SOCs.

6.10 One member was of the view that the budget priorities are not aligned with the MTSF priorities of the 2019-2024. For example, indicators for financial and operational performance highlights achievement of 60 per cent targets which is not adequate for the medium-term budget. There was also a concern that some of the performance targets do not adhere to the SMART principle.

6.11 The Committee plans to scrutinise the budget allocated to consultants in the Annual Performance Plan 2024/25.

6.12 One Member raised concern regarding the clarity of the functions between the Shareholder and the Boards of SOEs.

7. Recommendations

The Committee recommended that the Minister of Planning, Monitoring and Evaluation should, within the 2024/25 financial year, consider:

7.1 reporting to the Committee on the establishment and operationalisation of the Presidential SOE Coordinating Council. Some of the recommendations were that Government should develop a Shareholder Management Bill, the shareholder model, SOE remuneration standards; to empower the Government in its oversight of SOCs. The Department should report on the progress of the Shareholder Management Bill on a quarterly basis.

7.2 introducing a comprehensive plan to expand the corporate social investment of SOCs to rural parts of the country.

7.3 working with the Department of Trade, Industry and Competition as well as National Treasury in addressing localisation strategies. These should include the resetting of trade and investment cooperation to stimulate and support small businesses and employment initiatives, reduce barriers to trade in services (which are often labor-intensive) and investments in the industrial value chains.

7.4 prioritising the development of programmes with SOCs aimed at equipping young people with appropriate skills for the economy to assist to address youth unemployment.

7.5 providing the Committee with shareholder compacts on an annual basis and quarterly reports on how the companies are performing in achieving its targets.

7.6 ensuring that SOCs accelerate investment and procurement programmes, promote industrialisation and support small and medium enterprises that are owned by women, youth and people with disabilities.

7.7 ensuring that SOCs find a balance between advancing their commercial and public mandates. The SOCs should not over-concentrate on the commercial mandate while neglecting the developmental mandate of transforming the economy and improving the quality of lives of South Africans. The SOCs should have credible empowerment and demographic targets.

7.8 collaborating with the Department of Rural Development and Land Reform, in addressing long outstanding issues relating to Safcol land claims and provide bi-annual progress reports to the Committee.

7.9 providing an update on the Eskom Roadmap to a reformed electricity supply, and in particular the development and operationalisation of the National Transmission Company of South Africa (NTCSA).

7.10 providing a comprehensive plan on Eskom's Just Energy Transition (JET), which focuses on transitioning the business to zero carbon emissions efforts over a 30-year time horizon period, between 2020 to 2050, with an increase in sustainable jobs. A stakeholder management plan should be presented to the Committee with regards to the re-powering and repurposing of older power stations in Mpumalanga.

7.11 presenting to the Committee within this financial year, a Roadmap for Transnet to provide clarity on the steps to be taken to address current freight challenges and outline a path for reform.

7.12 presenting a progress report to the Committee on how they are dealing with sabotage, theft and vandalism on infrastructure.

7.13 addressing the financial and governance issues facing the state-owned companies within the SOCs portfolio and provide regular feedback to the Committee.

7.14 working with the Department of Cooperative Governance and Traditional Affairs and other relevant parties to resolve the municipal debt owed to Eskom and provide feedback to the Committee on this process on a quarterly basis.

7.15 working closely with the National Treasury to ensure that the procurement processes within SOCs are fluid enough to enable the SOCs to respond swiftly to market demand.

7.16 inviting all State-Owned Companies to provide detail plans on its operations. The Committee plan to make recommendations on the new governance model relating to SOCs.

7.17 ensuring that the Budget of the envisaged Shareholding Company must reflect the priorities of the MTSF 2024 - 2029.

7.18 ensuring that there must be clear communication by the DPME on the status of the former Department of Public Enterprises.

7.19 reporting quarterly to the Committee on progress being made with regard to the above recommendations.

8. Conclusion

Having considered the Strategic Plan, Annual Performance Plan and Budget Vote 10 of the former Department of Public Enterprises, the Committee recommends that the House passes the budget.

Report to be considered.

