

**PARLIAMENT**  
OF THE  
**REPUBLIC OF SOUTH AFRICA**

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**ANNOUNCEMENTS,  
TABLINGS AND  
COMMITTEE REPORTS**

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WEDNESDAY, 10 JULY 2019

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**ANNOUNCEMENTS****National Assembly****The Speaker****1. Appointment of whips**

- (a) The following members have been appointed as whips of the African National Congress in the National Assembly with effect from 5 June 2019:

Abraham, P N  
 Adoons, N G  
 Chabane, M S  
 Direko, D R  
 Dirks, M A  
 Hermans, J  
 Jacobs, F  
 Kubheka, N J  
 Lesoma, R M M  
 Mahlaule, M G  
 Makhubele-Mashele, L S  
 Mamabolo, J B  
 Maphatsoe, E R K  
 Mashego, M R  
 Masiko, F A  
 Mbinqo-Gigaba, B P  
 McDonald, L E  
 Mjobo, L N  
 Mkhathshwa, N T  
 Mmutle, T N  
 Modise, P M P  
 Mohamed, H  
 Mpanza, T S

Munyai, T B  
Nkabane, N P  
Nkomo, Z  
Pilane-Majake, M C C  
Qayiso, X S  
Radebe, B A  
Seabi, A M  
Stock, D M  
Tlhape, M M E  
Tshabalala, J

## 2. Referral to Committees of papers tabled

- (1) The following papers are referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report:
  - (a) Annual Performance Plan of the Public Protector South Africa for 2019-20.
  - (b) Annual Performance Plan of the Department of Correctional Services for 2019-20.
  - (c) Annual Performance Plan of the Special Investigating Unit (SIU) for 2019-20.
  - (d) Revised Strategic Plan of the South African Human Rights Commission for 2015 to 2020.
- (2) The following papers are referred to the **Standing Committee on Finance** for consideration and report:
  - (a) Annual Performance Plan of the Financial and Fiscal Commission for 2019-20.
  - (b) Strategic Plan of the Financial and Fiscal Commission for 2014-19.
- (3) The following paper is referred to the **Portfolio Committee on Women, Children and Persons with Disabilities** for consideration and report:
  - (a) Annual Performance Plan of the Commission on Gender Equality for 2019-20.
- (4) The following papers are referred to the **Portfolio Committee on Environment, Forestry and Fisheries** for consideration and report:
  - (a) Annual Performance Plan for 2019-20 and Strategic Plan for the Department of Environmental Affairs for 2019-20 – 2023-24.

- (b) Final Annual Performance Plan of the South African National Biodiversity Institute (SANBI) for 2019-20.
  - (c) Final Strategic Plan of the South African National Biodiversity Institute (SANBI) for 2019-24.
  - (d) Annual Performance Plan of the South African Weather Service for 2019-20.
  - (e) Strategic Plan of the South African Weather Service for 2019-2020 – 2023-24.
  - (f) Annual Performance Plan for 2019-20 and Strategic Plan of the South African National Parks for 2019-20 – 2023-24.
  - (g) Annual Performance Plan for 2019-20 and Strategic Plan of the iSimangaliso Wetland Park Authority for 2019-20 – 2023-24.
- (5) The following papers are referred to the **Portfolio Committee on Health** for consideration and report:
- (a) Annual Performance Plan for 2019-20 – 2020-21 and Strategic Plan of the National Department of Health for 2019-20 – 2022-23.
  - (b) Annual Performance Plan of the Compensation Commissioner for Occupational Diseases (CCOD) for 2019-20.
  - (c) Annual Performance Plan of the South African Health Products Regulatory Authority (SAHPRA) for 2019-20.
  - (d) Annual Performance Plan of the Council for Medical Schemes for 2019-20.
  - (e) Annual Performance Plan of the Office of Health Standards Compliance (OHSC) for 2019-20.
  - (f) Annual Performance Plan of the National Health Laboratory Service (NHLS) for 2019-20.
  - (g) Annual Performance Plan of the South African Medical Research Council (SAMRC) for 2019-20.
- (6) The following papers are referred to the **Portfolio Committee on Higher Education, Science and Technology** for consideration and report:
- (a) Annual Performance Plan of the Department of Higher Education and Training for 2019-20 [RP 09-2019].

- (b) Annual Performance Plan of Agricultural Sector Education and Training Authority (AGRI-SETA) for 2019-20.
- (c) Strategic Plan of Agricultural Sector Education and Training Authority (AGRI-SETA) for 2015-16 – 2019-20.
- (d) Strategic Plan for 2019/2020 and Annual Performance Plan of the Banking Sector Education and Training Authority (BANKSETA) for 2019-20.
- (e) Strategic Plan of the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) for 2019-20.
- (f) Annual Performance Plan of the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) for 2019-20.
- (g) Strategic Plan for 2015-16 - 2019-20 and Annual Performance Plan of the Construction Sector Education and Training Authority (CETA) for 2019-20.
- (h) Strategic Plan of the Chemical Industries Education and Training Authority (CHIETA) for 2015-16 to 2019-20.
- (i) Annual Performance Plan of the Chemical Industries Education and Training Authority (CHIETA) for 2019-20.
- (j) Annual Performance Plan of the Education Training and Development Practices Sector Education and Training Authority (ETDP) for 2019-20.
- (k) Strategic Plan for 2015-16 to 2019-20 of the Energy and Water Sector Education and Training Authority (EW-SETA) and Annual Performance Plan for 2019-20.
- (l) Strategic Plan of the Financial and Accounting Services Sector Education and Training Authority (FASSET) for 2015-20.
- (m) Annual Performance Plan of the Financial and Accounting Services Sector Education and Training Authority (FASSET) for 2019-20.
- (n) Strategic Plan of the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) for 2015-16 – 2019-20 and Annual Performance Plan for 2019-20 – 2021-22.

- (o) (Five Year) Strategic Plan of the Food and Beverages Manufacturing Sector Education and Training Authority (FOODBEV-SETA) for 2015-16 to 2019-20.
- (p) Annual Performance Plan of the Food and Beverages Manufacturing Sector Education and Training Authority (FOODBEV-SETA) for 2019-20.
- (q) Strategic Plan of the Health and Welfare Sector Education and Training Authority (HW-SETA) for 2015-16 – 2019-20 and Annual Performance Plan for 2019–20.
- (r) Strategic Plan for 2015-16 – 2019-20 and Annual Performance Plan of the Insurance Sector Education and Training Authority (INSETA) for 2019-20.
- (s) Sector Skills Plan for the Local Government Sector Education and Training Authority (LG-SETA) for 2019-20.
- (t) Annual Performance Plan of the Local Government Sector Education and Training Authority (LG-SETA) for 2019-20.
- (u) Strategic Plan of the Manufacturing, Engineering and Related Services Seta (MER-SETA) for 2015-16 – 2019-20.
- (v) Annual Performance Plan of the Manufacturing, Engineering and Related Services Seta (MER-SETA) for 2019-20.
- (w) Strategic Plan of the Media, Information and Communication Technologies Sector Education and Training Authority (“MICT SETA”) for 2015 – 2020.
- (x) Annual Performance Plan of the Media, Information and Communication Technologies Sector Education and Training Authority (“MICT SETA”) for 2019 – 21.
- (y) Strategic Plan of the Mining Qualifications Authority (MQA) for 2015-16 – 2019-20 and Annual Performance Plan for 2019 - 20.
- (z) Strategic Plan of the Public Service Sector Education and Training Authority (PSETA) for 2015-16 – 2019-20.
- (aa) Annual Performance Plan of the Public Service Sector Education and Training Authority (PSETA) for 2018-20.

- (bb) Strategic Plan of the Safety and Security Sector Education and Training Authority (SAS SETA) for 2015-16 – 2019-20.
- (cc) Annual Performance Plan of the Safety and Security Sector Education and Training Authority (SAS SETA) for 2019-20.
- (dd) Strategic Plan of the Services Sector Education and Training Authority for 2015-16 – 2019-20.
- (ee) Annual Performance Plan of the Services Sector Education and Training Authority for 2019-20.
- (ff) Skills Plan for the Services Sector Education and Training Authority for 2019-20.
- (gg) Strategic Plan for 2015-2020 of the Transport Education Training Authority (TETA) for 2018-19 and Annual Performance Plan for 2019-2020.
- (hh) Strategic Plan of the Wholesale and Retail Sector Education and Training Authority (W&R-SETA) for 2015-16 - 2019-20 and Annual Performance Plan for 2019-20 – 2021-22.
- (ii) Annual Performance Plan for the Council on Higher Education (CHE) for 2019-20.
- (jj) Annual Performance Plan of the National Skills Fund (NSF) for 2019-20.
- (kk) Strategic Plan of the National Student Financial Aid Scheme (NSFAS) for 2015-16 – 2019-20.
- (ll) Annual Performance Plan of the National Student Financial Aid Scheme (NSFAS) for 2019-20.
- (mm) Strategic Plan of the Quality Council for Trades & Occupations for 2015-16 - 2019 -20.
- (nn) Annual Performance Plan of the Quality Council for Trades & Occupations for 2019-20.
- (oo) Strategic Plan of the South African Qualifications Authority (SAQA) for 2015-16 – 2019-20 and Annual Performance Plan for 2019-20.
- (pp) Strategic Plan of the Services Sector Education and Training Authority for 2015-16 – 2019-20.

- (qq) Annual Performance Plan of the Department of Science and Technology for 2019-20.
  - (rr) Annual Performance Plan of the Academy of Science of South Africa (ASSAF) for 2019-20.
  - (ss) Annual Performance Plan of the Council for Scientific and Industrial Research (CSIR) for 2018-19.
  - (tt) Annual Performance Plan of the Human Sciences Research Council (HSRC) for 2019-20.
  - (uu) Annual Performance Plan of the National Advisory Council on Innovation for 2019-20.
  - (vv) Annual Performance Plan of the National Research Foundation (NRF) for 2019-20 – 2021-22.
  - (ww) Annual Performance Plan of the South African National Space Agency (SANSA) for 2019-20.
  - (xx) Annual Performance Plan of the Technology Innovation Agency (TIA) for 2019-20.
- (7) The following papers are referred to the **Portfolio Committee on Home Affairs** for consideration and report:
- (a) Annual Performance Plan of the Department of Home Affairs for 2019-20.
  - (b) Annual Performance Plan of Government Printing Works for 2019-20.
- (8) The following papers are referred to the **Portfolio Committee on Labour** for consideration and report:
- (a) Annual Performance Plan of the Department of Labour for 2019-20.
  - (b) Annual Performance Plan of the Compensation Fund for 2019-20.
  - (c) Annual Performance Plan of the National Economic Development and Labour Council (NEDLAC) for 2019–20.
  - (d) Strategic Plan of the National Economic Development and Labour Council (NEDLAC) for 2015-16 – 2019-20.
  - (e) Annual Performance Plan of Productivity SA for 2019-20.

- (f) Strategic Plan of Productivity SA for 2015-20.
  - (g) Annual Performance Plan of the Commission for Conciliation, Mediation and Arbitration (CCMA) for 2019-20.
- (9) The following papers are referred to the **Portfolio Committee on Public Service and Administration** for consideration and report:
- (a) Annual Performance Plan of the Media Development and Diversity Agency (MDDA) for 2019-20.
  - (b) Annual Performance Plan of Brand South Africa for 2019 - 20.
- (10) The following papers are referred to the **Portfolio Committee on Police** for consideration and report:
- (a) Annual Performance Plan of the Independent Police Investigative Directorate (IPID) for 2019-20.
  - (b) Annual Performance Plan of the Civilian Secretariat for Police Service for 2019-20.
- (11) The following paper is referred to the **Portfolio Committee on Public Enterprises** for consideration and report:
- (a) Annual Performance Plan of the Department of Public Enterprises for 2019-20.
- (12) The following papers are referred to the **Portfolio Committee on Social Development** for consideration and report:
- (a) Annual Performance Plan of the Department of Social Development for 2019-20.
  - (b) Annual Performance Plan of the South African Social Security Agency (SASSA) for 2019–20.
  - (c) Annual Performance Plan of the National Development Agency for 2019-20.
- (13) The following papers are referred to the **Portfolio Committee on Trade and Industry** for consideration and report:
- (a) Annual Performance Plan of the Department of Economic Development for 2019-20.
  - (b) Annual Performance Plan of the Competition Tribunal for 2019-20.

- (c) Annual Performance Plan of the Competition Commission for 2019-20.
- (d) Corporate Plan of the Industrial Development Corporation of South Africa for 2019-20 – 2021-22.
- (e) Annual Performance Plan of the International Trade and Administration Commission of South Africa for 2019-20.

### 3. Membership of Committees

- (1) The following membership changes have been made by the Other Parties:

#### **PC on Cooperative Governance and Traditional Affairs**

##### **FF PLUS**

Appointed: Groenewald, Mr M

##### **ATM**

Appointed: Marawu, Ms TL\*

##### **AIC**

Appointed: Galo , Mr P\*

##### **GOOD**

Appointed: August, Mr S \*

#### **PC on Defence and Military Veterans**

##### **PAC**

Appointed: Nyhotso, Mr M

#### **PC on Environment, Forestry and Fisheries**

##### **PAC**

Appointed: Nyhotso, Mr M\*

#### **PC on Employment and Labour**

##### **COPE**

Appointed: Madisha, Mr W\*

#### **PC on Higher Education, Science and Technology**

##### **COPE**

Appointed: Madisha, Mr W\*

##### **PAC**

Appointed: Nyhotso, Mr M\*

**PC on Home Affairs**

**COPE**

Appointed: Lekota, Mr M

**PC on International Relations and Cooperation**

**IFP**

Discharged: Hlengwa, Ms MD\*

Appointed: Hlengwa, Mr M\*

**COPE**

Appointed: Lekota, Mr M\*

**PC on Mineral Resources and Energy**

**PAC**

Appointed: Nyhotso, Mr M\*

**PC on Police**

**NFP**

Appointed: Emam, Mr S\*

**PC on Small Business Development**

**AL JAMA - AH**

Appointed: Hendricks, Mr MGE

**IFP**

Appointed: Msimang, Prof CT\*

**PC on Social Development**

**GOOD**

Appointed: August, Mr SN\*

**PC on Trade and Industry**

**COPE**

Appointed: Madisha, Mr W\*

**Standing Committee on Appropriations**

**IFP**

Discharged: Hlengwa, Mr M\*

Appointed: Buthelezi, Mr EM\*

**UDM**

Appointed: Kwankwa, Mr N

**NFP**

Appointed: Emam , Mr S

**Standing Committee on Public Accounts****AIC**

Appointed: Galo, Mr P

**AL JAMA-AH**

Hendricks, Mr MGE\*

**Joint Standing Committee on Defence****NATIONAL ASSEMBLY****IFP**

Discharged: Singh, Mr N

**UDM**

Appointed: Holomisa, General, B

**PAC**

Appointed: Nyhotso, Mr M

**Committee on Multi-Party Women's Caucus****IFP**

Appointed: Van der Merve, Ms LL

Appointed: Majozi, Ms Z\*

**ATM**

Appointed: Marawu, Ms L

**Joint Standing Committee on Financial Management of Parliament****NATIONAL ASSEMBLY****NFP**

Appointed: Emam , Mr S \*

**National Council of Provinces****The Chairperson****1. Membership of Committees****(1) MEMBERSHIP OF THE SUBCOMMITTEE ON REVIEW OF NCOP RULES**

The following members are appointed to the Subcommittee on Review of Council Rules

<b>MEMBER</b>	<b>PARTY</b>
Hon. Ms. S Lucas - Chairperson	ANC
Hon. Mr. SJ Mohai - Member	ANC
Hon. Mr. AJ Nyambi - Member	ANC
Hon. Ms. C Labuschagne - Member	DA
Hon. Ms. NP Koni - Member	EFF

- (2) The following members have been elected as Chairpersons of Select Committees with effect from 10 July 2019.

**Select Committee on Public Enterprises and Communication**

Discharged: Ms ML Mamaregane

Appointed: Mr TB Matibe (Limpopo).

## **TABLINGS**

### **National Council of Provinces**

#### **1. The Chairperson**

- (a) CONSOLIDATED ANNUAL MUNICIPALITIES' PERFORMANCE REPORTS 2017/2018 – GAUTENG PROVINCE.

Referred to the **Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements** for consideration.

- (b) The following correspondence is referred to the Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements for consideration and report. The Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements is instructed in terms of rule 105(2) of the Rules to consult the Select Committee on Petitions and Executive Undertakings when it considers the matter.

- (1) Correspondence calling for the amendment of Section 27 of the Local Government: Municipal Structures Act 117 of 1998 (From Mr Katlego Mahlabe).

## COMMITTEE REPORTS

### National Assembly and National Council of Provinces

#### FIRST REPORT OF THE JOINT RULES COMMITTEE, 2019

In terms of the Joint Rules of Parliament, the Joint Rules Committee plays a crucial role in the establishment of some joint structures of Parliament. The Joint Rules Committee may, in terms of Joint Rules 56(1)(g) and (i), regulate its own business and that of any other joint committee or any joint subcommittee and perform any other functions assigned to it by legislation, the other provisions of the Joint Rules or resolutions adopted in the Assembly and the Council.

The Speaker of the National Assembly and the Chairperson of the National Council of Provinces, as Co-Chairpersons of the Joint Rules Committee (JRC), present the First Report of the JRC as follows:

#### COMPOSITION OF JOINT STRUCTURES

##### 1. Constitutional Review Committee

Joint Rule 98 provides that the composition of the Joint Committee consists of 14 Assembly members and 9 Council members. The Joint Rules Committee determined the composition of the Constitutional Review Committee for the duration of the Sixth Parliament as follows: NA Component - ANC 8, DA 3, EFF 2 and Other Parties 1 and NCOP Component – 9.

##### 2. Joint Committee on Ethics and Members' Interests

Joint Rule 122 provides that the Joint Committee consist of 14 Assembly members and 9 Council members. The Joint Rules Committee determined the composition of the Joint Committee on Ethics and Members' Interests for the duration of the Sixth Parliament as follows: NA Component - ANC 8, DA 3, EFF 2 and Other Parties 1 and NCOP Component – 9.

### **3. Parliamentary Group on International Relations**

Joint Rule 129 provides that the Parliamentary Group on International Relations (PGIR) consists of the number of Assembly and Council members that the Joint Rules Committee may determine. The Joint Rules Committee determined the composition of the Parliamentary Group on International Relations for the duration of the Sixth Parliament as follows: NA Component - ANC 5, DA 2, EFF 1, Other Parties 1 and NCOP Component – ANC 3, DA 1.

### **4. Joint Standing Committee on Financial Management of Parliament**

Joint Rule 96B requires that the composition of the Joint Standing Committee on Financial Management of Parliament be determined by the Joint Rules Committee. The Joint Rules Committee determined the composition of the Joint Standing Committee on Financial Management of Parliament for the duration of the Sixth Parliament as follows: NA Component - ANC 5, DA 2, EFF 1, Other Parties 1 and NCOP component - ANC 3, DA 1 and EFF 1.

### **5. Joint Standing Committee on Defence**

Joint Rule 120B provides that the Joint Standing Committee consists of the number of Assembly and Council members that the Joint Rules Committee may determine, subject to the provisions of section 228(3) of the Constitution, 1993 read with item 24(1) of Schedule 6 to the Constitution, 1996. The Joint Rules Committee determined that the composition of the Joint Standing Committee on Defence for the duration of the Sixth Parliament be 15 members, as follows: NA component - ANC 6, DA 2, EFF 1 and IFP 1 and NCOP component - ANC 3, DA 1 and EFF 1.

## **National Assembly**

### **1. Report of the Portfolio Committee on Sports, Arts and Culture on Budget Vote 37: Department of Arts and Culture, Dated 09 July 2019**

The Portfolio Committee on Sports, Arts and Culture, having considered the 2019/20 budget and the Annual Performance Plan (APP) of the Department of Arts and Culture, Vote 37, reports as follows:

#### **1. Introduction**

1.1 The Portfolio Committee on Sports, Arts and Culture (hereafter referred to as the “Committee”) considered the 2019/20 budget of the Department of Arts and Culture (DAC) as part of its oversight function over the Department as mandated by Public Finance Management Act (Act No 1 of 1999) and Money Bills Amendment Procedure and Related Matters Act (Act No 9 of 2009). The Department briefed the Committee on its 2019/20 budget on 03 July 2019.

#### **2. Background**

2.1 The aim of the report is to present an exhaustive analysis of the 2019/20 budget of the Department of Arts and Culture, and it will assist the Committee to fulfill its monitoring and oversight functions effectively. This analysis particularly enables the Committee to monitor and oversee the Department’s expenditure of public funds and its impact of service delivery.

2.2 Information contained in the report is based on the Department’s 2019/20 APP, 2019/20 budget, as well as the 2019 Estimates of National Expenditure (ENE) as tabled in the National Assembly.

- 2.3 The Report presents a programme-by-programme summary of the Department of Arts and Culture Budget, an overview of the key observations and recommendations made by the Committee.

### **3. Committee observations**

- 3.1 The Department derives its mandate from the Constitution of the Republic of South Africa (Act No. 108 of 1996) with specific focus on language and culture, access to information and, to some extent, education.
- 3.2 The work of the Department is central to the implementation of Chapter 15, *Nation Building and Social Cohesion*, of the National Development Plan (NDP) Vision 2030. It is the responsibility of the department to lead Outcome 14: Transforming society and uniting the country.
- 3.3 Through the implementation of the Mzansi Golden Economy (MGE) strategy, a strategy developed during the 2009-2014 term, the Department aims to contribute to national priorities of job creation and economic development.
- 3.4 The United Nations has declared 2019 as the international year of indigenous languages in order to raise awareness of them, not only to benefit the people who speak these languages, but also for others to appreciate the important contribution they make to our world's rich cultural diversity. Thus, it is vital to ensure government departments use indigenous languages in their documents.
- 3.5 The Department funds public entities, a constitutional institution, libraries and non-profit organisations. These amount to 28 entities making the portfolio cumbersome. The Department should consider streamlining the number of entities according to their intended purpose.

3.6 The Department has to finalise the amalgamation of the Department of Arts and Culture and the Department of Sports and Recreation South Africa.

#### **4. Overview of the 2018/19 financial year**

The mandate of the Department is derived from the Constitution of the Republic of South Africa and a number of Acts which provide the primary legislative framework. This legislative framework, and thus the Department's mandate, has remained unchanged. The National Development Plan (NDP): Vision 2030 remains central to the government's strategic policy, and therefore forms part of the Department's focus and planning over the medium-term.

To reiterate the Department's function in the implementation and realisation of the goals set out in the NDP, the following objectives are of particular relevance and importance:

- The importance of arts and culture activities in nation building and social cohesion;
- The revitalisation of arts and culture in schools through educator support and the placement of arts practitioners at schools; and
- The potential of the creative arts sector as a stimulus of economic growth and job creation.

Annual reports for national departments have not yet been tabled. The information related to performance over the last financial year is extracted from in-year quarterly expenditure and financial reports. The review of progress made on the 2018/19 budget will thus only focus on the first three quarters.

In order to evaluate service delivery, it is essential to look at expenditure per programme. The summary of the budget versus expenditure is tabulated below.

**Table 1: DAC expenditure as at the end of the third quarter of the 2018/19 financial year**

<b>Programme</b>	<b>Adjusted Appropriation 2018/19</b>	<b>Expenditure as at 31 December 2018</b>	<b>Percentage spent</b>
<b>R million</b>			
<b>Operational Expenditure</b>			
1. Administration	310.3	231.4	74.6%
2. Institutional Governance	287.8	153.3	53.3%
3. Arts and Culture Promotion and Development	1 167.5	857.1	73.4%
4. Heritage Promotion and Preservation	2 573.1	1 904.7	74.0%
<b>Sub Total</b>	<b>4 338.7</b>	<b>3 246.5</b>	<b>72.5%</b>
<b>Economic Classification</b>			
<b>Current payments</b>	631.0	483.4	76.6%
Compensation of Employees	253.5	178.3	70.3%
Goods and Services	377.5	296.2	78.5%
Interest and Rent on Land	-	0.2	-
<b>Transfers and subsidies</b>	3 580.5	2 620.9	73.2%
<b>Payments for capital assets</b>	127.2	41.9	33.0%
<b>Payments for financial assets</b>	-	0.1	-
Awaiting classification		0.0	
<b>Total</b>	<b>4 338.7</b>	<b>3 146.5</b>	<b>72.5%</b>

*Source: Standing Committee on Appropriations (2018).*

As per the report issued by the Standing Committee on Appropriations (SCOA), as at the end of the third quarter, i.e. 31 December 2018, the Department had spent 72.5 per cent, or R3.15 billion, of its total adjusted appropriation of R4.34 billion. Actual spending is less than the projections by R28.8 million or 0.9 percent, mainly on payments for capital assets and goods and services.

The following key issues per programme are extracted from the third quarter expenditure report compiled by the Standing Committee on Appropriations:<sup>1</sup>

<sup>1</sup> SCOA Third Quarter Report, 2018.

**Programme 1: Administration** - Spending in the third quarter is lower than the projections by R10.3 million. This is due to the delay in invoicing for office accommodation and municipal charges by the Department of Public Works.

**Programme 2: Institutional Governance** – Expenditure is higher than the projected R4.9 million due to higher spending on goods and services. There was under-budgeting on events such as BRICS Summit, Nelson Mandela Centenary and the Minister’s Imbizos.

**Programme 3: Arts and Culture Promotion and Development** – Expenditure is lower by R1.3 million, although there is improvement in spending in this programme. Improved spending can be attributed to more efficient management of calls for proposals and allocation of spending on Mzansi Golden Economy (MGE) projects in the second and third quarters.

**Programme 4: Heritage Promotion and Preservation** – Expenditure is lower than projected by R22.2 million, mainly on transfers and subsidies. This is due to the delay in processing the capital transfer payment for the Iziko Museums infrastructure project, which is processed on a recovery basis by the Department of Public Works (DPW), due to lack of progress on the project.

SCOA noted that there was a reduction of 15 posts from the Human Resource Business Partner’s (HRBP) target of 408 posts on the approved establishment. This shows a commitment to keeping expenditure on personnel down. Spending on personnel was R178.3 million or 94.7 per cent of the projected expenditure, resulting in a variance of R9.7 million or 5.3 per cent in the third quarter. This is due to 23 vacant posts and less than projected payments of performance bonuses.

## **5. Policy Priorities and alignment with National Development Goals**

During the 2014-2019 term of government, the Medium-term Strategic Framework (MTSF) is linked to the National Development Plan (NDP). The Department plays a dual role in relation to the MTSF:

- To lead and coordinate the delivery of the outputs of Outcome 14: A diverse, socially cohesive society with a common national identity. The Department is delegated to coordinate the implementation of Outcome 14; and
- To ensure alignment with and support for other outcomes of the MTSF through programmes and interventions by the sector.

The DAC devised 10-Point Plan for the 2018/19 MTEF in order to rethink the strategic direction of the Arts, Culture and Heritage sector. The following is the 10-Point Plan”<sup>2</sup>

- Accelerating and amplifying nation building and social cohesion and dealing with, inter alia, the challenges of racism;
- Focusing on Africa and the global space;
- Resistance and Liberation Heritage (RLH) Route Infrastructure Programme, including the National Heroes’ Acre Project;
- Promotion of all languages and improving the functioning of the Pan South African Language Board (PanSALB);
- Ensuring that Mzansi Golden Economy (MGE) benefits previously disadvantaged artists;
- Ensuring that the Libraries Programme provides access to library infrastructure for all, and encouraging society to read and visit libraries;
- Using available spaces for Community Arts;
- Ensuring that the school curriculum teaches correct South African heritage and history through the Arts Education Programme and DAC Schools Programme;

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<sup>2</sup> Clayton (2019)

- Improving the quality of reporting and compliance; and
- Ongoing skills audits in the DAC to ensure that human resources are correctly placed in the organisation.

According to its 2019/2020 APP, the Department's programme of action is guided by the following priorities:<sup>3</sup>

- Accelerating and amplifying nation building and social cohesion and dealing with, inter alia, the challenges of racism;
- Focusing on Africa and the global space;
- The infrastructure programme, including the National Heroes' Acre Project and the Liberation Heritage (RLH) Route;
- Promotion of all official languages;
- Ensuring that Mzansi Golden Economy (MGE) benefits previously disadvantaged arts practitioners;
- The library and archives programme;
- The Community Arts Programme; and
- Ensuring that the school curriculum teaches correct South African heritage and history through the Arts Education Programme and DAC Schools Programme.

## 6. Committee Engagements

- **The Committee held engagements with the Department of Arts and Culture and the following issues emerged**

The Committee noted that the Department's presentation was submitted late. As such, Committee Members did not have enough time to read and interrogate the information. This puts the Committee at a disadvantage especially since the Committee advised the Department to send the information documents a few days before the meeting to ensure the Members have sufficient time to prepare for constructive deliberations within the meeting.

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<sup>3</sup> Clayton (2019)  
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The Committee stated that the Department should define goods and services to be clear on how the Department expends funds on these. The Committee noticed a drop in the allocation of budget on Institutional Governance Programme. The Department explained that the budget for infrastructure was moved from the Institutional Governance Programme to Heritage Promotion Programme, hence the decrease in the former and increase in the latter.

## 7. Budget analysis

In the 2019 Budget Speech, the Minister of Finance stated the following, “Since October (2018), government has taken steps to adjust baseline expenditure downwards by a total of R50.3 billion over the medium term. Half of these reductions come from adjustments to government’s spending on compensation. R12.8 billion comes from measures to reduce spending on specific programmes”<sup>4</sup>. For the DAC, Cabinet approved budget reductions of R5.2 million in 2019/20, R5.7 million in 2020/21 and R6 million in 2021/22 on the Department’s allocation (MTEF). The aforementioned reductions will be effected on transfers to entities in line with the approved freeze on salary increases for senior management staff earning more than R1.5 million per year, and a 2.8 per cent increase for senior managers earning between R1 million and R1.49 million.<sup>5</sup>

The ENE has full details on the reductions in terms of curtailing in all the entities. However, it is not stated how the reductions will affect Robben Island Museum (RIM). In future engagements, the Committee should establish why the Department has not disclosed the reductions on the RIM.

The budget structure for the Department remains unchanged and has four expenditure programmes:

- Programme 1: Administration
- Programme 2: Institutional Governance

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<sup>4</sup> Minister of Finance (2019).

<sup>5</sup> National Treasury (2019), p. 820.

- Programme 3: Arts and Culture Promotion and Development
- Programme 4: Heritage Promotion and Preservation

For the 2019/20 financial year, the total budget allocation is R4.6 billion. The nominal increase is R278.8 million or 6.4 per cent from the adjusted budget of R4.3 billion in 2018/19. When the inflation rate is taken into consideration, the budget allocation increased by R50.6 million or 1.2 per cent in real terms.

Table 2 below reflects the budget summary indicating allocations across the MTEF.

**Table 2: Vote 37 – Budget Summary**

R million	2019/20				2020/21	2021/22
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	308.3	299.6	-	8.6	326.2	344.1
Institutional Governance	150.4	115.4	35.0	-	159.6	169.7
Arts and Culture Promotion and Development	1132.2	134.4	997.8	-	1195.2	1264.9
Heritage Promotion and Preservation	3026.6	126.2	2663.8	236.6	3196.1	3381.4
<b>Total expenditure estimates</b>	<b>4617.5</b>	<b>675.6</b>	<b>3969.6</b>	<b>245.3</b>	<b>4877.1</b>	<b>5160.1</b>

When looking at the nominal amounts for the budget allocation across the MTEF, allocations show a year-on-year increase. However, when the projected inflation rates are taken into consideration, the budget firstly increases in 2019/20 and subsequently remains virtually unchanged in the subsequent two financial years. This may have an adverse impact on service delivery.

#### **4.1. Programme analysis**

This section explores budget allocations per programme for the 2019/20 financial year. The table below sets out the budget allocation

per programme for the current financial year and compares it to allocations in 2018/19.

**Table 3: Change to allocations per programme for 2019/20**

Programme	Budget		Nominal Rand change	Real Rand change	Nominal per cent change 2019/20	Real per cent change 2019/20
	2018/19	2019/20	2018/19 – 2019/20		2018/19 – 2019/20	
R million						
1: Administration	310.3	308.3	- 2.0	- 17.2	-0.6 %	-5.6 %
2: Institutional Governance	129.9	150.4	20.5	13.1	15.8 %	10.1 %
3: Arts and Culture Promotion and Development	1 060.2	1 132.2	72.0	16.0	6.8 %	1.5 %
4: Heritage Promotion and Preservation	2 838.4	3 026.6	188.2	38.6	6.6 %	1.4 %
<b>TOTAL</b>	<b>4338.7</b>	<b>4617.5</b>	<b>278.8</b>	<b>50.6</b>	<b>6.4%</b>	<b>1.2%</b>

#### 4.1.1. Programme 1: Administration

The programme is responsible for the provision of leadership, management and support functions to the Minister, Deputy Minister, Director-General (DG) and the Department.

For the 2019/20 financial year, the budget allocation for this programme is R308.3 million. The adjusted allocation for 2018/19 was R310.3 million, representing a nominal decrease of R2.0 million or 0.6 per cent. Taking inflation into consideration, the budget for this programme has decreased by R17.2 million or 5.6 per cent.

The decrease in budget in real terms will have a negative effect on the Department to provide effective leadership and support as Programme 1 is a support programmes for other programmes.

Table 4 below indicates budget allocations for all sub-programmes:

**Table 4: Programme 1: Administration**

Sub-programme	Budget 2019/20	Percentage of total programme budget
R million		
1: Ministry	5.2	1.7%
2: Management	50.9	16.5%
3: Corporate Services	113.3	36.8%
4: Office of the CFO	34.6	11.2%
5: Office Accommodation	104.3	33.8%
<b>TOTAL</b>	<b>308.3</b>	<b>100.0%</b>

Sub-programmes 3 (Corporate Services) and 5 (Office Accommodation) were allocated the bulk of the programme budget at R113.3 million or 36.8 per cent and R104.3 million or 33.8 per cent, respectively. As reflected in Table 5 below, sub-programmes 2 (Management) and 5 (Office Accommodation) had the greatest budget reductions compared to the previous financial year.

**Table 5: Change to allocations per sub-programme for Programme 1**

Sub-programme	Budget		Nominal per cent change in 2019/20	Real per cent change in 2019/20
	2018/19	2019/20		
R million				
1: Ministry	4.9	5.2	6.1%	0.9%
2: Management	53.4	50.9	-4.7%	-9.4%
3: Corporate Services	111.6	113.3	1.5%	-3.5%
4: Office of the CFO	31.5	34.6	9.8%	4.4%
5: Office Accommodation	108.9	104.3	-4.2%	-9.0%
<b>TOTAL</b>	<b>310.3</b>	<b>308.3</b>	<b>-0.6%</b>	<b>-5.6%</b>

### 4.1.2 Programme 2: Institutional Governance

The purpose of this programme is to coordinate and manage all cross-cutting functions of the Department and its public entities and provides support and oversight to public entities.

In the 2019/20 financial year, this programme has undergone a change with the removal of Sub-programme 4: Capital works that formed part of the 2018/19 Programme 2 budget. The new Infrastructure Management Office sub-programme in Programme 4: Heritage Promotion and Preservation will be explained in the section of this paper that interprets the budget analysis for Programme 4.

The budget allocation for this programme is divided amongst its sub-programmes as follows:

**Table 6: Programme 2: Institutional Governance**

Sub-programme	Budget 2019/20	Percentage of total programme budget
R million		
1: International Co-operation	36.8	24.5%
2: Social Cohesion and Nation Building	89.2	59.3%
3: Coordination, Monitoring, Evaluation and Good Governance	24.4	16.2%
<b>TOTAL</b>	<b>150.4</b>	<b>100.0%</b>

Social Cohesion and Nation Building is the most significant sub-programme with an allocation of R89.2 million or 59.3 per cent of the total budget programme. This is in line with the Department's responsibility of implementing Outcome 14 of the NDP.

Table 7 reflects how budget allocation per sub-programme has changed between financial years 2018/19 and 2018/20.

**Table 7: Change to allocations per sub-programme for Programme 2**

Sub-programme	Budget		Nominal per cent change in 2019/20	Real per cent change in 2019/20
	2018/19	2019/20		
R million				
1: International Co-operation	34.5	36.8	6.7%	1.4%
2: Social Cohesion and Nation Building	78.1	89.2	14.2%	8.6%
3: Coordination, Monitoring, Evaluation and Good Governance	17.3	24.4	41.0%	34.1%
<b>TOTAL</b>	<b>129.9</b>	<b>150.4</b>	<b>15.8%</b>	<b>10.1%</b>

Budget allocations for all sub-programmes have increased between 2018/19 and 2019/20.

Considering that the Department has an important role to play in the governance of 25 public entities, it is encouraging to note that the budget for this sub-programme has increased from R17.3 million in 218/19 to R24.4 million, equating to a nominal increase of R7.1 million, or 41 per cent. This effectively means that the Department can strengthen oversight and monitoring of all its entities.

It will be crucial for the Committee to request the Department to furnish it with operational plan of the Department's coordination, monitoring, evaluation and good governance functions. This will enable the Committee to do its oversight role over the entities with relative ease.

#### **4.1.3. Programme 3: Arts and Culture Promotion and Development**

The purpose of Programme 3 is to promote and develop arts, culture and languages. This programme receives the second largest allocation of the total budget, i.e. R1.1 billion or 24.5 per cent of the total appropriation of R4.6 billion.