National Council of Provinces

1. Policy Assessment and Recommendations Report of the Select Committee on Security and Justice on the 2024/25 Budget Vote 5, Annual Performance Plan (APP) of the Department of Home Affairs, dated 16 July 2024.

1. Introduction

The National Council of Provinces represents the provinces to ensure that the provincial interests are considered in the national sphere of government as stated in section 42(4) of the Constitution. One of these functions is to hold the government to account in respect of how the taxpayers' money is used. It detects waste within the machinery of government and public agencies. Thus, it can improve the efficiency, economy and effectiveness of government operations.

This report serves to assess the strategic plans, annual performance plans and budget of the Department of Home Affairs for 2024/25 against the backdrop of service delivery. It is with this in mind that the Select Committee presents this report on the budget briefing by DHA and its entities. The Select Committee on Security and Justice, on 15 July 2024, held a briefing on the 2024 Budget and APPs of the Department of Home Affairs and reports as follows:

2. Overview of the DHA

2.1 Mandate Outcomes and Structure

The Department of Home Affairs (DHA) carries out its mission in line with its commitment to citizen empowerment and inclusivity, economic development and national security, by:

- Being an efficient and secure custodian of citizenship and civil registration.
- Securely and strategically managing international migration.
- Efficiently managing asylum seekers and refugees; and
- Efficiently determining and safeguarding the official identity and status of persons.

The DHA's services are divided into two broad categories: civic services and immigration services.

The DHA has identified the following outcomes for the 2020 to 2025 period:

- Secure management of international migration resulting in South Africa's interests being served and fulfilling international commitments.
- Secure and efficient management of citizenship and civil registration to fulfil constitutional and international obligations.
- Efficient asylum seeker and refugee system in compliance with domestic and international obligations.
- Secure population register to empower citizens, enable inclusivity, economic development and national security; and
- DHA positioned to contribute positively to a capable and developmental state.

The DHA is structured into four programmes following the Estimates of National Expenditure Framework. These programmes are:

- **Programme 1: Administration** - Provide strategic leadership, management and support services to the department.
- **Programme 2: Citizen Affairs** - Provide secure, efficient and accessible services and documents to citizens and lawful residents.
- **Programme 3: Immigration Affairs** - Facilitate and regulate the secure movement of people through ports of entry into and out of the Republic of South Africa. Determine the status of asylum seekers and regulate refugee affairs.
- **Programme 4: Institutional Support and Transfers** - Provide institutional support and transfer funds to the Electoral Commission, the Represented Political Parties' Fund and the Border Management Authority.

2.2 Contribution to the National Development Plan (NDP)

A major focus on the NDP is to confront the triple challenge of poverty, inequality and unemployment by achieving higher growth rates. The DHA's contribution is to ensure that the inclusion of all citizens in democracy and development is enabled by providing them with a status and an identity that gives them access to rights and services. This must be done in an efficient, effective, professional and secure manner.

In both the 2022 and 2023 SONA's, the President affirmed that one of the key ingredients for economic growth and competitiveness is the ability to attract skills which the economy needs.

An additional priority for the DHA is to facilitate the acquisition of the critical skills needed for economic growth as determined by the Department of Higher Education and Training (DHET) to build South Africa's skills base. While Chapter 3 of the NDP generally envisages a relatively positive role regarding South Africa's constructive participation within the region, a more nuanced impression emerges in Chapter 7, dealing specifically with positioning South Africa in the world. The DHA's role in enabling regional development and integration, is to work with the Southern African Development Community (SADC) countries through the Department of International Relations and Cooperation (DIRCO) to establish efficient, secure and managed migration.

The DHA is also central to harnessing the 4th Industrial Revolution and building a capable state. Its modernisation programme can reduce fraud and the cost of doing business by enabling e-government, and thus attract more investment. This involves progress in streamlining and modernising the visa application process to make it easier to travel to South Africa for tourism, business and work.

2.3 Medium Term Strategic Framework (MTSF), the following seven APEX priorities were identified to achieve the objectives of the NDP

- A capable, ethical and developmental state
- 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 safer communities
- A better Africa and world

2.4 MTEF Focus Areas

- Securing international migration through the establishment of the Border Management Authority (BMA).