In the 2019/20 financial year, this programme had a nominal increase in budget allocation of R72 million or 6.8 per cent. When inflation is taken into consideration, this increase stands at R16 million or 1.5 per cent. Over the medium term and factoring in inflation, the budget allocation for this programme remains virtually unchanged.

The budget allocation for this programme is divided amongst its sub-programmes as follows:

**Table 8: Programme 3: Arts and Culture Development**

<b>Sub-programme</b>	<b>Budget 2019/20</b>	<b>Percentage of total programme budget</b>
R million		
1: National Language Services	56.5	5.0%
2: Pan South African Language Board	120.9	10.7%
3: Cultural and Creative Industries Development	417.6	36.9%
4: Performing Arts Institutions	281.1	24.8%
5: National Film and Video Foundation	140.4	12.4%
6: National Arts Council	115.8	10.2%
<b>TOTAL</b>	<b>1132.2</b>	<b>100.0%</b>

Among the objectives of Programme 3 for the 2019/20 financial year are the following:<sup>6</sup>

- Support cultural and creative sector projects through MGE work streams and partnerships;
- Provide financial support to nine provincial community arts development programmes; and
- Build capacity in human resources in ACH sector by providing bursaries for future language practitioners, placing artists in schools.

<sup>6</sup> Ibid, p. 831.

Table 9 below reflects how budget allocations per sub-programme has changed between financial years 2018/19 and 2019/20.

**Table 9: Change to allocations per sub-programme for Programme 3**

Sub-programme	Budget		Nominal per cent change in 2019/20	Real per cent change in 2019/20
	2018/19	2019/20		
R million				
1: National Language Services	52.4	56.5	7.8%	2.5%
2: Pan South African Language Board	113.6	120.9	6.4%	1.2%
3: Cultural and Creative Industries Development	384.5	417.6	8.6%	3.2%
4: Performing Arts Institutions	266.6	281.1	5.4%	0.2%
5: National Film and Video Foundation	133.5	140.4	5.2%	0.0%
6: National Arts Council	109.7	115.8	5.6%	0.3%
<b>TOTAL</b>	<b>1060.2</b>	<b>1132.2</b>	<b>6.8%</b>	<b>1.5%</b>

Upon closer examination of the budget, R997.8 million or 88.1 per cent of the programme budget is classified as transfers and subsidies. Of this total, R100.9 million is transferred to public corporations and private enterprises and a further R140.0 million to non-profit institutions (NPIs). The bulk of the programme's budget resides within sub-programme 3, i.e. R417.6 million or 36.9 per cent. It will be important for the Committee to establish whether the Department has sufficient capacity to exercise proper oversight of this sub-programme.

The table below provides an overview of the transfers to the performing arts institutions reporting to the DAC. None of these entities has received a significant increase in their budget allocations.

**Table 10: Change to allocations in current transfers to performing arts institutions**

Sub-programme	Budget		Nominal per cent change in 2019/20	Real per cent change in 2019/20
	2018/19	2019/20		
R million				
Artscape	60.9	63.9	4.9%	-0.3%
The Market Theatre	45.3	47.4	4.6%	-0.5%
Performing Arts Centre of the Free State	46.3	48.7	5.2%	0.0%
The Playhouse Company	49.6	52.1	5.0%	-0.2%
The South African State Theatre	55.5	59.4	7.0%	1.7%
<b>TOTAL</b>	<b>257.6</b>	<b>271.5</b>	<b>5.4%</b>	<b>0.2%</b>

**4.1.4. Programme 4: Heritage Promotion and Preservation**

The purpose of this programme is to preserve and promote South African heritage including archival and heraldic heritage. It also oversees and transfers funds to libraries.

Programme 4 receives the bulk of the total budget, just over R3 billion or 65.6 per cent. In comparison to the budget allocation in 2018/19, this represents a nominal increase of R188.2 million or 6.6 per cent. The programme sees a budget allocation increase of R38.6 million or 1.4 per cent adjusted for inflation (see Table 11).

A total of R2.7 billion, or 88.0 per cent, of the total programme budget is classified as transfers and subsidies. This includes the Community Library Services Grant, which is transferred to provincial departments for transforming urban and rural library infrastructure and services. The allocation for 2019/20 is R1.5 billion. The details of this allocation are explained later in this section.

Table 11 provides an overview of the budget allocation per sub-programme.

**Table 11: Programme 4: Heritage Promotion and Preservation**

<b>Sub-programme</b>	<b>Budget 2019/20</b>	<b>Percentage of total programme budget</b>
R million		
1: Heritage Promotion	60.5	2.0
2: National Archive Services	48.8	1.6
3: Heritage Institutions	571.8	18.9
4: National Library Services	137.2	4.5
5: Public Library Services	1 531.7	50.6
6: Infrastructure Management Office	541.9	17.9
7: South African Heritage Resources Agency	58.3	1.9
8: South African Geographical Names Council	5.1	0.2
9: National Heritage Council	71.4	2.4
<b>TOTAL</b>	<b>3026.6</b>	<b>100.0</b>

Table 12 reflects how budget allocations per sub-programme has changed between financial years 2018/19 and 2019/20

<b>Sub-programme</b>	<b>Budget</b>		<b>Nominal per cent change in 2019/20</b>	<b>Real per cent change in 2019/20</b>
	<b>2018/19</b>	<b>2019/20</b>		
R million				
1: Heritage Promotion	55.4	60.5	9.2%	3.8%
2: National Archive Services	46.2	48.8	5.6%	0.4%
3: Heritage Institutions	532.6	571.8	7.4%	2.1%
4: National Library Services	130.0	137.2	5.5%	0.3%
5: Public Library Services	1 452.5	1 531.7	5.5%	0.2%
6: Infrastructure Management Office	492.7	541.9	10.0%	4.6%
7: South African Heritage Resources Agency	55.7	58.3	4.7%	-0.5%
8: South African Geographical Names Council	4.8	5.1	6.3%	1.0%
9: National Heritage Council	68.5	71.4	4.2%	-0.9%
<b>TOTAL</b>	<b>2838.4</b>	<b>3026.6</b>	<b>6.6%</b>	<b>1.4%</b>

The Community Library Services Grant is allocated R4.9 billion over the next three years, with R1.5 billion set aside for 2019/20. The following outputs are expected:<sup>7</sup>

- 430 000 items of library materials (books, periodicals, toys etc.) purchased;
- Library information and communication technology infrastructure and systems software installed and maintained in all provinces;
- New services established for the visually impaired at 30 identified community libraries in all provinces;
- 32 new library structures completed;
- 10 new library services established for dual-purpose libraries;
- 25 upgraded library structures;
- 20 maintained library structures;
- 1 924 existing contract library staff maintained in all provinces;
- 25 new staff appointed for dual-purpose libraries;
- 50 new staff appointed at public libraries to support the shifting of the function to provinces; and
- Capacity building programmes for public librarians.

## **8. Key issues and Committee findings**

During the process of considering the 2019/20 APP of the Department the following issues were identified:

### **8.1 Increase in the budget**

There has been a more significant increase in the 2019/20 budget compared to the increase from 2017/18 to 2018/19. The Department's overall budget sees a nominal increase of R278.8 million or 6.4 per cent. Upon consideration of the inflation rate, the budget has in fact increase by R50.6 million, or 1.2 per cent. Programme 2: Institutional Governance has

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<sup>7</sup> Division of Revenue Bill (2019), p. 128.

seen the biggest nominal percentage increase, i.e. 15.8 per cent, with the sub-programme: Coordination, Monitoring, Evaluation and Good Governance within this Programme receiving the most substantial nominal percentage budgetary increase, i.e. 41 per cent. This most likely indicates increased efforts on the part of the Department to ensure better oversight of entities and projects.

## **8.2 Transfers and subsidies**

The Department transfers approximately 80% of its budget to the entities. Thus, it is imperative for the Department to strengthen its monitoring and evaluation unit to ensure that money transferred to entities is used effectively and efficiently.

## **8.3 Use of consultants by the Department**

In the 2019/20 financial year, the Department plans to spend R26 million on consultants. This increases to R27.5 million in 2020/21 and R29.0 million in 2021/22.<sup>8</sup> This planned expenditure on consultants is worrisome in light of national cost containment measures.

## **8.4 Infrastructure spending**

In the summary of expenditure on infrastructure, there is total of R165.8 million set aside over the MTEF for the construction of the Isibhubhu Cultural Arena at eNyokeni.<sup>9</sup>

## **8.5 Flags in schools and hospitals**

South Africa's flag was adopted on 27 April 1994 – now known as national Freedom Day and is a representation of the country's democracy, with each colour depicting an important element in our history and country. Some public schools and hospitals do not have the national flag, which is not appropriate.

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<sup>8</sup> <http://www.treasury.gov.za/documents/national>

<sup>9</sup> National Treasury (2019), p. 841.

## **8.6 Travel and Subsistence**

The Department needs to improve the monitoring of spending against budget for official travel and ensure that budgeting for events is more accurate.

## **9. Recommendations**

The Committee welcomes the Annual Performance Plan and 2019/20 budget of the Department of Arts and Culture. The Committee further recommends the following:

### **9.1 Increase in the budget**

Seeing that there is substantial nominal increase of 41 per cent in the subprogramme: Coordination, Monitoring, Evaluation and Good Governance , the Department should use the increase in the budget to play effective oversight on entities and projects.

### **9.2 Transfers and subsidies**

As approximately 80 percent of the budget that is transferred to entities, the monitoring and oversight unit of the Department should be strengthened. There should be close monitoring of all the entities for effective governance and management. The Department should ensure that there are no conflicts between management and the Councils of entities, and this can be achieved by close monitoring of entities. The litigation in entities should be curtailed to spare the entities from paying large sums of moneys for litigation.

### **9.3 Use of consultants by the Department**

The increase of budget to be spent on consultants should not happen. Increased expenditure and reliance on consultants is worrisome in light of national cost-containment measures. The Department has to build internal capacity in order to refrain from relying on consultants.

#### **9.4 Infrastructure spending**

The Department has to ensure that the eNyokeni project is regularised as it has been dominated by irregular expenditure and poor workmanship resulting in the Department instituting a forensic report.<sup>10</sup> The Department should provide the Committee with a plan and a timeframe of the completion of the construction.

#### **9.5 Flags in schools and hospitals**

It is important for all schools and hospitals to have the national flag. In schools teachers should teach learners the history and the meaning of the colours of the flag. The Department has to install national flags in all public schools and hospitals.

#### **9.6 Travel and Subsistence**

The Department should explore the possibility of using video conferencing instead of physically travelling to Parliament make presentations to the Committee.

### **10. Conclusion**

The Portfolio Committee acknowledges the importance of the mandate of the Department of Arts and Culture in building and uniting South Africa. It further acknowledges that through various, the Department plays a vital role in facilitating job creation in the sector as well as developing and capacitating arts, culture and heritage practitioners.

The Committee recommends that the House adopt the Budget Vote Report of Vote 37: Department of Arts and Culture.

### **Report to be considered**

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<sup>10</sup> Portfolio Committee on Arts and Culture (2018).  
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## **2. Report of the Portfolio Committee on Sport, Arts and Culture on consideration of the Budget Vote 40: Sport and Recreation, Dated 09 July 2019.**

The Committee has the powers and functions conferred to it by the Constitution, legislation, Rules and resolutions of the House. The Portfolio Committee on Sport, Arts and Culture (hereinafter referred to as the Committee), having considered the 2015/16 – 2019/20 Strategic Plan, the 2019/20 Annual Performance Plan (APP) and budget of the Department of Sport, Arts and Culture, reports as follows:

### **1. INTRODUCTION AND MANDATE OF THE COMMITTEE AND THE DEPARTMENT**

#### **1.1. Introduction**

Section 42(3) of the Constitution of the Republic of South Africa, 1996 bestows the oversight function over the national executive to the National Assembly (NA). The National Assembly Committees are required in terms of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) to annually assess the performance of each national department, and to thereafter submit a Budgetary Review and Recommendation Report, which will provide an assessment on the department's service delivery performance given available resources; an assessment on the effectiveness and efficiency of the departments use and allocation of available resources; and may include recommendations on the forward use of resources.

#### **1.2. Mandate of Committee**

Section 55(2) of the Constitution of the Republic of South Africa, 1996 stipulates that “the National Assembly (NA) must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of (i)

national executive authority, including the implementation of the legislation; and (ii) any organ of state”.

The Committee oversees the implementation of the following Acts:

South African Boxing Act, 2001 (Act No. 11 of 2001), South African Institute for Drug-Free Sport Act, 1997 (Act No. 14 of 1997 as amended), The Public Finance Management Act, 1999 as amended by Act No. 29 of 1999, Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), National Sport and Recreation Act, 1998 (Act No 110 of 1998 as amended), Public Service Act, 1994 (Act No. 103 of 1994 as amended), Safety at Sports and Recreational Events Act, 2010 (Act No. 2 of 2010), Bidding and Hosting of International Sport and Recreational Events Regulations, 2010 and the Recognition of Sport and Recreation Bodies Regulations, 2011.

### **1.3. Purpose of this Budget Vote 40 Report**

The purpose of this report is to account in accordance with Rule 166 of the Rules of the National Assembly (NA) for work done by the Committee in considering the 2015/16 – 2019/20 Strategic Plan, the 2018/19 Annual Performance Plan and budget of the Department submitted in accordance with Public Finance Management Act, 1999 (Act. No 29 of 1999), Section 27 (1); and as referred by the Speaker of the National Assembly to the Committee in terms of Rule 338 for consideration and reporting.

### **1.4. Methodology and the Work Breakdown Structure**

In preparation for the consideration of the Strategic Plan 2015/16 – 2019/20 and the Annual Performance Plan 2019/20 of the Department, the Committee considered key government policy documents relevant to the work of the Department, and the entities, including, among others, the National Development Plan vision 2030 (NDP) / the 2014 – 2019 Medium Term Strategic Framework (MTSF), and the 2019 State of the Nation Address (SONA), the Departments of Sport and Recreation 2018 Budgetary and Review Recommendation Report (BRRR).

The Committee has convened briefing sessions with the Auditor-General of South Africa (AGSA) on the audit outcomes of the Sport and Recreation

Portfolio for the 2018/19 Annual Performance Plans. On the 20<sup>th</sup> of March 2019, the office of the Auditor General met with the Acting chairperson of the Portfolio Committee on Sport and Recreation to highlight the performance of the Department of Sport and Recreation South Africa (SRSA) and its entities for the 2018-19 financial year. The purpose of the meeting was to provide a brief summary on the outcome of the review of the 2019-20 Annual performance plan (APP) of SRSA. The report focused on the key audit matters such as the potential risks identified during the 2018-19 audits as well as progress and commitments made by the department. The report is aimed at assisting with the handing over of key issues that should be brought to the attention of the Portfolio Committee on Sport and Recreation in the sixth parliament.

## **2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS**

### **2.1. Relevant Government policy documents**

#### **2.1.1. The National Development Plan (NDP), Vision 2030**

Social cohesion and transformation framework are feathered in the NDP. It encourages sports and physical education participation. They are an integral part of the holistic development of a learner. Schools are where talent is identified, career choices made (including careers in sport) and habits learnt. Given the growing problem of obesity, the habit of leading an active lifestyle can be developed at a young age through participation in sport. Working with the Department of Sport and Recreation, the Department of Basic Education has reintroduced school sport. This positive initiative needs to be expanded.

It further defines sport as a discipline teaching mechanism and an integral component of a healthy lifestyle and enables South Africans to share common space. Unfortunately, instead of sharing common spaces, and developing common loyalties and values through sport, South Africans and South African sport were systematically segregated and underdeveloped under apartheid. The transformation vision for sports in 2030 is that: Participation in each sporting code begins to approximate the demographics of the country. South Africa's sporting results are as expected

of a middle-income country with a population of about 50 million and with historical excellence in a number of sporting codes.

For the vision of the National Development Plan to be realised, school sports must be adequately resourced. The government must ensure, that there are adequate facilities for the majority of the population to play sport and that these are adequately maintained. This does not need expensive buildings, but recreational environments with basic facilities that can function as community hubs. Communities should organise sporting events, leagues, championships and generally look after the sports facilities once they are installed or developed. Corporate investments in grassroots sport should also be encouraged.

### **2.1.2. The 2014 – 2019 Medium Term Strategic Framework (MTSF)**

The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and Government's electoral mandate. The Outcome 14: "A diverse, socially cohesive society with a common national identity". MTSF is meant to address the sharing of common space across race, space and class will be enabled through instituting sustained community dialogues, improving public spaces and services and elevating sports at both community and school levels.

Outcome 14 of the MTSF, sport and recreation is featured prominently. The society still remain unequal and skewed opportunities. Exclusion of people with disabilities in programmes (sport included).

### **2.1.3. State of the Nation Address (SONA) 2019**

During the 2019 State of the Nation Address (SONA), the President of the Republic of South Africa, Hon Cyril Ramaphosa spoke about the Health Summit that took place in October 2018 that was aimed at addressing the numerous challenges facing the South African health system and to work towards strengthening the health system.

This was in line with what the former President, Hon JG Zuma has alluded in his State of the Nation Address (SONA) in 2017, where he indicated that

government needed to confront lifestyles diseases such as high blood pressure, diabetes, cancers and cardiovascular diseases. Physical activity is known as a strong intervention to combat non-communicable diseases. Physical activity is the mandate of SRSA to keep the communities healthy and active through its programmes.

One of the four critical burden of disease facing the health sector is Non-communicable diseases of which the Sport and Recreation sector can assist through the promotion of physical activity within communities and schools. Participation in community sport and physical activity programmes will help in mitigating the burden of Non-communicable diseases. This also called for the cooperation between government departments sharing the similar causes to promote healthy lifestyle among the citizens of this country.

### **3. STRATEGIC PLAN OF THE DEPARTMENT OF SPORT AND RECREATION 2015/16 – 2019/20**

There were minor technical adjustments made to the Strategic Plan 2015-2020 of the Department of Sport and Recreation. These did not change the intent of the plan but rather improved the indicators and targets. Most revisions and adjustments were done in the 2016/17, the 2017/18 and the 2018/19 Annual Performance Plans because there was a need to ensure strategic alignment of indicators.

#### **3.1. STRATEGIC GOALS (2015-2020)**

The Department of Sport and Recreation Strategic Plan 2015-2020 stated that the Department will put its resources toward the following six strategic outcome-orientated goals:

- **Strategic Goal 1:**

Citizens access sport and recreation activities - Citizens access sport and recreation activities such that there is an increase of 10% in sport and recreation participation of citizens in selected activities by 2019/20.

- **Strategic Goal 2:**  
Sport and recreation sector adequately transformed - 80% of recognised NFs meeting their transformation targets by 2019/20.
  
- **Strategic Goal 3:**  
Athletes achieve international success – Athletes and teams achieve success at international events as a result of them being supported by high-performance interventions. Success is qualified as an improvement in South Africa’s performance at selected multi-coded events; or an improvement and/or maintenance of world rankings in selected sports codes.
  
- **Strategic Goal 4:**  
Enabling mechanisms to support sport and recreation - An integrated system of enablers (i.e.: facilities; sports confederations; an academy system; a sports house; a sports information centre; beneficial international relations and supportive sports broadcasting and sponsorships) established and fully operational by 2019/20.
  
- **Strategic Goal 5:**  
Sport used as a tool to support SA government and global priorities – 5% increase by 2019/20 in the perception of sport being recognised by the South African population as contributing to nation building. Sport used as a tool to contribute to a minimum of four global priorities by 2019/20.
  
- **Strategic Goal 6:**  
An efficient and effective organisation - Implement internal processes to ensure that SRSA annually receives an unqualified audit report and a Management Performance Assessment Tool (MPAT) rating of 4 within 5 years.

### 3.2. Summary of the 2018/19 expenditure summary as of 31 December 2018

Table 1: Expenditure summary as of 31 December 2018

<b>R million</b>	<b>Main Appropriation</b>	<b>Available Budget</b>	<b>Q3 Actual expenditure</b>	<b>Expenditure as % of Available budget</b>
<b>Administration</b>	142,3	125,3	94,5	75,4%
<b>Active Nation</b>	696,8	717,3	578,3	80,6%
<b>Winning Nation</b>	79,8	69,8	63,9	91,6%
<b>Sport Support</b>	158,1	166,6	139,8	83,9%
<b>Sport Infrastructure Support</b>	13,8	11,8	5,4	45,9%
<b>Total</b>	<b>1090,8</b>	<b>1090,8</b>	<b>881,8</b>	<b>80,8%</b>
<b>Economic Classification</b>				
<b>Current Payments</b>	278,6	278,6	231,4	82,2%
<b>Compensation of employees</b>	111,5	111,5	75,5	67,7%
<b>Goods and Services</b>	167	167	155,9	91,7%
<b>Interest and rent on land</b>	0	0	0	
<b>Transfers and Subsidies</b>	809,8	809,8	648,8	80,4%
<b>Payments for Capital Assets</b>	2,4	2,4	1,6	67,9%
<b>Payment of Financial Assets</b>	0,0	0,0	0,0	
<b>Total</b>	<b>1090,8</b>	<b>1090,8</b>	<b>881,8</b>	<b>80,8%</b>

Source: Treasury and Modified<sup>1</sup>

Table 1: shows that by the end of December, the Department of Sport and Recreation South Africa (SRSA) had spent R881.8 million or 80.8 per cent of the total budget for the financial year, which is R5.4 million more than they had projected to spend. The purpose of the report was to provide an

<sup>1</sup> National Treasury (2018) SCOA first quarter expenditure report  
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overview of what transpired in the 3rd quarter of the financial year (2018/19).

The higher than projected spending was mainly under goods and services in programmes 2 and 3, but this is off-set by lower than projected spending in programme 4 under transfers and subsidies. The Department of Sport and Recreation have not tabled the Annual reports for national department hence the information related to performance over the last financial year was only taken from the in-year quarterly operational and financial reports.

The review of progress made on the 2018/19 budget only focussed on the first three quarters of the year under review. Overall achievement of 64.3% was based on 18 Achieved/Total of 28 Targets; and not on the average of each programme's achievement percentage.

### **3.2.1. TARGETS THAT WERE NOT ACHIEVED IN THE Q3 (2018/19 financial year)**

#### **Programme 1:**

- 1.1 Performance assessments moderated for the previous financial year.
- 1.3. Number of client satisfaction survey reports presented at MANCO.
- 1.4 Percentage of invoices paid within 30 days.

#### **Programme 2:**

- 2.4 Number of people actively participating in sport promotion campaigns and events per year.
- 2.8 Number of people actively participating in organised sport and active recreation events.
- 2.9 Number of learners participating in school sport tournaments at a district level – Annual target is achieved
- 2.10 Number of schools, hubs and clubs provided with equipment and/or attire as per the established norms and standards per year.

#### **Programme 3:**

- 3.1 Number of SASCO MOU progress reports evaluated.
- 3.3 Number of athletes supported through scientific support programmes.

**Programme 4:**

4.2 Number of sport and recreation bodies receiving financial and non-financial support

4.4 Number of Multi-purpose sports courts built.

**Programme 5:**

5.1 Number of community gyms and children's play parks constructed.

**3.2.2. Expenditure Analysis for (Quarter Three) 2018/19:**

**Programme One: Administration:**

Expenditure under this programme is higher by R900 000 or 1.0 per cent, mainly in line with projections to spend.

**Programme Two: Active Nation**

This programme has spent R14.8 million, or 2.6 per cent more than projected. The higher than expected expenditure was mainly for contractors under goods and services due to the increased participation at the Ministerial Outreach programmes, Indigenous Games, National Recreation Day and the Big Walk.

**Programme Three: Winning Nation**

This programme has spent R8.6 million or 15.6 per cent more than projected. The variance is under goods and services for contractors, mainly because invoices for the South African Sports Awards were paid in quarter 3 rather than in January 2019 as projected.

**Programme Four: Sport Support**

This programme has spent R18.4 million or 11.7 per cent lower than projected. The variance is under transfers to the sport federations, due to the non-compliance of the federations to submit the required documentation (e.g. financial statements). Most of the federations should submit these financial statements which will facilitate the transfer of funds to the federations in the fourth quarter.

**Programme Five: Sport Infrastructure Support**

This programme has spent R500 000 or 8.8 per cent lower than projected. This variance is mainly under compensation of employees. The department is in the process of filling these vacancies. Virements.

**3.3. Budget Vote 40: Sport and Recreation (2019/2020)**

The Executive Authority is required to submit the draft Annual Performance Plans and Budget to the Parliament and for the referral to the Committee at least one month before they are submitted to the National Treasury. Whilst on the other hand, the Money Bills requires the Parliament to consider, draft Strategic Plans, Annual Performance Plans and budget after the Minister of Finance tabled the Appropriation Bill in February. The motive behind the consideration of the afore-said documents is to pass the Appropriation Bill. After the Parliament through its Portfolio Committee on Sport and Recreation has considered, the draft Strategic Plans, Annual Performance Plans and the Budget, the Committee then produce a Budget Vote Report, which the House debates them in the case of the National Assembly Committees.

In terms of economic classification, the apportionment of the Department's 2019/20 budget allocation of R 1 153.6 billion as compared to R 1 090.5 billion in 2018/19 and comprises Current payments of R296.4 million, Transfers and subsidies of R854.7 million and Payments for capital assets of R2.5 million. Currently, the organisational structure which consisted of 222 funded positions, which also included the new Infrastructure Support Unit, but will now be replaced by a new organisational structure which consists of 372 positions. The 2019/20 APP of the Department of Sports, Arts and Culture elaborated that the compensation budget for employees is inadequate; hence, the Department will reprioritise critical positions to be filled within the current budget allocation.

In terms of transfers and subsidies, in 2019/20 the Department also allocated the amount of R 620. 016 million of Mass Participation and Sport Development Grant to all nine (9) Provincial Sport Departments as compared to R587,386 million allocated in 2018/19. LoveLife was allocated R 45.2 million in the 2019/20 financial year compared to R 42.8 million in

2018/19. Sport Trust was allocated R23. 918 million in the 2019/20 as compared to R 22.649 million in the 2018/19 which is an increase. South African Institute for Drug Free Sport was allocated R25.6 million as compared to R24.3 million in the 2018/19.

The South African Sports Confederation and Olympic Committee was allocated R11.0 million in 2019/20 as compared to R 10.4 million they received in 2018/19. Boxing South Africa was allocated the amount of R12.8 million in the 2019/20 as compared to R12.3 million in the 2018/19 financial year. Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) was allocated the amount of R 97 million in 2019/20 as compared to R92 million in the 2018/19 financial year. There were increases in the 2019/20 allocations per programme.

### **Budget allocation per Programme - 2019/20**

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

- Programme 1 – Administration
- Programme 2 – Active Nation
- Programme 3 – Winning Nation
- Programme 4 – Sport Support
- Programme 5 – Sport Infrastructure Support

The Department received a voted allocation of R 1 153.6 billion for 2019/20 with the increase of 5.8% in nominal terms, and an increase 0.56% in real terms when looking at the inflation from the 2018/19 adjusted appropriation of R 1 090.5 billion. The projected expenditure per programme which reflects the overall budget increase of less than R63.1 million. The Department of Sport and Recreation's programmes fulfil its mandate of realising the full potential of sport and recreation. There was a significant increase in budget allocation for Programme One (1), programme Three (3), and programme Four (4), the budget increase is below the projected inflation and not enough budget was allocated accordingly.

Programme two (2) of Active Nation was given a high priority in terms of budget, receiving the most budget allocation. Programme five (5) for Sport infrastructure support was allocated the lowest budget of all the programmes.

### Sport and Recreation South Africa Medium Term Allocation Trends

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2018/19	2019/20	2020/21	2021/22				
R million								
Programme 1: Administration	127.4	145.7	155.6	165.1	18.3	11.1	14.36 per cent	8.71 per cent
Programme 2: Active Nation	715.6	744.1	784.9	828.8	28.5	- 8.3	3.98 per cent	-1.16 per cent
Programme 3: Winning Nation	71.1	83.7	88.4	93.7	12.6	8.5	17.72 per cent	11.90 per cent
Programme 4: Sport Support	164.7	164.9	174.3	186.9	0.2	- 8.0	0.12 per cent	-4.83 per cent
Programme 5: Sport Infrastructure Support	11.7	15.2	16.2	17.2	3.5	2.7	29.91 per cent	23.49 per cent
<b>TOTAL</b>	<b>1 090.5</b>	<b>1 153.6</b>	<b>1 219.4</b>	<b>1 291.7</b>	<b>63.1</b>	<b>6.1</b>	<b>5.79 per cent</b>	<b>0.56 per cent</b>

#### Programme 1: Administration

Purpose of this programme is to provide strategic leadership, management and support services to the Department. Programme 1 comprises of the following sub-programmes: Ministry; Management; Strategic Support; Corporate Services; Office of the Chief Financial Officer and Office Accommodation.

The medium-term expenditure estimates of the Programme 1 sub-programmes. Programmes 1, which is the Administration programme consists of 6 sub-programmes. sub-programme 4, which is about

Corporate Services, is the highest spending sub-programme followed by sub-programme 1 which is about Ministry work. The lowest spending sub-programme is sub-programme 3, which is about Strategic Support.

Sub-Programme Expenditure Estimates:

<b>Programme 1: Administration</b>				
Data Input	Medium-term expenditure estimate			
<b>R million</b>				
Programme	Budget			
	2018/19	2019/20	2020/21	2021/22
Sub-programme 1: Ministry	26,5	30,3		
Sub-programme 2: Management	15,8	19,2		
Sub-programme 3: Strategic Support	6,4	8,5		
Sub-programme 4: Corporate Services	43,3	44,5		
Sub-programme 5: Office of the Chief Financial Officer	20,4	23,7		
Sub-programme 6: Office Accommodation	12,9	19,5		
<b>TOTAL</b>	125,3	145,7		

Source: National Treasury and Modified

### **Programme 2: Active Nation**

Purpose of programme two is to support the provision of mass participation opportunities in sport and recreation. Programme 2 comprises of the following sub-programmes: Active Recreation, Community Sport, School Sport, Provincial Sport Support and Coordination. The medium-term expenditure estimates of Active Nation sub-programmes. The highest projected expenditure was in sub-programme 5 of provincial sport support and coordination, which was R620 million followed by sub-programme 3 on Community Sport with the amount of R83,3 million. The lowest projected expenditure was in sub-programme 2 of active recreation, which was R1.3 million. The total medium-term expenditure estimates for this Programme 2 in the 2019/20 is R 744,1 million.

## Sub-programme Expenditure Estimate

<b>Programme 2: Active Nation</b>				
<b>Data Input</b>	<b>Medium-term expenditure estimate</b>			
<b>R million</b>				
<b>Programme</b>	<b>Budget</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Sub-programme 1: Programme Management: Active Nation	4,2	5,8		
Sub-programme 2: Active Recreation	1,2	1,3		
Sub-programme 3: Community Sport	92,6	83,3		
Sub-programme 4: School Sport	31,9	33,7		
Sub-programme 5: Provincial Sport Support and Coordination	587,4	620,0		
<b>TOTAL</b>	<b>717,3</b>	<b>744,1</b>		

<b>Data Input</b>	<b>Medium-term expenditure estimate</b>			
<b>R million</b>				
<b>Programme</b>	<b>Budget</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Sub-programme 1: Programme Management: Winning Nation	2,4	3,8		
Sub-programme 2: Scientific Support	41,7	47,3		
Sub-programme 3: Major Events Support	5,8	11,6		
Sub-programme 4: Recognition Systems	19,9	21,0		
<b>TOTAL</b>	<b>69,8</b>	<b>83,7</b>		

Source: National Treasury and Modified

### Programme 3: Winning Nation

Purpose of this programme is to support the development of elite athletes. This programme has comprises of the following sub-programmes which include: Winning Nation, Scientific Support, Major Events Support and Recognition Systems. The sub-programme medium term expenditure estimates of the programme 3 sub programmes. The highest expenditure estimates of R47,3 million was provisioned towards sub-programme 2 of Scientific Support followed by sub-programme 4 of Recognition Systems with R21,0 million. The lowest expenditure estimates of R3.8 million was towards sub-programme 1 of programme management: Winning Nation. The total medium-term expenditure estimates for this Programme 3 in the 2019/20 is R83, 7 million.

#### **Programme 4: Sport Support**

Purpose of this programme is to develop and support an integrated system to enhance the delivery of sport and recreation. This programme has two sub-programmes which include: Sport and Recreation Service Providers and International Relations.

The sub-programme medium term expenditure estimates of the programme 4 sub-programmes. The highest expenditure estimates of R155.9 million was provisioned towards sub-programme 3 of Sport and Recreation Service Providers. The lowest expenditure estimates of R4.1 million was towards sub-programme 1 (Programme Management: Sport Support).

<b>Programme 4: Sport Support</b>				
<b>Data Input</b>	<b>Medium-term expenditure estimate</b>			
<b>R million</b>				
<b>Programme</b>	<b>Budget</b>			
	2018/19	2019/20	2020/21	2021/22
Sub-programme 1: Programme Management: Sport Support	4,9	4,1		
Sub-programme 2: International Relations	11,9	5,0		
Sub-programme 3: Sport and Recreation Service Providers	149,8	155,9		
<b>TOTAL</b>	<b>166,6</b>	<b>164,9</b>		

Source: from National Treasury and Modified

#### **Programme 5:**

Purpose of this programme is to regulate and manage the provision of sport and recreation facilities. This programme has two sub-programmes which include: Sport and Recreation Facility Planning and Sport and Recreation Facility Management. The medium-term expenditure estimates of the Programme 5 sub-programmes. Programmes 5, which is the Sport and Infrastructure Support programme consists of 3 sub-programmes. Sub-programme 2, which is about Sport and Recreation Facility Management, is the highest spending sub-programme with R9.3 million followed by sub-

programme 3 which is about Sport and Recreation Facility Planning with the estimated allocation of R 3,3 million.

The lowest spending sub-programme is the Programme Management: Infrastructure Support (sub-programme 1), with an estimated expenditure of R2.6 million. The total medium-term expenditure estimates for this Programme 3 in the 2019/20 is R15, 2 million.

<b>Programme 5: Sport Infrastructure Support</b>				
<b>Data Input</b>	<b>Medium-term expenditure estimate</b>			
<b>R million</b>				
<b>Programme</b>	<b>Budget</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Sub-programme 1: Programme Management: Infrastructure Support	0,4	2,6		
Sub-programme 2: Sport and Recreation Facility Management	3,4	9,3		
Sub-programme 3: Sport and Recreation Facility Planning	7,9	3,3		
<b>TOTAL</b>	<b>11,7</b>	<b>15,2</b>		

Sourced from National Treasury and Modified

#### **4. Committee Observations and Deliberations**

The Department of Sport and Recreation has managed to come up with a comprehensive strategic plan followed by the Annual Performance Plan (APP) in order to address service delivery to the nation as well as the expectations from the sector. This report ensures that the unlimited needs are prioritised in order of importance.

This allows one to plan expenditure in such a way that priority areas such as improvement in the sport infrastructure, transformation of sport, priority on recreation, promotion of school sports and other important sub-programmes within the department can be met. In concluding its deliberations on Budget Vote 40: Sport and Recreation, the Committee noted the following:

- The Committee received the report and commended the Department of Sport and Recreation for the work they do and for formulating

coherent strategic and performance plans that will result in the delivery of programmes in an efficient manner.

- There was a need to continue to prioritise Recreation programmes in order to promote a healthy lifestyle and enhance the social cohesive society.
- The Department to raise awareness among relevant stakeholders on the challenges experienced by government departments in the payment process with regard to outsourced services. The Department to meet and discuss late payment with service providers to avoid legal battles.
- The Department need to facilitate the identification of bottlenecks in the payment of service providers and the fast-tracking of the process.
- The Committee acknowledged that It was a good feeling to see that the Department had plans to work with other stakeholders in the establishment of sport development programme for Early Childhood Development (ECD).
- The Department need to support all nine (9) provinces with regards to the reporting for the performance indicator dealing with people actively participating in organised sport and active recreation events. The Department has not achieved this target and going forward, more planning was needed to promote both organised sport as well as the active recreational events like the National Recreation Day and the Big Walk.
- The Department need to carefully guide the management and implementation of the Mass Participation and Sport Development Conditional Grant, which is implemented in all nine Provinces as well as the reporting on targets that were adopted.
- The Department should continue to support Caster Semenya as she challenges a female classification rule imposed by the International Association of Athletics Federation (IAAF) at the Court of Arbitration for Sport (CAS).
- The Department has to finalise the plans for the Sport Indaba in order to address the challenges within the sector.

- It was important that the Department presents that South African Sport Confederation and Olympic Committee (SASCOC) report to the Committee so that the new members will understand the issues at hand.
- The Department need to capacity its own staff members in order to do the work on its own rather than relying on contractors. Skills audit was very critical to address this matter.
- The Department need to present the National Sport and Recreation Amendment Bill (Section 76) to the Committee for further engagements. Public participation engagements must continue at community level to promote mass participation in sport and recreation activities.

## **5. Committee Recommendation**

Having considered the Budget Vote No 40 of the Department of Sport and Recreation, the Portfolio Committee on Sport and Recreation recommends that the House support the Budget Vote 40: Sport and Recreation and further recommends that,

*The Minister of Sport, Arts and Culture, within the current financial year should:*

- Advocate “Recreation” equally as they have for “Sport” and brief the Committee on the progress made regarding the implementation of the Ministerial Advisory Committee on Recreation (MACRe).
- Continues to lobby for more funding to construct and revamp sport infrastructure in previously disadvantaged communities and in rural areas.
- Provides the Committee with a detailed briefing on its financial position, which should also include the effects of the budget breakdown on its programmes and the activities of Boxing South Africa (BSA) and the South African Institute for Drug Free Sport (SAIDS).
- Continues to lobby for more funding for the two entities.