- Modernising information communications technology (ICT) infrastructure to ensure integrated planning and efficient administration.
- Ensuring access to rights and services, and digitising paper-based civic records.
- Facilitating the function shift from various national departments towards the establishment of the Border Management Authority.

2.5 Alignment to SONA 2024

- Publication of new regulations to reform the visa system, which will make it easier to attract the skills needed for the South African economy and create a dynamic ecosystem for innovation and entrepreneurship.
- Establishment of the BMA which is making progress in deterring illegal migrants.

3. DHA ANNUAL PERFORMANCE INDICATORS AND TARGETS

Below is a summary of the DHA's annual performance indicators and targets per branch for the 2024/25 financial year

3.1 Civic Services – this branch has outlined **four (4) targets** for the 2024/25 financial year as follows:

- The number of births registered within 30 calendar days per year, the target set is **750 000.**
- For the number of smart ID cards issued to citizens 16 years of age and above per year, the target is **2.5 million** for the 2024/25 FY.
- The DHA aims to achieve **90%** of machine-readable adult passports (live capture system) issued within 13 working days for applications collected and processed within the RSA per year.
- DHA also aims to achieve **90%** of machine-readable passports for children (live capture system) issued within 18 working days for applications collected and processed within the RSA per year.

3.2 Immigration Services – this specific branch has set out **five (5) targets** for the 2024/25 financial year (FY), which are:

- Percentage (%) of permanent residence applications for critical skills (S27b), general work (S26a) and business (S27c) adjudicated within 8 months for applications collected within the RSA per year, the DHA aims to achieve **85%** of this target during this FY.
- Percentage (%) of critical skills visa applications adjudicated within 4 weeks for applications processed within the RSA per year, the target is set at **95%.**
- Percentage (%) of business visa applications adjudicated within 8 weeks for applications processed within the RSA per year, target set is **90%.**
- Percentage (%) of general work visa applications adjudicated within 8 weeks for applications processed within the RSA per year, target here is also **90%** for the year.
- Number of DHA-led law enforcement operations/ inspections conducted for targeted areas per year to ensure compliance with immigration legislation, such as Spaza shops, restaurants, transport & logistics companies, farms and mines, with a target of **2000** for the year, and broken down as **800 Spaza, 460 restaurants, transport & logistics 260, farms 300 and mines 180.**

3.3 Information Services – this branch has outlined **three (3) targets** for the 2024/25 financial year as follows:

- Number of health facilities with automated birth functionality, for this indicator the DHA has set a target of **41** for this financial year and aims to achieve 20 in the 3rd quarter and another in the 4th quarter.
- Number of offices with live capture functionality for smart ID cards and passports, the DHA has a target of **5 and identified offices Masisi (LP), Seshego (LP), Madikwe (NW), Ventersdorp (NW) and Lady Frere (EC)** for this purpose.
- Number of countries with e-Visa system activation for study, business and intra-company transfer visas, target herein is **5 for the 2024/25 FY and an additional 10 for the 2025/26 FY.**

3.4 Director-General's Office (DGO) - this branch has outlined **three (3) targets** for the 2024/25 financial year as follows:

- Tabling of the Citizenship, Immigration and Refugees Bill in Parliament by 2026/27 is the first indicator of this branch, and the DHA aims to have **the *Citizenship,***

Immigration and Refugees Bill **submitted to Cabinet for approval for public consultation in the 2024/25 FY.**

- Tabling of the DHA Bill in Parliament for processing of Bill is the second indicator, and the Department aims for the **Draft Bill to be submitted to Cabinet for approval for publication for public comments in the 4th quarter of the 2024/25 FY**.
- The number of interventions implemented in support of the Communication Strategy and Action Plan per year is the third indicator and DHA has set out the **implementation of the Communication Strategy and Action Plan as a target, with 24 Media engagements, 6 Outreach engagements, and 3 Campaigns targeted for the 2024/25 financial year.**

3.5 Operations – for the 2024/25 financial year, this branch has outlined **three (3) targets** as follows:

- DHA aims to **digitise 27,8 million civic records** by the end of the financial year.
- Rollout of online birth registration system in 95 Priority 4 health facilities.
- U-AMP 2025/2026 submitted to National Treasury and copied to DPW&I for infrastructure budget determination.