- Have budget for the implementation of the National Sport and Recreation Plan (NSRP) vision 2020.
- Implement the memorandum of understanding (MoU) with the Department of Basic Education (DBE) on school sport.
- Encouragement the holistic approach in the transformation of sport and recreation sector.
- For the 2019/2020 the Minister of Sport, Arts and Culture needs to prioritise on the following risk factors:
  - **Performance Management:** Performance management is a significant risk for SRSA as they are reliant on Provincial departments for information showing the accuracy and completeness of actual numbers reported in the departments APP. SRSA did not achieve all planned targets as a result of provinces not submitting the required supporting documents required in terms of the technical indicators descriptions 2018/19. Late submissions by the provincial departments resulted in material adjustments to numbers reported in the annual performance report of the department.
  - **Compliance:** Transfers to provinces and federations are not being used for the intended purpose. Risk of not complying with the provisions of the divisions of revenue act and mass participation and sport development framework. i.e. Federations; provinces and municipalities using these funds for other purposes than intended for.
- Involves the traditional leadership in order to promote rural sport development programmes.
- Works with South African Football Association (SAFA) on a funding model to support women's football league in the country and to do roadshows to convince Corporate South Africa to support women football.

**6. Conclusion**

Constitutionally, the Portfolio Committee on Sports, Arts and Culture will continue to fulfil its mandate as guided by the Parliamentary rules in conducting the oversight on the functioning, financial and operational activities of the Department of Sport, Arts and Culture and the entities.

The Committee recommends that the House adopt the Budget Vote Report of Vote 40: Department of Sports and Recreation..

**Report to be considered.**

### **3. Report of the Portfolio Committee on Social Development on the Budget Vote 17, the Annual Performance Plans of the Department of Social Development and its entities for 2019/20, dated 10 July 2019**

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 02 July 2019, wishes to report 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).

This report forms basis from which the Committee debates the budget and APPs of the departments and its entities. This process culminates to the approval of the department as a Budget Vote.

#### **2. The Department of Social Development the Annual Performance Plan (APP)**

As part of background information, the department informed the Committee that its strategic plan 2015 - 2020 and APP 2019/20 were a product of extensive consultation and review of its work in the last performance cycle. These plans are informed by the National Development Plan which asserts that:

- Social security is a basic right, and a human rights approach to social protection is required;
- By 2030, everyone must enjoy an adequate standard of living. There must be basic social protection guarantees aimed at preventing or alleviating poverty and protecting against vulnerability
- The principle of building and utilising the capabilities of individuals, households and communities and avoiding the creation of dependency and stigma must be upheld.

- A developmental social welfare approach, with a focus on individuals, families and communities must be pursued

## 2.1 The mandate, vision and the mission of the department

The mandate of the Department of Social Development is to provide social protection services and leads government efforts to forge partnerships through which vulnerable individuals, groups and communities become capable and self-reliant participants in their own department.

The department therefore derives its mandate from several pieces of legislation and policies that are aligned to the Constitution. These include the White Paper for Social Welfare (1997) and the Population Policy (1998), which set out the principles, guidelines, policies and programmes for developmental social welfare in South Africa. The White Paper for Social Welfare has provided the foundation for social welfare in the post-1994 era. The White Paper on Social Welfare is being reviewed to expand to make it more inclusive of a wide variety of social welfare services.

The vision of the department is a to promote “caring and self-reliant society”.

The department’s mission is to “transform our society by building conscious and capable citizens through the provision of comprehensive, integrated and sustainable social development services”.

## 2.2 Overview of the 2019/20 financial year

Table 1: Overall DSD Budget per programme 2019/20

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
Programme 1: Administration	391,7	408,4	16,7	- 3,5	4,26%	-0,89%
Programme 2: Social Assistance	162 860,7	175 155,6	12 513,9	3 856,0	7,55%	2,23%
Programme 3: Social Security Policy and Administration	7 877,0	7 748,9	- 128,1	- 511,1	-1,63%	-6,49%
Programme 4: Welfare Services Policy Development and Implementation Support	1 300,4	1 065,8	- 234,6	- 287,3	-18,04%	-22,09%
Programme 5: Social Policy and Integrated Service Delivery	392,3	413,3	21,0	0,6	5,35%	0,15%
TOTAL	172 603,2	184 792,0	12 188,8	3 054,6	7,1%	1,77%

Source: National Treasury (2019)

The department’s overall budget for 2019/20 is, R184.7 billion, compared to R172.6 billion previously. This represents a nominal increase of 6.9 per cent, and real increase of 1.6 per cent. Over the medium term, the department’s expenditure is set to increase to R213.6 billion by 2021/22.

The DSD vote is dominated by the *Social Assistance* programme, which constitutes 94.3 per cent of the overall departmental budget. *Social Assistance* growth from the previous year, stays above inflation (7.6 per cent nominal and 2.3 per cent real). This programme, through unconditional cash transfers, currently benefits 12.5 million poor children (Child Support Grant), 3.5 million older persons (Old Age Grant), and about 1 million persons living with a disability (Disability Grant). In 2018/29, 17.6 million beneficiaries received social grants, and this figure is projected to grow to 18.7 million by 2021/22.

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

- *Administration* (-0.8 per cent);
- *Social security Policy and Administration* (-6.4 per cent);
- *Social Welfare Policy development and Implementation Support* (-22.9 per cent).

### **3. KEY STRATEGIC GOALS OF THE DEPARTMENT**

The department focused on the following sector priorities over the 2015-2020 Medium Term Expenditure Framework (MTEF):

- Reforming the social welfare sector and services to deliver better results;
- Improve the provision of Early Childhood Development. All children should enjoy services and benefits aimed at facilitating access to nutrition, healthcare, education, social care and safety;
- Deepening social assistance and extending the scope for social security;
- Strengthening integrated community development interventions and improving household food and nutrition
- Establish social protection systems to strengthen coordination, integration, planning, monitoring and evaluation of services

### **4. PROGRAMME PERFORMANCE (2019/20 ANNUAL PERFORMANCE PLAN)**

#### **4.1 Programme 1: Administration**

The purpose of this Programme is to provide leadership, management and support services to the department and the Social Development Sector.

A total of four (4) targets has been set for this programme for the 2019/20 financial year. The department will integrate five internal silo system into the Case Management system. The department plans to conduct evaluation of the social sector infrastructure with reference to Early Childhood Development (ECD) and Substance Abuse Treatment Centres. It intends to assess compliance of entities and associated institutions to the department's governance and oversight framework.

## Expenditure trends

Table 2: Administration Programme

Programme R million	Budget		Nominal change Nominal change in 2019/20 (Rand value)	Real change Real change in 2019/20 (Rand value)	Nominal Percent Nominal change in 2019/20	Real Percent Real change in 2019/20
	2018/19	2019/20				
Ministry	41,2	40,5	- 0,7	- 2,7	-1,70%	-6,56%
Department Management	70,7	75,6	4,9	1,2	6,93%	1,65%
Corporate Management	156,9	162,2	5,3	- 2,7	3,38%	-1,73%
Finance	67,5	71,7	4,2	0,7	6,22%	0,97%
Internal Audit	15,3	16,0	0,7	- 0,1	4,58%	-0,59%
Office Accommodation	40,2	42,3	2,1	0,0	5,22%	0,02%
<b>TOTAL</b>	<b>391,8</b>	<b>408,3</b>	<b>16,5</b>	<b>- 3,7</b>	<b>4,2%</b>	<b>-0,94%</b>

Source: National Treasury (2019)

The Administration programme voted allocation for 2019/20 totals R408.3 million, as compared to R391.8 million in the previous year. This reflects a 4.2 per cent nominal increase, but when taking into account the inflationary effect the programme budget in fact declines with -0.94 per cent. The Ministry sub-programme declines both in nominal and real terms from the previous year.

The *compensation of employees'* allocation increases from R197.8 million to R212.8 million – staying above inflation, i.e. 2.3 per cent real increase. However, *travel and subsistence* (S&T) declines in real terms with 7.6 per cent from the previous financial year (from R25.4 million previously to R24.7 million in 2019/20.) Programme 1 also reduced its allocation to *machinery and equipment* from R5.2 million to R2.3 million – resulting in a 58 per cent real decrease from 2018/19.

The total allocation for this Programme for 2018/19 was R383.2 million, which increased from R350.7 million in the previous year. This indicates a nominal increase of 9.25 per cent. The increase in the budget allocation for this Programme was due to the additional funding received for ICT infrastructure. The department signed a 5-year contract with SITA to provide the department with a fully managed IT Turnkey Solution. An amount of R9 million was reprioritised from Line Functions to fund this project.

Notwithstanding the above, the normal trend of the budget allocation under this Programme is that *Corporate Management* sub-programme has over the years received the bulk budget allocation as it provides administrative support to line functions within the department.

### 4.2 Programme 2: Social Assistance

The purpose of this programme is to provide social assistance to eligible beneficiaries in terms of the Social Assistance Act (no. 13 of 2004) and its regulations.

This programme deals mostly with the distribution of social grants. Social grant expenditure is an investment in human capital, justifying the future comprehensive growth.

### Expenditure trends

The following table depicts the budget for all grant types, including social relief of distress.

Table 3: Social Assistance Programme

Programme R million	Budget		Nominal change in 2019/20 (Rand value)	Real change in 2019/20 (Rand value)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
Old Age	70 531,4	76 950,9	6 419,5	2 615,8	9,10%	3,71%
War Veterans	2,4	1,7	- 0,7	- 0,8	-29,17%	-32,67%
Disability	22 104,8	23 077,6	972,8	- 167,9	4,40%	-0,76%
Foster Care	5 131,6	5 080,8	- 50,8	- 301,9	-0,99%	-5,88%
Care Dependency	3 138,4	3 429,8	291,4	121,9	9,28%	3,88%
Child Support	60 531,0	64 967,3	4 436,3	1 225,0	7,33%	2,02%
Grant-in-Aid	1 011,1	1 237,5	226,4	165,2	22,39%	16,34%
Social Relief of Distress	410,0	410,0	0,0	- 20,3	0,0%	-4,94%
<b>TOTAL</b>	<b>162 860,7</b>	<b>175 155,6</b>	<b>12 294,9</b>	<b>3 637,0</b>	<b>7,55%</b>	<b>2,23%</b>

Source: National Treasury (2019)

Budget allocation for social Assistance increases from R162.8 billion in 2018/19 to R175.1 billion in 2019/2020. The focus is on providing income support to socially vulnerable groups such as the elderly, persons with disabilities, and caregivers of children. The 2019/20 allocation to the programme stays above inflation, representing a real increase of 2.23 per cent.

Expenditure under this programme is dominated by the *Old Age* and *Child Support* grants, which are allocated R76.9 billion and R64.9 billion respectively. Both grant-types record above-inflation increases, i.e. 3.7 per cent and 2.02 per cent real growth respectively. The strongest growth in expenditure is projected for the *Grant-in-Aid* (i.e. 16.34 per cent real growth). *Grant-in-Aid* 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.

Most of the social grants experience above-inflation increases for 2019/20, with the exception of the following:

- *War Veterans* (-32.67 per cent);
- *Disability* (-0.76 per cent);
- *Foster Care* (-5.88 per cent); and
- *Social Relief of Distress* (-4.94 per cent).

The below inflation changes indicated for the four grants types listed above, is linked to projected numbers for the 2019/20 financial year. Beneficiaries for the Disability grant is projected to remain at about 1 million (same as previous year), while the Foster and War Veterans grants beneficiaries are projected to decline. In fact, the number of Foster grant beneficiaries projections have been declining consistently over the past few years, and in 2019/20 is likely to decrease even further from 397 888 previously, to 351 418.

The *Social Relief of Distress* grant provides temporary income support, food parcels and other forms of relief to people experiencing undue hardship.

Due to delays in finalising legislative provisions for an extended Child Support grant for double orphans, Cabinet has approved a reduction in social grants of R500 million per year for 2019/20 and 2020/21. The Social Assistance Amendment Bill, which provides for these provisions, is expected to be tabled in Parliament for approval over the new MTEF period.

Social Assistance increases from R162.8 billion in 2018/19, reaching R175.1 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 2019/20 allocation to the programme stays above inflation, representing a real increase of 2.23 per cent.

#### **4.3 Programme 3: Social Security Policy and Administration**

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

This programme has a total of 4 targets for 2019/2020, which are as follows:

- Submit revised policy on mandatory cover for retirement, disability and survivor benefits to relevant Forum of South African Directors-General (FOSAD) cluster.
- Submit policy on voluntary inclusion of informal sector workers in social security to **FOSAD**.
- Complete the discussion paper on linking Child Support Grant beneficiaries with government services.
- Draft regulations to support the implementation of the Social Assistance legislation.

## Expenditure trends

Table 4: Social Security Policy and Administration Programme

Programme  R million	Budget		Nominal change in 2019/20 (Rand value)	Real change in 2019/20 (Rand value)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
Social Security Policy Development	72,0	82,6	10,6	6,5	14,72%	9,05%
Appeals Adjudication	37,3	39,3	2,0	0,1	5,36%	0,15%
Social Grants Administration	7 697,6	7 553,0	- 144,6	- 517,9	-1,88%	-6,73%
Social Grants Fraud Investigations	65,2	68,8	3,6	0,2	5,52%	0,31%
Programme Management	4,8	5,2	0,4	0,1	8,33%	2,98%
<b>TOTAL</b>	<b>7 877,0</b>	<b>7 748,9</b>	<b>- 128,1</b>	<b>- 511,1</b>	<b>-1,63%</b>	<b>-6,49%</b>

Source: National Treasury (2019)

Budget for *Social Security Policy and Administration* programme decreases from R7.8 billion in 2018/19 to R7.7 billion. This represents a decline from the previous year both in nominal (1.63 per cent) and real terms (6.49 per cent).

The decline in the voted allocation of this programme is driven by the Social Grants Administration sub-programme, which declines both in nominal (1.88 per cent) and real (6.73 per cent) terms from the previous year. This sub-programme provides for the South African Social Security Agency (SASSA) operational costs related to administering social grants, the management information systems and the reimbursement of payment contractors. Over the medium term, administration costs are set to decrease proportionally to the increases in social grants values due to the rationalisation of grant cash pay-points due to the new arrangement between the SA Post Office and SASSA. It is anticipated that this arrangement will result in greater operational efficiencies in future. This new arrangement was also acknowledged in the February 2019 SONA.

### 4.4 Programme 4: Welfare Services Policy Development and Implementation support

The purpose of this Programme is to create an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards, and best practices. It also provides support to the implementation agencies.

This programme has a total of 21 targets for 2019/20. For the year under review, the department plans to submit to Cabinet the Draft National Drug Master Plan (NDMP) and the White Paper on Social Welfare for approval and consideration. It will also submit Children's Amendment Bill to Parliament for consideration. It will also submit a draft policy on services to persons with disabilities and their families to FOSAD for approval for public comments.

The department has set targets to revise the White Paper on Families and develop a policy on provision of counselling under the year under review. It will also develop a framework on Social Development Bill. It develops an inter-sectoral policy on sheltering services, monitor the implementation of Policy Framework on Accreditation of Diversion Services in five (5) provinces and capacitate four (4) provinces on Universal treatment curriculum.

It will develop a Community Based Disability Inclusive Development Programme (CBID) and capacitate nine (9) provinces on the implementation of Guidelines for Community based prevention and early intervention services to vulnerable children

### Expenditure trends

Table 5: Welfare Services Policy Development and Implementation Support Programme

Programme R million	Budget		Nominal change in 2019/20 (Rand value)	Real change in 2019/20 (Rand value)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
Service Standards	31,1	32,5	1,4	- 0,2	4,50%	-0,66%
Substance Abuse	109,1	20,9	- 88,2	- 89,2	-80,84%	-81,79%
Older Persons	20,3	20,5	0,2	- 0,8	0,99%	-4,01%
People with Disabilities	30,0	31,1	1,1	- 0,4	3,67%	-1,46%
Children	573,5	605,5	32,0	2,1	5,58%	0,36%
Families	9,8	10,4	0,6	0,1	6,12%	0,88%
Social Crime Prevention and Victim Empowerment	63,7	69,6	5,9	2,5	9,26%	3,86%
Youth	14,4	14,3	- 0,1	- 0,8	-0,69%	-5,6%
HIV and AIDS	121,4	128,0	6,6	0,3	5,44%	0,22%
Social Worker Scholarships	323,0	128,5	- 194,5	- 200,9	-60,22 per cent	-62,18 per cent
Programme Management	4,2	4,5	0,3	0,1	7,14 per cent	1,85 per cent
<b>TOTAL</b>	<b>1 300,4</b>	<b>1 065,8</b>	<b>- 234,6</b>	<b>- 287,3</b>	<b>-18,04%</b>	<b>-22,09%</b>

Source: National Treasury, (2019)

Programme 4's voted allocation decreases from R1.3 billion in 2018/19 to R1.065 billion in 2019/20 which denotes a nominal decrease of 18.0 per cent, and a real decrease of 22.0 per cent. This decline driven by reductions in allocations to the *Substance Abuse* and *Social Worker Scholarships* sub-programmes; these declines in real terms with 81.97 per cent and 62.18 per cent respectively. Significant changes in allocations to these two sub-programmes are directed by the phasing out of the following conditional grants:

- The *Social Worker Employment grant* has been successfully implemented at national level, and the grant has thus been discontinued. As from 2019/20, funding will be incorporated into the provincial equitable share. This means that R678.9

million will be shifted directly to provinces over the MTEF period.

- The *Substance Abuse Treatment* grant resulted in the operationalisation of 3 new substance abuse treatment centres in 4 provinces, and it has thus been discontinued. R237 million over the MTEF will be shifted to the provincial equitable share, to allow provinces full responsibility for functioning of these centres.

#### 4.5 Programme 5: Social Policy and Integrated Service Delivery

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

Under this Programme, the department has set to achieve 16 targets. Among these targets, it plans to coordinate the implementation of the Expanded Public Work Programme (EPWP) Social Sector Phase 4 Plan. It will process all received NPO applications and submitted reports of registered Non Profit Organisations (NPOs) within 2 months. It will submit the NPO Amendment Bill to Cabinet. It will also facilitate implementation of the DSD-NPO Partnership Model.

The department also plans to facilitate the implementation of Social Development Youth Strategy. A total number of 2 800 youth are anticipated to participate in Social Development Youth Camps. It will also evaluate the implementation of the National food and nutrition security plan in 9 provinces.

#### Expenditure trends

Table 6: Social Policy and Integrated Service Delivery Programme

Programme	Budget		Nominal change in 2019/20 (Rand value)	Real change in 2019/20 (Rand value)	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	2018/19	2019/20				
<b>R million</b>						
Social Policy Research and Development	5,9	6,3	0,4	0,1	6,78%	1,5%
Special Project and Innovation	11,0	11,8	0,8	0,2	7,27%	1,97%
Population Policy Promotion	34,5	36,9	2,4	0,6	6,96%	1,67%
Registration and Monitoring of No-profit Organisations	37,5	40,1	2,6	0,6	6,93%	1,65%
Substance Abuse Advisory Services and Oversight	6,2	6,6	0,4	0,1	6,45%	1,19%
Community Development	91,2	95,5	4,3	- 0,4	4,71%	-0,46%
National Development Agency	202,6	212,4	9,8	- 0,7	4,84%	-0,34%
Programme Management	3,5	3,7	0,2	0,0	5,71%	0,49%
<b>TOTAL</b>	<b>392,3</b>	<b>413,3</b>	<b>21,0</b>	<b>0,6</b>	<b>5,4%</b>	<b>0,15%</b>

Source: National Treasury, (2019)

The allocation for Programme 5 increases from R392.3 million to R413.3, denoting a nominal increase of 5.4 per cent translating and a 0.15 per cent real increase.

The *National Development Agency* (NDA), an entity of the department, is located within this programme. The NDA dominates, with 51.4 per cent of the voted allocation under Programme 5 designated to the entity to support sustainable, community-driven programmes that serves poor and vulnerable communities. The NDA transfer from the department increases from R202.6 million in 2018/19 to R213.9 million in 2019/20. Its allocation therefore declines by 0.3 in real terms.

*The Community Development* sub-programme has the second largest allocation in this programme, which accounts for R95.5 million. Expenditure declines by 0.46 per cent in 2019/20 real terms.

A total amount of R40.1 million as compared to R37.5 million in 2018/19 financial year has been allocated to the *Registration and Monitoring* sub-programme, resulting in the nominal increase of 6.9 per cent and a real increase of 1.6 per cent. The Department is also facilitating amendments to the Non-profit Organisations Act (1997), mainly to shift from a universal funding to a risk-based approach to NPOs

## 5. FINANCIAL IMPLICATIONS

Below is the table that illustrates the budget allocation for the Medium Term Expenditure Framework:

*Table 7: Social Development Operational Programme Budget: 2018/2019*

Programme	2019/20	2020/21		2021/22	
	R'000	R'000	% increase	R'000	% increase
P1: Administration	408 374	433 987	6.27%	459 670	5.92%
P2: Social Assistance	175 155 593	189 273 511	8.06%	202 867 882	7.18%
P3: Social Security Policy and Administration	7 748 916	8 261 107	6.61%	8 768 942	6.15%
P4: Welfare Services Policy Development and implement Support	1 065 807	1 132 752	6.28%	1 203 988	6.29%
P5: Social Policy and Integrated Service Delivery	413 282	370 168	-10.43%	392 623	6.07%
<b>TOTAL</b>	<b>184 791 972</b>	<b>199 471 525</b>	<b>7.94%</b>	<b>213 693 105</b>	<b>7.13%</b>

## 6. COMMITTEE DELIBERATIONS AND OBSERVATIONS

### Deliberations and observations

- The Committee supported the proposal of the Minister to turn the department and its entities to work as a portfolio. This will put an end the practice of them working in silos and eliminate duplication of functions. It will make sure that their internal systems are integrated. They have common objectives.
- It also supported the Minister's plan to change the narrative about the department from being mainly perceived as about payment of social grants to be about self-development. This will be in line with the mandate of the department, which is to provide social protection and create an enabling environment for communities to become capable and be self-reliant as they participate in their own development.
- It also welcomed the target of the department to develop an inter-sectoral policy on sheltering services. It was however concerned about the lack of adequate funding of these shelters. This was one of the findings of the Commission on Gender Equality (CGE) Systemic Investigation Report of Shelters that Accommodate Victims of Violence. The Committee wanted to know if the department took into consideration all the findings contained in the report.

The department responded that it developed regulations on sheltering. It will however submit a Victim Empowerment Bill to Parliament which addresses funding of shelters.

- The Committee raised a concern over the high number of unemployed social work graduates. Services rendered by social worker profession are critical across government departments. They are needed in schools where there have been alarming increase violence, murder, substance abuse and sexual abuse among learners. There is also violence between learners and educators. Social workers are also needed in correctional facilities as probation officers. The Department of Health also need services of social workers to provide counselling services. Institutions of higher learning have also experienced an increasing number of students committing suicide.

The department responded that through its engagements with other government departments it noted that these departments do not prioritize social work services in their plans. In some instances, social work positions are not included in the organizational structures, therefore there are no budget allocations for them.

- The Committee reiterated a concern of the previous committee of the misalignment between the achievement of targets and financial expenditure. In the previous years the department reported achieving 99% expenditure but would only achieve around 60% of its targets. Some targets would be over achieved while others would be partially achieved or not achieved. The Committee wanted to know what measures has the department taken to address this. This indicates either poor planning and budgeting or gaps in the service delivery. Budget expenditure should be aligned with performance.

The department responded that it was working with its entities to review their organizational structures. It would seek permission from the Minister of Social Development to lift the moratorium on the filling of the vacant posts. It expects to complete the review of the organizational structure in December 2019.

- The Committee reminded the department of the previous committees' (4<sup>th</sup> and 5<sup>th</sup> Parliament) recommendation that the South African Social Security Act (No. 9 of 2004) be amended to provide for the establishment of the board. Without the board for instance the previous Minister had to account for the challenges that were encountered by SASSA pertaining to the implementation of the deliverables of the Constitutional Court Judgement in the case between Black Sash, SASSA and the department over the awarding of the tender to pay social grants to Cash Paymaster System (CPS).

The Minister acknowledged that she was also concerned that SASSA does not have a board. She undertook that she will ensure that the department and SASSA start a process of amending the Act.

## **7. THE SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA) ANNUAL PERFORMANCE PLAN 2019/2020**

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 sets its performance plans in line with Government Outcome 13 of the Medium Term Strategic Framework (MTSF). This outcome includes actions to strengthen social welfare service delivery through legislative reforms, expand and accelerate social welfare service delivery to poor, vulnerable and special focus groups, develop a comprehensive social protection infrastructure plan and deepen social assistance; and expand access to social security.

SASSA is instrumental in government achieving its goal of providing comprehensive social security through the reforms in the Old Age Pension and Child Support Grant. This entails universalization of these grants to ensure that old people and children who are currently excluded in the system are included. This comes at a period when SASSA is preparing to implement its core mandate, that of insourcing the payment of social grants over the medium term, which had been outsourced to a private company.

During the transition period, the payment system will be implemented through a hybrid model which involves partnership with the South African Post Office, commercial banks (for electronic payments) and corporate financial institutions (CFIs). It is expected that the transition period will take five years and thereafter service providers will transfer resources or assets to SASSA. The 2019/2020 APP sets targets aimed at achieving deliverables of this process for over the medium term period.

It is expected that the APP should address targets relating to these strategic focus areas – ultimate insourcing of the social grant payment system, filling of acting positions, fight against fraud, improved awarding of the Social Relief of Distress (SRD), network connectivity at SASSA offices, queue management at pay points and linking grants to economic livelihood.

It should also speak to the strategic outcome to expand access to social assistance and creating a platform for future payment of social security benefits. It should be aligned to SASSA goal to render social assistance to eligible beneficiaries.

## **8. Programme Analysis**

SASSA's budget structure is implemented through two programmes, namely:

### **8.1 Programme 1: Administration**

This programme provides leadership, management and support services, which constitute as its sub-programmes. They are Executive Management, Corporate Services, Financial Management, Information and Communication Technology and Strategy and Business Development.

Under this programme it is important to look at how the targets set speak to the transition towards the insourcing of the social grants payment. In a presentation to the PC on Social Development on 6 September 2017, SASSA reported on 5 activities that it will undertake during this transition period (2018 -2021). This is a period when SASSA will implement a hybrid payment model through South Africa Post Office (SAPO), cash payments and online payment through commercial banks and retailers. The activities identified were:

1. Introduction of the new SASSA cards
2. Management of new SASSA cards
3. Collaboration with other spheres of government

4. Management of new payment arrangement mechanisms
5. Management of biometric management system

SASSA partially achieved the first three activities. SASSA had planned to complete the migration of beneficiaries from old SASSA cards to new cards by end of December 2018. However, by end February 2019, a total of 220 271 (59%) auto migrated beneficiaries had collected and activated their new cards. A total of 154 628 beneficiaries had still not collected their cards. SASSA told the committee that it was in a process of looking into the reasons for non-activation.

With regard to collaboration with other spheres of government, the Agency achieved this by signing a Master Services Agreement (MSA) and Service Level Agreement (SLA) with SAPO in September and November 2018. It also collaborated with the Department of Home Affairs to establish one – to – one verification of biometric data and interface its biometric data with Home Affairs National Identification System (HANIS) to enable production of new SASSA/SAPO cards. It is yet to form partnership with the Department of Small Business Development to achieve its goal of utilising social grants payments to stimulate local economy and empowerment of small business and co-operatives.

For 2019/2020 financial year, SASSA plans to implement the following key interventions under this Programme:

- Implementation of biometric authentication for system users;
- Review of the interim organisational structure to align it with current developments particularly payment model;
- Development of a SASSA 10-year building infrastructure plan;
- Upgrading of network connectivity infrastructure;
- Interfacing with other institutions, such as SAPO and Bankserv;
- Strengthening internal controls to improve audit outcomes;
- Reviewing of fraud and prevention strategy to improve SASSA's approach towards the fight against fraudulent activities.

Under this Programme, SASSA has set to achieve 22 targets for 2019/2020 financial year. These are reflected under the sub-programmes below.

### ***Sub-programmes***

#### **Fraud, Risk and Internal Audit (formerly, Executive Management)**

Under this sub-programme SASSA has set itself to achieve four (4) targets. Most importantly it plans to review its Fraud Management Strategy and investigate 70% reported fraud and corruption cases and complete them. It also plans to maintain a Strategic Risk Register and conduct 20 internal audit reviews on high risk areas. It is important to note that these targets are set for three (3) financial years (2019/2020 to 2021/ 2022), with the exception of the target to review the Fraud Management Strategy. This is a new target. This target is very important as SASSA continues to be faced with challenges of fraud and corruption in the social grants payment.

### **Corporate Services**

Under this sub-programme, SASSA has set to achieve four (4) targets. It plans to review the Interim Organizational Structure, finalize 60% of labour relations cases and approve its Ten Year Building Infrastructure Plan. The target to review the Interim Organizational Structure is particularly important as SASSA is planning towards fully insourcing the payment of social grants. This will inevitably have an impact on how SASSA is structured. Currently, SASSA is only partially implementing its mandate, with the payment still outsourced. It only manages applications and approval of social grants applications. SASSA has an approved structure to function with 19 415 staff compliment, however to due social grant administration still outsourced its staff compliment was 9 349 in 2016/2017. This meant its vacancy rate stood at 52%.

The target to approve the Ten Year Building Infrastructure Plan is also important because during its oversight visits the previous committee found that SASSA's local offices and service points needed serious upgrade. Also, SASSA had challenges resulting from leasing or sharing office space with the Department of Social Development.

### **Information and Communication Technology**

Under this sub-programme, SASSA set to achieve eight (8) targets. Most importantly, it set itself targets to establish interfaces with SAPO, Bankserv and the Department of Social Development, upgrade network connectivity infrastructure at 116 offices, automate social grants payment reports and pilot electronic queue management system at 1 office. All these targets speak to SASSA's move towards institutionalization of the social grant payment system.

### **Financial Management**

SASSA plans to achieve five (5) targets under this sub-programme. Yet again for this financial year it plans to receive an unqualified audit outcome. It failed to achieve this target in 2017/2018 financial year. It received a qualified audit outcome. One of the findings that resulted in a qualified audit outcome was the financial misconduct of officials that resulted in irregular and wasteful expenditure. The concern of the erstwhile committee was the lack of accountability measures taken against those implicated. SASSA has now for this financial year set targets to finalize 60% of financial misconduct cases within 120 days. It also plans to finalise 95% backlog of financial misconduct cases.

### **Communication and Marketing**

Under this sub-programme SASSA has set itself a target to implement an Integrated Communication and Marketing Strategy.

## Budget and expenditure trend

Table 8: SASSA Programme 1 budget allocation

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R million	2018/19				
Sub-programme 1: Fraud, Risk and Internal Audit	292 821.0	302 780.0	9 959.0	- 5 007.3	3.40 per cent	-1.71 per cent
Sub-programme 2: Corporate Services	1 504 037.0	1 474 657.0	- 29 380.0	- 102 271.8	-1.95 per cent	-6.80 per cent
Sub-programme 3: Information and Communication	729 542.0	647 574.0	- 81 968.0	- 113 977.4	-11.24 per cent	-15.62 per cent
Sub-programme 4: Financial Management	540 908.0	569 491.0	28 583.0	433.3	5.28 per cent	0.08 per cent
Sub-programme 5: Strategy & Business Development	111 298.0	37 565.0	- 73 733.0	- 75 589.8	-66.25 per cent	-67.92 per cent
<b>TOTAL</b>	<b>3 178 606.0</b>	<b>3 032 067.0</b>	<b>- 146 539.0</b>	<b>- 296 413.0</b>	<b>-4.6 per cent</b>	<b>-9.33 per cent</b>

Source: National Treasury, (2019)

SASSA has a budget allocation of R7 621 billion for 2019/2020 financial year compared to R7 760 billion for 2018/2019.

Programme 1's budget allocation for 2019/2020 decreased slightly from R3.178 billion in 2019/20 to R3 032 billion. There is an overall decrease of budget allocation in sub-programmes 2,3 and 5. The latter programme has the sharp decrease of 67.9%. There are however no targets set for this programme in the APP.

Budget allocations for sub-programmes 1 and 4 have been increased. The increase in sub-programme 1 can be attributed to an added target (review of the Fraud Management Strategy) for this financial year. Under sub-programme 4, SASSA set 5 targets compared to 6 targets in the previous year. It has however increased percentages in two targets relating to finalising financial misconduct cases. For 2018/2019 it had planned to finalise 50% of current financial misconduct. For 2019/2020 the percentage is 60% within 120 days as opposed to 90 days as set in 2018/2019. SASSA also increased the percentage of finalising a backlog of financial misconduct cases from 90% to 95% in 2019/2020.

### Programme 2: Benefits Administration and Support

This programme provides grant administration service and ensures that operations within SASSA are integrated.

For 2019/2020 financial year, SASSA plans to implement the following key interventions under this Programme:

- Implementation of social assistance programmes, including the Social Relief of Distress;
- Biometric enrolment of new beneficiaries in line with the approved project plan;
- Implementing of the Integrated Community Registration Outreach Programme (ICROP) including its impact assessment;
- Review of social grants excluding old age (OAG) in line with policy.

This Programme functions according to two sub-programmes, namely:

### **Benefit Administration**

This programme has a total number of 11 targets for 2019/20 financial year. Most importantly SASSA plans to award 252 833 SRD applications. It also plans to award 123 million of total Social Relief of Distress (SRD) rand value awarded through cooperatives and Small Medium and Micro-Enterprises (SMMEs). This is an important target because SRD provides assistance who are waiting for their social grants. It is also paid to people who have suffered a personal disaster that has resulted in loss of property.

The other important targets involve processing 560 000 applications for children aged 0-1 and processing 100% received Foster Care Grant orders within 10 days. These are important in that they address some of the challenges of exclusions in the social assistance programme. A study commissioned by the Department of Social Development, SASSA and the United Nations Children's Fund (Unicef) to the Economic Policy Research Institute found that there was a very high exclusion (43.3%) of children aged 0 -1 from the children social grants.

Many children have been left without Foster Care Grant due to delays in processing reviews of court orders, which resulted in some orders lapsing. SASSA reported to the erstwhile Committee that as at November 2017, there was a total of 49 534 foster care orders in terms of the Children's Act, which needed to be extended by the Children's Court before 31 December 2017. It projected an estimated 30 232 orders that were going to lapse between January – March 2018.

### **Payment Administration**

This sub-programme is set to achieve two (2) targets. The important target is that of managing service provider for social grant payment (SAPO). This is one of five activities that SASSA had set (as mentioned above in section 5.1) to undertake during the transition period

### **Expenditure Trends and estimates**

Programme 2 has a total of 13 targets. It has a total budget allocation of R4.785 billion for 2019/20, as opposed to an approved budget of R5.003 billion in the previous year. In the previous year this programme had 18 targets, which may explain the slight decrease in the budget allocation.

## **9. COMMITTEE DELIBERATIONS AND OBSERVATIONS**

- The Committee noted that SASSA was stable after the transition period of 2017 – 2018 from the old social payment system to a hybrid system. The new system involves payments through SAPO, commercial banks and retailers. It welcomed progress made by SASSA in meeting the deliverables of the transition.

- The Committee raised concerns over the renewed cases of fraud particularly targeting older persons whereby their grants are withdrawn by unknown people. It was also concerned about the persistent high number of fraud cases and investigations that take long, allegedly up to six (6) months. It wanted to know the number of the existing fraud cases.

SASSA reported that there were 20 250 reported cases. The weakness has been that the Fraud Management Unit within SASSA has been operating without a senior manager since 2016. Also, the Unit has only been focusing mainly on fraud investigation and less on prevention. The other weakness has been that due to loopholes in the biometric system officials at local offices are able to access the system and change banking details of the beneficiaries. Hence, there have been unauthorized withdrawals from beneficiaries' accounts. Investigations on these transactions resulted in SASSA stopping transactions on 2 000 cards. Over 3 000 cases were being investigated.

- The Committee also raised a concern that there is no strict enforcement of conditions attached to the payment of social grants, particularly CSG. Amendments to the 2008 Regulations Relating to the Application for and Payment of Social Assistance and the Requirements or Conditions in Respect of Eligibility for Social Assistance made certain conditions of payment of social grants. The regulations came into effect into effect in January 2010. They stipulated that a child who receives a CSG must be enrolled at and attend school. Proof of school attendance must be submitted to the Agency within a month of approval of the grant. It must also be submitted to the Director-General of the Department of Social Development every six (6) months. These amendments came into effect on 1 January 2010.

These conditions are not adhered to because of a tendency of some recipients of the CSG not spending it on the needs of the child. In some of these instances these recipients do not even stay with the children. The children stay with their grandchildren.

- The Committee further raised concerns over the lack of user friendly infrastructure and facilities, particularly for older persons and people with disabilities, at post offices. This should have been provided for in the SLA between SASSA and SAPO. It also raised a concern over the late delivery of cash at pay points. Timeous delivery of cash should also have been specified in the SLA.