3.6 Human Resource Management & Development – this branch of the DHA has the following targets:

- To implement the DHA Gender-Based Violence and Femicide plan in the 2024/25 FY.
- The branch aims to conclude **70%** of Misconduct cases within 90 working days per year.

3.7 Counter Corruption & Security Services - this branch has set out **four (4) targets**, and they are as follows:

- The branch aims to achieve **16 business processes reviewed** to identify vulnerabilities to fraud, corruption and security breaches (per year).
- Achieve **80% of reported fraud and corruption cases** finalised within 90 working days (per year).

- Conduct **40 Threat and Risk Assessments (TRAs) per year** in accordance with the requirements of Minimum Information Security Standards (MISS) and/or Minimum Physical Security Standards (MPSS) to mitigate risks.
- Complete 400 vetting files referred to the State Security Agency (SSA) for evaluation (per year).

3.8 Finance & Supply Chain Management – this branch has outlined only one target for the 2024/25 FY. The branch aims to achieve 20% of public procurement to women-owned businesses.

4. Budget Allocation: National and Provincial

- The Department receives an allocation of R10.5 billion for 2024/25. This represents a nominal decrease of 15.2% from the previous year.
- In respect of Compensation of Employees, the Department will receive R3.98 billion, which is 37.9% of the 2024/25 budget. Increase in posts from 7 532 in 2023/24 to 7 901 in 2024/25. There is a 13.6% increase in COE expenditure in 2024/25.
- The Department is set to receive additional funding of R900 million over the MTEF period for the establishment of the BMA.
- **Programme 4- Institutional Support and Transfers**, with the main objective of transferring funds to the Border Management Authority, Electoral Commission and the Represented Political Parties' Fund, remains the programme that receives the highest budget allocation while Programme 2 - Citizen Affairs receives the lowest budget allocation.
- R208 million is allocated in 2024/25 in the Admissions Services subprogramme in the Immigration Affairs programme to support the implementation of a risk-based approach to immigration, which contributes to *Modernising ICT infrastructure***.** In addition, R15 million is allocated in the 2024/25 budget in the Transversal Information Technology Management subprogramme of **Programme 1 Administration.** To improve access to enabling documents such as smart identity cards and passports, a further R15 million in 2024/25 in this subprogramme is allocated for rolling out the functionality to apply for passports and smart identity cards in an additional 5 front offices.

- In terms of economic classification, *Current payments* are equal to R6.42 billion for 2024/25, which is a decrease of R714 million for the adjusted period of 2023/24. A huge budget under this specific economic classification is directed to the *Compensation of employees,* sitting at R3.98 billion for the 2024/25 financial year. *Goods and Services*, decreased by R1.15 billion in 2024/25 from the R3.64 billion allocated in 2023/24.
- A sharp decrease was in the budget allocated for *Payments for capital assets,* which was R14.6 million for the 2024/25 financial, compared to the R 786.8 million that was allocated in the previous financial year.
- *Transfers and Subsidies* for 2024/25 equal R4.06 billion which is a decrease of R390 million from the R4.45 billion adjusted amount of 2023/24.

Provincial Budget

Provincial Budgets - 2024/25 to 2026/27

PROVINCES	2024/25 FY R'000	2025/26 FY R'000	2026/27 FY R'000
EASTERN CAPE	304 697	319 322	334 650
FREE STATE	192 900	202 159	211 863
GAUTENG	539 935	565 852	593 013
KWAZULU-NATAL	322 800	338 294	354 532
LIMPOPO	301 448	315 918	331 082
MPUMALANGA	214 773	225 082	235 886
NORTH WEST	217 653	228 100	239 049
NORTHERN CAPE	148 557	155 688	163 161
WESTERN CAPE	257 538	269 900	282 855
TOTAL	2 500 301	2 620 315	2 746 091

Figures for 2025/26 – 2026/27 are subject to change based on the 2025 ENE allocation letter. The current increase over this period is 4.8%

Furnished by the Department on 15 July 2024

5. Border Management Authority

BMA is a new Schedule 3A Public Entity which was established on 1 April 2023 responsible for the execution of frontline border law enforcement functions related to, inter alia, port health; immigration control; access control; biosecurity; food safety and phytosanitary control; land border infrastructure.