SASSA acknowledged that SAPO compliance to the SLA has not been optimum. It explained that post offices were not designed to deal with payments of social grants. It has however, requested SAPO to submit a plan that will address how it aims to provide required infrastructure and facilities as agreed on in the SLA. SASSA gave SAPO funds to finance infrastructure upgrades.

Pertaining to late delivery of cash at pay points, SASSA explained that SAPO contracted CIT service provider to deliver cash. CIT is given route schedules and dates but it sometimes alters the routes because of security concerns. SASSA has however, requested SAPO to address this with CIT and ensure that cash is delivered on time.

- The Committee expresses concerns that most SASSA offices are only located in towns and therefore not easily accessible to people living in semi-urban and rural areas. Also, these offices need to be upgraded. It questioned why SASSA relies on the Department of Public Works to obtain office spaces.

SASSA explained that the Ten Year Building Infrastructure Plan aims to address infrastructural challenges – shortage of suitable facilities, upgrading and repairs of existing facilities. It was also in a process to formulate a proposal to the Minister of Social Development to allow it to procure its own spaces.

- The Committee noted that SASSA has not had any success in meeting its objective of linking social grant beneficiaries, particularly of CSG, to economic livelihoods. Projects of producing school uniforms have not had the intended outcome of graduating beneficiaries out of the social assistance programme. Also, these projects are not linked to schools that need uniforms.
- The Committee further raised concerns over the lack of customer care at local offices. SASSA officials are often rude and disrespectful to the applicants and beneficiaries. Also, people are sent between SAPO and SASSA offices when they have complaints. The Committee was seriously concerned that officials from the two offices are not able to address issues relating to each other's services. This shows a lack of synergy between the two offices.
- The Committee expressed a concern that large funds had been allocated to the Integrated Community Registration Outreach Programme (ICROP). It has however not had any tangible impact of the lives of people. Instead, incurred irregular expenditure of R162 795 billion in 2017/2018 financial year. In 2016/2017 it incurred an irregular expenditure of R115 922 billion.

## **10. NATIONAL DEVELOPMENT AGENCY (NDA) ANNUAL PERFORMANCE PLAN 2019/2010**

The National Development Agency (NDA or Agency) is a Schedule 3 (A) Public Entity established in terms of *Section 2 of the National Development Agency Act (108 of 1998)*. It reports to the Parliament of the Republic of South Africa through the Minister of Social Development. NDA is a Schedule 3A entity administratively reporting to the Department of Social Development but operationally attached to all departments.

## **10.1 Legislative mandate of the NDA**

The NDA's two-fold legislative mandate, consisting of a primary and a secondary mandate, is in the main to contribute towards the eradication of poverty and its causes. This is achieved through the granting of funds to civil society organisations (CSOs) to enable them to implement development projects in poor communities. The NDA is also charged with strengthening the institutional capacity of other civil society organisations which provide services to poor communities.

### **Primary mandate**

The NDA's primary mandate is to contribute towards the eradication of poverty and its causes by granting funds to civil society organisations for the purpose of carrying out projects or programmes aimed at meeting development needs of poor. In addition, it strengthens the institutional capacity of other civil society organisations involved in direct service provision to the poor communities.

### **Secondary mandate**

The NDA's secondary mandate is to promote consultation, dialogue and sharing of development experience between Civil Society Organisations (CSO) and relevant organs of state through debating on development policy; undertaking research and publications aimed at providing basis for development.

## **10.2 NDA 2019/2020 Annual Performance Plan**

Programmes as derived from the 2017-2022 Strategic Plan and the Annual Performance Plan for 2019/20 are the following three:

### **10.2.1 PROGRAMME PERFORMANCE**

#### **Programme 1: Governance and Administration**

The programme will focus on promoting and maintaining organisational excellence and sustainability through effective and efficient administration that includes performance, employee well-being, cost containment and brand recognition. This programme has total number of four targets planned for the 2019/20 financial year.

The NDA planned to develop the Civil Society Organization (CSO) Database and Information Management System for the year under review. It also wants to approve and implement the salary key scale or notch of its employees.

**Programme 2: Civil Society Organization Development**

This programme provides a comprehensive package that aims at developing CSOs to their full potential, to ensure that CSOs, especially those operating in poor communities, have capabilities to provide quality services to the communities they are serving.

This programme has a total number of eight (8) targets for 2019/20 financial year. The following are some of the sub-programmes under Programme 2:

***Civil Society Mobilisation and Formalisation***

The main purpose of this programme is CSO engagements, assessments and needs analyses, prioritisations of interventions required by CSOs, and facilitating registration of CSOs that need support to register with appropriate registration authorities (NPO and Cooperatives). The NDA planned to increase the number of CSOs participating in CSO mobilisation engagements and consultation process per year to 9500 in 2019/20. A number of 1000 CSOs will be assisted to formalise their structures.

***Civil Society Organisation's linkage to sustainability***

This sub-programme focuses on strengthening institutional capacities of CSO's across all districts and local municipalities in nine provinces. A total of 2000 CSO's will be referred to other sustainable resource opportunities per year is the target of the NDA.

***Civil Society Organisation's grant funding and Resource mobilization***

The sub-programme focuses on providing grants to CSOs that works with poor communities for purposes on developing their capacities to deliver quality projects and programmes. The entity has planned increase the number of CO that receive grant to 90 per annum. In addition, it anticipated to rand value of resources raised to R55 million.

This programme budget allocation has increased from 101.1 million in 2018/19 to R104.1 million in 2019/20 financial year.

**Programme 3: Research**

The focus of this programme is on action research and impact evaluative studies that will be used to inform programme planning, implementation and management of NDA CSOs development Programmes. The Agency has planned to produces a total number of 16 research and policy reports for 2019/20 financial year. Additionally, NDA will evaluate 9 studies on its programme conducted and results will be shared out with various stakeholders during this year (2019/20).

The budget allocation in this programme has decrease from R10.4 million in 2018/19 financial year to a total of R9.7 million in 2019/20 financial year

## **11. OVERVIEW OF 2019/20 BUDGET**

The NDA, as an entity of the department, is located within Programme 5 of the Department. The NDA dominates, with 51.4 per cent of the voted allocation under Programme 5 designated to the entity to support sustainable, community-driven programmes that serves poor and vulnerable communities. The NDA transfer from the Department increases from R202.6 million in 2018/19 to R213.9 million in 2019/20. Its allocation therefore declines by 0.3 per cent in real terms.

## **12. COMMITTEE DELIBERATIONS AND OBSERVATIONS**

- The main concern of the Committee was that over the past 20 years that the NDA has been operating it has still not been able to achieve its mandate to empower and develop communities. Its footprint is still not visible to the communities. It has not made any significant impact in developing communities. The NDA was established to be a front runner of community development across government departments not only for the Department of Social Development.

It was concerning to the Committee that with such an important mandate the NDA continues to be given least budget allocation.

- The reiterated the concern of the previous committee that a large proportion of the budget (65%) is allocated to staff costs. Budget allocation for mandate expenses is 53%. This budget structure is not in line with the core mandate of the NDA as outlined above.
- The Committee was also concerned that there is no collaboration between the NDA and SASSA to empower social grants beneficiaries by linking them to economic livelihoods.

## **13. RECOMMENDATIONS**

### **13.1 Department of Social Development**

The Committee recommends that:

Achievement of targets

- The Minister must ensure that the department conducts an assessment to determine causes of misalignment between achievement of targets (service delivery) and budget expenditure.

The assessment should look at either this is due to poor planning and budget or poor quality performance. It should thereafter develop a plan outlining how this will be addressed. The outcome of the assessment and the plan should be presented to the Committee before the end of the current financial year.

### **Absorption of social workers**

- The Minister should at inter-ministerial level engage with ministers of Basic Education, Health, Correctional Services and Higher Education and Training to explore ways in which they can absorb unemployed social work graduates. Similar engagements should be made with the Minister of Finance to give guidance on the budgetary implications of such partnerships.

### **Amendment of the South African Social Security Agency Act (No.9 of 2004)**

- The Minister should ensure that the department together with SASSA, within the current financial year, initiate a process to draft amendments to the South African Social Security Agency Act (No.9 of 2004) to make provision for the establishment of SASSA board. This is an overdue recommendation that was adopted by the National Assembly during the 4<sup>th</sup> and 5<sup>th</sup> Parliament.

## **13.2 South African Social Security Agency**

### **Fight against fraud**

- The Minister should ensure that SASSA during the current financial year fills the position of the senior manager in the Fraud Management Unit. This is critical. The target to review Fraud Management Strategy and implement it in 2020/2021 should be aligned with the availability of human resources.
- The Minister should ensure that SASSA puts in place measures to improve its turnaround time on investigating fraud cases. This will ensure that affected beneficiaries are not left in dire circumstances for long period of time. Most importantly investigations and finalisation of the 20 250 reported cases of fraud should be prioritised.

### **Customer care**

- The Minister should ensure that SASSA and SAPO integrate their service delivery systems and processes. This will ensure that officials from both offices can access them and provide needed

information to their clients. This will result in seamless information sharing.

- The Minister should ensure that SASSA strengthens the implementation of the Batho Pele principles to its officials on regular basis. It should also develop effective systems where clients can register their complaints and suggestions.

#### **Social assistance**

- The Minister should ensure that SASSA develops strict measures to enforce provisions of the 2010 Regulations of the Social Assistance Act (No. 13 of 2004). There should be strict implementation of the requirement to submit proof of school attendance biannually to the DG of the Department of Social Development.

In addition to school attendance there should be other conditions such as proofs of clinic attendance and impromptu home visits by SASSA officials to assess the well-being of the child. Home visits will verify if the person who receives CSG on behalf of the child stays with the child.

- The Minister should ensure that SASSA and SAPO during the current financial year develop a plan of action for infrastructure upgrades and provision of necessary facilities at post offices to meet needs of the beneficiaries.
- The Minister should ensure that SASSA rolls out its programme of linking social grant beneficiaries to economic opportunities. SASSA should work together with the National Development Agency to incorporate school uniforms projects to the CSOs supported by the NDA. There should also be a link between the strategy to use small, medium and micro enterprises (SMMEs) and cooperatives to award SRD and the programme of linking social grants beneficiaries to economic livelihood. These should also be integrated into the NDA business model.

This will achieve the Minister's objective of making the department and its entities function as a portfolio.

### **13.3 National Development Agency**

#### **Budget structure**

- The Minister should ensure that the budget structure of the NDA is changed and aligned to its legislative mandate. The big budget allocation difference between the staff costs, which are non-core, and mandate expenses needs to be reversed.

### **Visibility**

- The Minister should ensure that the NDA during the current financial year develops a turnaround strategy that will put more focus on improving its visibility to local communities. The strategy should also focus on forging private sector partnerships including international donors so as to attract investment.
- The strategy should also ensure that the NDA focuses on outcomes of the CSOs it supports in terms of improving the lives of the people. There is a need to shift from focusing only on the numbers of CSOs it supports to an outcomes based approach.

### **Integration**

- The Minister should also ensure that during the current financial year the NDA develops a strategy that will forge its integration with the Department of Social Development and the South African Social Security Agency. The strategy should also put into effect partnerships between the NDA and other government departments. The main purpose of this integration should be to ensure empowerment of local communities to be self-reliant.

Report to be considered.

#### **4. Report of the Portfolio Committee on Public Enterprises on Budget Vote 9: Public Enterprises, and the Annual Performance Plan for 2019/20 of the Department of Public Enterprises, Dated 10 July 2019**

The Portfolio Committee on Public Enterprises, having received a briefing from the Department of Public Enterprises on the Annual Performance Plan and on the budget vote on 03 July 2019, reports as follows:

##### **1. Introduction**

Guided by the Rules of Parliament, promulgated in terms of the Constitution, the Portfolio Committee on Public Enterprises plays an oversight role on the Ministry, Department of Public Enterprises and state-owned companies. The Committee has to scrutinise the Strategic Plan and Annual Performance Plan of the Department and its entities in order 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 primary tools for fulfilling this role. The developmental role should support a number of 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 where needed. The State requires strategic, organizational and operational capacity to play its developmental role. State-owned companies fulfil the state's operational role in this requirement, acting as the implementing agents for national development strategy.

## **2. Performance Plan of the Department of Public Enterprises**

The Department of Public Enterprises presented an Annual Performance Plan for 2019/20 financial year the Committee. The Department described the overarching policy and strategic direction and priorities of Government, as articulated by the 2019 State of the Nation Address by the President, the National Development Plan (NDP), and the Presidential Review Committee (PRC) on state-owned enterprises (SOEs).

### **2.1 Mandate of the Department of Public Enterprises**

The Department of Public Enterprises is the shareholder representative for government at the state-owned companies in its portfolio. The Department's mandate is to fulfil oversight responsibilities at these state-owned companies to ensure that they contribute to the realisation of government's strategic objectives, as articulated in the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF), the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP). State-owned companies are crucial to driving the State's strategic objectives of creating jobs, and enhancing equity and transformation. The Department does not directly execute programmes but seeks to use State ownership in the economy to support the achievement these objectives.

### **2.2 Strategic Objectives of the Department**

The President in his State of the Nation Address 2019 to the sixth Parliament introduced priorities of government. The President reemphasised the need to achieve targets of the National Development Plan, Vision 2030. There are seven priorities for government in this new administration. The priorities relevant to the Department and State Owned Companies are the following:

- Economic transformation and job creation
- Education, skills and health

- Building a capable, ethical and developmental State
- A better Africa and world.

The year 2019 marks the end of the 5-year planning cycle, and the Medium Term Strategic Framework for the term (2020-2025) will be concluded in the year. Therefore, it will inform the new Strategic Plan for the Department that will be tabled in 2020 with priorities for a 5-year period. The strategy will take into account the State's commitment to effectively enable economic and social development through strengthening of state-owned enterprises. The strategy should also consider alignment of the work of the Department and state-owned companies with the newly established Presidential SOE Council.

The Department in its Annual Performance Plan outlined three programmes; Administration, Business Enhancement and Governance and Assurance. In order to achieve on its mandate, the Department outlined the following strategic objectives:

- Promote the development of a strong shareholder.
- Access development of skills to support the needs to economy.
- Promote commercial viability of SOCs' operation.
- Access transformation of the South African economy.

The Department has prioritised the development of the Shareholder Management Bill as a key focus toward the development of a strong shareholder. This bill is envisaged to be completed in the financial year 2020/21. The performance of state-owned company boards is also important in the achievement of this strategic objective. A mechanism to bring all boards into account and to ensure performance in SOCs has been developed through Board Performance Evaluation Framework. In responding to policy aspirations of government for economic transformation and job creation, the Department has set targets to monitor development of scarce skills in SOCs. SOCs have challenges in the development local industries. The Department has development Localisation Strategic Framework which will see SOCs developing local industries and contributing to the local economy.

The sustainability of SOCs has been prioritised in the Business Enhancement and Industrialisation programme. In order to provide oversight and accountability to the achievement of the strategic objective on the promotion of commercial viability of SOCs operations. The Department will present scrutinise turnaround plans, shareholder compacts, reports on progress of implementation of programmes, specific industry research and different Memorandum of Agreements (MOA) entered into by different SOCs.

### **2.3 Policy Priorities for 2019/20**

The Department of Public Enterprises oversees seven state-owned companies, namely Alexkor, Denel, the South African Forestry Company (SAFCOL), Eskom, South African Airways (SAA), South African Express Airways (SAX) and Transnet. The President made the following pronouncements in his State of the Nation address in June 2019:

- One reason for the lacklustre economic performance has been the load shedding early this year, together with the continued uncertainty in the supply of electricity and the state of Eskom.
- The lesson is clear: for growth, we need a reliable and sustainable supply of electricity.
- Eskom is facing serious financial, operational and structural problems.
- Since the load shedding earlier this year, Eskom has made much progress in implementing its Nine-Point Plan, ensuring better maintenance of its generation fleet, reducing costs and ensuring adequate reserves of coal.
- In line with the recommendations of both the Eskom Sustainability Task Team and the Technical Review Team, Eskom is deploying its most skilled and experienced personnel to where they are needed most.
- The utility's financial position remains a matter of grave concern.

- With the current committed funding from government, outlined in the 2019 Budget, Eskom has sufficient cash to meet its obligations until the end of October 2019.
- For Eskom to default on its loans will cause a cross-default on its remaining debt and would have a huge impact on the already constrained fiscus.
- To address this matter by tabling a Special Appropriation Bill on an urgent basis to allocate a significant portion of the R230 billion fiscal support that Eskom will require over the next 10 years in the early years.
- Further details will be provided by the Minister of Finance in due course.
- A new Chief Executive Officer will be announced following the resignation of Mr Phakamani Hadebe.
- The appointment of a Chief Restructuring Officer, who will be expected to reposition Eskom financially with careful attention to the mix between revenue, debt and cost structure of the company.
- Eskom is also working with government and other stakeholders to address its broad structural plan and its overall debt as well as the debt owed by municipalities and individual users.
- Asserting the principle that those who use electricity must pay for it.
- To give priority attention to the economic sectors that have the greatest potential for growth.
- Implement master plans developed with business and labour in industries like gas, and renewable sectors.
- Through the Presidential SOE Council, government intends to create alignment between all state-owned companies and to better define their respective mandates.
- Through the council, Government will work with the leadership of SOEs to develop a legal and regulatory environment that promotes innovation and agility and enhances their competitiveness.

The Minister of Public Enterprises in his response to the State of the Nation Address 2019 outlined the following:

- Over the past sixteen months our work with respect to restoring good governance, stabilizing operations, appointing new boards and directly confronting corruption, proceeded with efficiency, speed and purpose.
- New Boards: appointed for Denel, Eskom, Transnet, SA Express, Safcol, Alexkor
- Management: Work in progress; huge responsibilities.
- Operations: Improving but not optimal.
- Finances: Only partly resolved.
- Fiscal burden: Not solved; many still too dependent on the fiscus or borrowing.

The SOE Council will take on the formidable, but important task of repositioning and reforming our SOE sector.

- Align SOEs to the national priorities and goals.
- Decide which SOEs are strategic and what new SOEs to establish, for example, the 4th Industrial Revolution.
- Reform procurement by SOE's to reduce the likelihood of corruption.
- Appoint competent individual of unquestionable integrity through a transparent and robust process to Boards and senior management.
- Review the business models, capital structure and sources of financing for SOE's.
- Identify opportunities for private sector participation to better advance the national developmental agenda of the country (not privatisation).
- Closely monitor the financial and operational performance of SOE's.

The Minister outlined goals for SOE' specifically as strive to:

- Promote greater transparency and accountability to overcome poor governance.
- Restore financial sustainability and prudence.
- Create an environment in which “skilled and professional public servants of the highest moral standards dedicated to the public good” can thrive and contribute to a “best in world” culture.
- Remove all vestiges of State Capture and ensure there are harsh consequences for malfeasance.