5.1 Budget Allocation Per Programme 2024/25:

Border Management Authority received R1.41 billion, which is a slight increase of R70 million from the R1.34 billion that was allocated in 2023/24.

- Corporate Services: R81 million (12.4% increase from 2023/24)
- BMA Operations: R1.327 billion (4.49% increase from 2023/24)

5.2 Key Risks and Mitigations

1. Coordination and Cooperation:
   - Risk: Inability to meet targets due to trust deficits, competing priorities, and communication breakdowns.
   - Mitigation: Clear communication plan and sufficient resources to implement the plan.
2. Trade and Socio-Economic Development:
   - Risk: Inability to enforce biosecurity and biodiversity compliance measures, and high inflation limiting PPP participation in port redevelopment projects.
   - Mitigation: Recruit additional agricultural health and environment specialists, capital injection through DBSA, and local content emphasis.
3. National Security
   - Risk: Inability to contain illegal entry of goods and people
   - Mitigation: -IT systems at the PoE-level aligned and integrated
     -BMA participation in high-level structures such as the NATJOINTS, JCPS and Inter Ministerial Committee on Migration, and the presidency
     -Functionality of the national targeting center.
4. Corporate governance and ethical leadership
   - Risk: Cyber-attacks on critical systems.
   - Mitigation: Procurement of an Integrated Threat, Event and Vulnerability Management Solution.
   - IT security specialist to be appointed.
   - Risk: Inability to deliver on APP targets
   - Business continuity plan developed and monitored
   - Risk: Fraud and Corruption
   - Governance committees in place

- Risk: Negative brand equity and public perception
- Governance committees established and function efficiently

6. IEC Budget

The IEC is an independent constitutional body (Chapter 9 Institution) which manages free and fair elections of legislative bodies and institutions through the participation of citizens, political parties and civil society in deepening electoral democracy.

6.1 Budget Allocations per Programme

1. Administration Programme
   - 2023/24: R820,582,000 allocated
   - 2024/25: R911,632,000 allocated
   - Percentage Change: Approximately 11.1% increase (5.9% after inflation)
2. Electoral Operations Programme
   - 2023/24: R758,349,000 allocated
   - 2024/25: R808,149,000 allocated
   - Percentage Change: Approximately 6.6% increase (1.4% after inflation)
3. Outreach Programme
   - 2023/24: R654,000,000 allocated over the MTEF period
   - 2024/25: R592,642,000 allocated
   - Percentage Change: Approximately -9.4% decrease (4.2% after inflation)
4. Party Funding Programme
   - 2023/24: R15,887,000 allocated
   - 2024/25: R25,000,000 allocated
   - Percentage Change: Approximately 57.4% increase (52.2% after inflation)

7. GPW Budget

GPW is responsible for manufacturing security printed matter, such as passports and visas, and related publishing, production and dissemination services of the highest quality for government institutions. Today, it ranks as one of the most progressive security printing specialists in Africa, boasting a high-tech production plant with world-leading equipment.

The entity will continue to focus on refurbishing its new office building at an estimated cost of R200 million over the medium term. The entity also plans to procure a new enterprise resource planning system and resuscitate the eGazette system at an estimated cost of R100 million over the MTEF period. An estimated R433 million over the same period is earmarked for extensively revamping the entity's ICT environment to support the overall needs of the organisation, to enable increased production capacity.

7.1 Budget Allocations

7.1.1 Total Budget Allocation:

- 2023/24: R1.341 billion
- 2024/25: R1.407 billion 4.9% increase from 2023/24 (-0.3% real decrease after 5.2% inflation)

7.1.2 Budget Allocations per Programme:

1. Office of the CEO:
   - 2023/24: R50 million
   - 2024/25: R52 million (4% increase; real change: -1.2%)
2. Manufacturing and Engineering:
   - 2023/24: R450 million
   - 2024/25: R470 million (4.44% increase; real change: -0.76%)
3. Operations Management:
   - 2023/24: R200 million
   - 2024/25: R210 million (5% increase; real change: -0.2%)
4. Corporate Services:
   - 2023/24: R300 million
   - 2024/25: R315 million (5% increase; real change: -0.2%)
5. Financial Services:
   - 2023/24: R341 million
   - 2024/25: R360 million (5.57% increase; real change: 0.37%)

8. Recommendations

8.1 The Department should ensure that long queues at all offices are addressed as expeditiously as possible. Mobile offices should be rolled out in all provinces, particularly in rural areas to ensure accessibility and efficient service delivery. The Department should partner with Traditional Leaders in the rural areas whilst rolling out the mobile units.

8.2 The Department should clear all backlogs in respect of the processing of visas and permits and increase capacity and training to expedite this process. The Department should, within 30 days of adoption of the Committee report, submit an action plan to the Committee on how it will address backlogs.

8.3 The Committee noted the progress and achievements of the Department but resolved that the Department could do more to achieve its targets, particularly in respect of increasing the procurement for women owned businesses to 40% as per the commitment of SONA. Further, the Department should extend this target to include persons with disabilities, albinism, lgbtqi+ and those from rural areas should also receive this benefit.

8.4 The Committee noted that in the Northern Cape there were no health facilities to accommodate the live capture of births and the Province is very vast. The Committee encouraged the Department to increase its footprint in all Provinces to ensure that this important service, amongst others, is rolled out extensively.

8.5 The Department should be responsive and implement measures to provide for the employment of graduates and make provision for learnerships.

8.6 The Department should provide job creation and other opportunities to address the triple threats in the country so that young women are engaged.

8.7 The Department should extend the scope of inspections to big construction companies in all parts of the country, not only at spaza shops.

8.8 The Committee acknowledges that the Department achieved a clean audit and recommends that the Department should continue to work hard towards achieving and maintaining a clean audit, without any irregularities.

8.9 The Committee encouraged collaboration among departments as a mechanism to address corruption.

8.10 The Committee noted the GBVF work that is being mainstreamed by the Department and encouraged the Department to address parity, gender equity and to strengthen its work in relation to GBVF.

8.11The Department should ensure that there are sufficient employee wellness programmes, which are easily accessible to staff.

8.12 The Committee encouraged the Department to showcase the good work of the Department in respect of the progress made in various deliverables of the Department. Publishing the *'good stories'* will allow citizens to focus on the positive contributions made by the Department.

8.13 The BMA should implement a clear communication plan towards achieving improved co-ordination and co-operation amongst stakeholders within the Border Management Environment.

8.14 The BMA should work towards eradicating all forms of fraud and corruption at all ports of entry and ensure that good ethics are instilled in those working within the Border Management Authority. The BMA should also focus its efforts on shutting down illegal ports of entry to ensure that illicit goods do not find entry into South Africa.

8.15 The Committee resolved to undertake an oversight visit to understand the workings of the Border Management Authority. This oversight visit will be included in the plans of the Committee.

8.16 The IEC should strengthen its civic education programmes, which should be continuous, and which should not only be undertaken during the election period. The civic education programmes should be rolled out as widely as possible to address voter apathy and encourage the appetite of voters to vote in every election.

8.17The IEC should furnish the Committee with a report on its assessment of the 2024 National and Provincial Elections as soon as the report is completed.

8.18 The Committee recommended that the IEC ensures that staffing is addressed by employing volunteers as permanent staff. Permanent staff will enhance the civic education component of the IEC's work.

8.19 The GPW and IEC should engage and collaborate on the possibility of the GPW printing a portion of the IEC ballots for the next elections.

8.20 The Committee recommended that the Department's presentation should reflect the demographics of South Africa, including gender, race, age and sex as well as geographical location.

8.21 The Committee will ensure that all recommendations are followed up and the Committee will formulate a programme of action for the Department and entities for the 7th administration.

9. Conclusion

The Select Committee on Security and Justice thanked the Department for its presentation and encouraged the Department to work efficiently within budget constraints to ensure efficient service delivery in all Provinces.

The Select Committee on Security and Justice supports Budget Vote 5.

Report to be considered.