The Minister provided a synopsis into SOCs' sectors:

a) Energy Sector: the balance between renewables and fossil nuclear) is constantly evolving, and rapidly so fuels.

b) Logistics: new challenges and opportunities are emerging for increased regional trade from the Africa Continental Free Trade Area Agreement.

c) Aviation: what is the future design for the State's aviation assets; new types of fuel efficient aircraft; consolidation of airlines, long haul routes by low cost airlines.

d) Environment: how do we reduce our dependence on non-renewable sources of energy; reduce carbon emissions; introduce new carbon capture and battery technology.

c) Aviation: what is the future design for the State's aviation assets; new types of fuel efficient aircraft; consolidation of airlines, long haul routes by low cost airlines.

d) Environment: how do we reduce our dependence on non-renewable sources of energy; reduce carbon emissions; introduce new carbon capture and battery technology?

### **2.3.1 Denel**

- The latest lender has come into assistance and full salaries will be paid.
- The company is improving the way that it contracts as well as renegotiating existing contracts to improve the margins it earns on such business.
- A new, permanent CEO was recommendation of the Board appointed in December last year.
- Governance improved and steps are being implemented to improve the reliability of the company's financial accounting and reporting.
- Denel is reviewing its supply chain and procurement processes to reduce costs and streamline processes.
- The company has reduced employee costs through voluntary severance packages.
- Importantly, the company has a pipeline of potential contracts in excess of R30 billion.

### **2.3.2 South African Airways**

The airline must undertake the following urgent actions:

- An accelerated LTTS is being developed for approval by 8 July 2019.
- We are in the process of strengthening the company executive and the Board to ensure stability in the organization.
- A Joint Implementation Committee has been established between Management, the Board and my Department to accelerate implementation, accountability and enable quick decision making.

### 2.3.3 Transnet

The Board and management of Transnet has committed to the following targets for 2019/2020:

- Grow rail market share in general freight from 29% to 32%.
- Rail general freight tariffs to average 5%.
- Limit Port Terminals container tariffs to 6%.
- Reduce the Ports Authority tariff by 6%.
- Generate cross-border revenue of R3.6 billion.
- Increase the total number of artisan, engineering, technician and sector-specific trainees by 11%.
- Achieve a local procurement spend greater than 75%.

### 2.3.4 Eskom

The Eskom Board will address the following challenges in the months ahead:

- Eskom has Installed capacity: 45 000 MW vs ±32 000 MW readily available
- Has an Electricity Availability Factor (EAF) of between 65% →71% - needs to get to 80% - On the Generation side: outages at power stations remain erratic/unpredictable.
- Needs better operational discipline - Focus on power stations must:
  - Employ operations and engineering staff
  - Reduce outages – planned and unplanned – and maintain below 9 500 MW.
  - Ensure timely maintenance and quality of work.
  - Ensure appropriate, good quality coal and adequate supply

### 2.3.5 Restructuring of Eskom

Eskom has begun to develop a road map to implement the proposals in the February 2019 SONA: to separate its Generation, Transmission and Distribution functions into three separate business entities, wholly-owned by the State.

Some of the details being looked into, are:

- a) Power transfer policies and contracts;
- b) Internal structural reorganization (governance, organizational structure, policies and procedures);
- c) Financial reporting and auditing processes per business division;
- d) Create of detailed cost allocations and Service Level Agreements within the holding company;
- e) Implement auditable financial statements (including governance and support services); and
- f) Transfer assets to subsidiaries whilst considering the tax and regulatory implications.

## **2.4 Challenges facing state-owned companies**

There are external and internal factors that affect the performance of state-owned companies. These include the following:

### **2.4.1 External Factors**

The external challenges that affect state-owned companies are comprised of external governance, policy regulation, and financial challenges. They are discussed in this detail below.

#### **(a) External Governance**

- Strategic role to be played by the SOCs as a sector and individually not clearly defined.
- Conflicting and misaligned mandates given to SOCs by different stakeholders.
- Limited clarity on the roles of various stakeholders and lines of accountability.
- Lack of uniformity in the oversight model and weak oversight by shareholder departments.

**(b) Policy and Regulation**

- Policy gaps and misalignments.
- Uncertainty and poor quality economic regulation of SOCs.

**(c) Financial**

- Limited fiscal resources to invest in SOCs and negligible appetite for private ownership.
- Lack of clarity on where the government should own SOCs, disperses resources widely.
- Funding model to cover the cost of non-commercial development mandates not clear.

**2.4.2 Internal Challenges**

The internal challenges affecting State Owned Companies are comprised of internal governance, strategy, operational and financial challenges. These discussed in detail are outlined below.

**(a) Internal Governance**

- Weak, inexperienced and compromised boards and management.
- Negligible sanctions for poor performance and corruption.
- Limited direction, oversight and leadership from the boards.

**(b) Strategy**

- Strategies that do not keep up with rapidly changing competitive environment.
- Poor alignment of strategy to national objectives.
- Limited SOC collaboration leading to overlaps and duplication.

**(c) Operational**

- Failure to keep pace with technological improvements in certain industries.
- Delays and cost overruns in the delivery of capital expenditure programmes.
- Weak or corrupt procurement.
- Operational inefficiencies.

**(d) Financial**

- Weak balance sheets, with unsustainable debt levels.
- Unviable business models.
- Financial burden of unfunded non-commercial activities.

**3. Programmes of the Department**

**3.1 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 compensation of employees, which will provide technical and administrative support to the Department. The overall budget for the programme increases by 7.0 per cent from R152.0 million in 2018/19 to R186.0 million in 2021/22. Expenditure on compensation of employees constitutes 55.9 per cent over the medium term. Over the medium term, expenditure on compensation of employees grows by 8.3 per cent from R82.3 million in 2018/19 to R104.5 million in 2021/22. The number of personnel is expected to increase from 133 employees to 136 employees over the medium term.

Spending on consultants is expected to increase by 11.9 per cent over the medium term and remains 7.6 per cent of the budget over the medium term. Goods and services constitute 42.2 per cent of the budget over the medium term. Travel and subsistence constitute 6.4 per cent of the budget, and increases by 6.0 per cent over the medium term, which is required by the programme to carry out its oversight function of the state-owned companies, situated throughout South Africa.

### 3.2 Programme 2: SOC Governance Assurance and Performance

The purpose of this programme is to provide 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 and legal systems
- Developing and maintaining shareholder risk profiles and mitigating strategies for government's state-owned companies
- 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**, which comprises the office of the deputy director-general that provides strategic leadership and management for the programme's personnel.
- **Legal**, which 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**, which 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**, which 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 7.2 per cent of the budget over the medium term. The largest unit is Financial Assessment and Investment Support at 37.6 per cent of the budget followed by the sub-programme Legal at 28.0 per cent and Governance at 27.2 per cent of the budget. The overall budget for the programme increases by 8.7 per cent from R39.1 million in 2018/19 to R50.3 million in 2021/22.

Over the medium term, 55.5 per cent of the programme 2 budget is allocated for spending on compensation of employees over the medium term, with the number of personnel expected to increase from 33 employees in 2018/19 to 36 employees over the medium term. Compensation of employees increases by 9.0 per cent over the medium term, from R30.1 million in 2018/19 to R39.0 million in 2021/22. Expenditure on consultants is expected to increase by 10.8 per cent over the medium term from R3.9 million in 2018/19 to R5.3 million in 2021/22. Legal services increase by 5.5 per cent over the medium term, while travel and subsistence increased by 8.3 per cent from R1.8 million in 2018/19 to R2.2 million over the medium term.

### **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.

Over the medium term, the programme's budget decreases by 75.3 per cent from R6.3 billion in 2018/19 to R95.7 million in 2021/22. The decrease is due to the Department receiving R6.2 billion as allocations

for SAA and SAX during the 2018/19 financial year. 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
- Conducting research, modelling job creation and transforming instruments for SOCs to inform compact alignment imperatives, promote SOCs' contribution to inclusive economic growth, unlock bottlenecks affecting SOCs and inform evidence-based policy formulation.

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 7.3 per cent over the medium term, from R13.7 million in 2018/19 to R16.9 million in 2021/22. Over the next three financial years until 2021/22, the programme constitutes 17.6 per cent of the total programme expenditure.

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 increases from R13.5 million in 2018/19 to R15.9 million in 2021/22, an increase of 5.7 per cent in nominal terms. Over the medium term, the sub-programme constitutes 16.6 per cent of the programme's budget.

The sub-programme **Transport and Defence** exercises shareholder oversight over Transnet, South African Express Airways and Denel. The budget for the sub-programme constitutes 25.7 per cent of the programme budget over the medium term. The sub-programme budget

decreased in nominal terms by 84.2 per cent from R6.3 billion in 2018/19 to R24.6 million in 2021/22.

The sub-programme **Business Enhancement Services** develops and coordinates the implementation of SOCs' strategies to leverage localisation programmes; provides 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 constitutes 40.1 per cent of the programme's budget over the medium term. The sub-programme's budget increases in nominal terms by 2.5 per cent from R35.7 million in 2018/19 to R38.4 million in 2021/22.

Compensation of employees constitutes 70.4 per cent of the programme's budget over the medium term, with goods and services accounting for 29.5 per cent. Compensation of employees increases by 4.7 per cent from R59.0 million in 2018/19 to R67.7 million in 2021/22. Personnel in the programme is projected to decrease from 64 employees in 2018/19 to 59 employees over the medium term. Goods and services is projected to increase by 5.6 per cent from R23.8 million in 2018/19 to R28 million in 2021/22. Consultants increase by 8.6 per cent over the medium term from R14.2 million in 2018/19 to R18.2 million in 2021/22. Consultants accounts for 65.5 per cent of the goods and services budget over the medium term.

### **3.4 Budget**

Over the medium term the Department will focus on strengthening its oversight capacity and ensuring that SOCs under its authority are contributing to investment in key infrastructure.

A re-aligned organisational structure for the Department was approved in December 2017, however, implementation was envisaged for the 1<sup>st</sup> of April 2018. It was placed on hold due to the preparation for the new administration and only implemented in January 2019.

**Table 1. Estimate of Expenditure over the medium term**

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	R million	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20	2018/19-2019/20	
<b>Programme 1: Administration</b>	152,0	164,9	175,9	186,0	12,9	4,7	8,49%	3,12 %
<b>Programme 2: State-Owned Companies Governance Assurance and Performance</b>	39,1	43,9	47,1	50,3	4,8	2,6	12,28%	6,73%
<b>Programme 3: Business Enhancement, Transformation and Industrialisation</b>	6 331,9	84,2	89,8	95,7	-6 247,7	- 6 251,9	-98,67%	-98,74%
<b>TOTAL</b>	<b>6 523,0</b>	<b>293,0</b>	<b>293,1</b>	<b>332,0</b>	<b>6 230,0</b>	<b>- 6 244,5</b>	<b>-95,51 %</b>	<b>-95,73 %</b>

**Source:** National Treasury (2017)

Table 1 describes the department's medium term allocation with the real and nominal increase over the current financial year. From this, the following can be concluded:

- **Programme 1:** Administration, has a nominal increase of 8.49 per cent in 2019/20, with real increase of 3.12 per cent. Programme 1 accounts for the largest allocation of the Department's overall budget with 56.3 per cent of the budget in 2019/20.
- **Programme 2:** State-Owned Companies Governance Assurance and Performance receive the smallest allocation of 15.0 per cent in 2019/20. The programme increases by 12.28 per cent nominally in 2019/20 or in real terms by 6.73 per cent.

- **Programme 3:** Business Enhancement, Transformation and Industrialisation accounts for the second largest allocation of the budget, accounting for 28.7 per cent of the budget in 2019/20. Programme 3 allocations has decreased by 98.67 per cent due to the inflated 2018/19 budget of the R6.3 billion allocation during the adjusted budget process in October 2019 to this programme.

Overall, the Department's budget decreases by 95.51 per cent in nominal terms from R6.5 billion in 2018/19 to R293.0 million in 2019/20.

Compensation of employees amounts to 63.3 per cent of the total budget over the medium term, with goods and services amounting to 35.6 per cent over the medium term. Of the goods and services budget, the use of consultants constitutes 31.7 per cent while travel and subsistence accounts for 17.9 per cent of the budget over the medium term period from 2018/19 to 2021/22. Compensation of employees is set to increase at an average annual rate of 7.2 per cent, from R171.4 million in 2018/19 to R211.2 million in 2021/22, which constitutes the Department's largest cost driver. Travel and subsistence increases from R17.9 million in 2018/19 to R20.7 million in 2020/21; while consultants increased from R28.5 million in 2018/19 to R38.1 million in 2021/22.

#### **4. Report of Auditor-General on the Annual Performance Plan of the Department of Public Enterprises for 2019/20 financial year**

By the time of the consideration of the annual performance plan and budget of the Department of Public Enterprises, the Auditor-General had not yet completed the auditing of the Annual Performance Plans of the Department and its state-owned companies.

## **5. Performance of State-Owned Companies**

State-owned companies have a role to play in economy through offering cost efficient and effective services to the public. The dual mandate of SOCs compels them to fulfil service for public good while safeguarding their commercial mandate. It is imperative that they maintain performance in order not to constrain the public funds and meeting their obligations while remaining profitable. Performance of SOCs have declined over the past few years' due governance, procurement, financial and operational challenges. The new administration has made commitments to address these challenges. It is imperative that the Department continue to provide oversight of the SOCs to ensure that the commitments made are realised. The Committee will continue to monitor SOCs environment and provide guidance to Government on issues to be implemented over the new term administration. The key issues which emerged during Committee oversight including recommendations made during the last term Committee inquiry, legacy report, Budget Vote Report, and Budget Review Recommendations Report should be taken into account by the Department and state-owned companies.

## **6. Committee Observations**

### **6.1 The Committee made the following observations:**

6.1.1 The Committee applauded the Department for the decisive action taken to appoint executives and boards in state-owned companies to stabilize the companies. However, noted with grave concern the resignations of the recently appointed Group Chief Executives Officers of South African Airways and Eskom respectively.

6.1.2 State-owned companies have been weakened financially and the governance structures and systems have been destroyed by the state capture phenomenon.

- 6.1.3 SOCs have not done enough to create black industrialists and local industries and therefore there is a need for a more radical approach to advance localization and beneficiation.
- 6.1.4 SOCs are excluded from incentives that are provided to the private sector for job creation and they do not receive any assistance from development finance institutions.
- 6.1.5 The lack of implementation of remuneration standards for state-owned companies have rewarded and incentivised incompetent and corrupt executives and board members. However, the Committee welcomed the approval of the remuneration standards for state-owned companies
- 6.1.6 The timeframe for the introduction of the Shareholder Management Bill in 2020/21 was not desirable. The Committee urged the Department of Public Enterprises to prioritize and fast-track this overarching legislation in this financial year.
- 6.1.7 The corporate social investment programmes of state-owned companies have not yet adequately reached out to rural and poor communities.
- 6.1.8 There are concerns regarding community issues that have been exacerbated by the delay of the payment of the R45 million to the Richtersveld community. The Committee urged the Department to fast-track the processes required to be able to pay this amount to the community.
- 6.1.9 The Committee was concerned with the pace of implementing the PRC recommendations for the state-owned companies.
- 6.1.10 The Committee recommended that lifestyle audits not only be conducted on executives of the SOCs but should be undertaken by the executives of the Department as well.
- 6.1.11 Expressed concern regarding the adequacy of the risk assessment tools used by the Department and the entities.
- 6.1.12 The Committee observed that support packages and the process of restructuring needs to be transparent and accountability measures should be put in place for these processes.

## **7. Recommendations**

The Committee recommended that the Minister of Public Enterprises should, within the 2019/20 financial year, ensure that the Department of Public Enterprises:

- 7.1 Consider fast-tracking the Shareholder Management Bill to empower the Department to execute its shareholder management responsibility and oversight over state-owned companies.
- 7.2 Once the SOE Council is established, provide regular feedback to the Committee on the outcomes and implementation of the recommended proposals for SOE reform.
- 7.3 Consider introducing a comprehensive plan to expand the corporate social investment of SOCs to rural parts of the country.
- 7.4 Develop a communication strategy for all state-owned companies in order to promote the companies and educate and inform the public and rural communities about the work of SOCs and opportunities that they offer.
- 7.5 Consider working with the Department of Trade and Industry and National Treasury in addressing localization strategies. These should include 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 industrial value chains.
- 7.6 Prioritise youth employment and co-ordinate the effort of all state-owned companies to address the challenges of unemployment.
- 7.7 Provide the Committee with shareholder compacts on an annual basis and quarterly reports on how the companies are performing in achieving targets.
- 7.8 Ensure that SOCs accelerate transformation programmes, promote industrialization and support small and medium enterprises that are owned by women, youth and people with disabilities.

- 7.9 Ensure that SOCs find a balance between advancing their commercial and public mandates. They 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.
- 7.10 Ensure that lifestyle audits should be conducted on the executives of the Department of Public Enterprises as well as in the SOCs.
- 7.11 Ensure that issues relating to Safcol land claims are addressed expeditiously, and submit a progress report to the Committee on this matter by the end of the third quarter of the financial year.
- 7.12 Ensure that issues relating to the going concern of South African Airways and South African Express Airways are addressed and a progress report submitted to the Committee by the end of the third quarter of the financial year. This should include the progress on the Government aviation strategy.
- 7.13 Ensure that concerns raised on the achievability SAA Long Term Turnaround Strategy are addressed and progress implementation of the LTTS is monitored by the Department and presented to Committee in the third quarter.
- 7.14 Work with the Department of Rural Development and Land Reform to ensure that the Richtersveld Mining Company and Communal Property Association are properly constituted to facilitate the R45 million payment to beneficiaries.
- 7.15 Implement recommendations or relevant matter emanating from the Judicial Commission on State Capture as set-up by the President, if any concerning the Department and the state-owned companies, during the 2019/20 financial year.
- 7.16 Fast-track the implementation of the PRC recommendations, including the policy on remuneration standards for state-owned companies.
- 7.17 Address the financial and governance issues facing the state-owned companies within the Department's portfolio and provide regular feedback to the Committee.

- 7.18 Work 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 quarterly.
- 7.19 Ensure that all vacant positions are permanently filled within the Department of Public Enterprises by the end of the financial year.
- 7.20 Ensure that all funding gaps, accountability measures, government buy in, delayed decision making, rising debt levels and internal problems in SOCs are addressed.

## **8. Conclusion**

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

Report to be considered.

## **5. Report of the Portfolio Committee on International Relations and Cooperation on Budget Vote 6: International Relations and Cooperation, Dated 10 July 2019**

The Portfolio Committee on International Relations and Cooperation (the Committee), having considered Budget Vote 6: International Relations and Cooperation of the Department of International Relations and Cooperation (the Department), reports as follows:

### **1. Introduction**

The Committee had a preparatory session on 2 July 2019, where the Committee Content Adviser and the Researcher highlighted salient sector issues and the budget allocations of the Department for 2019/20. The Committee met on 3 July 2019 to consider the Department's Annual Performance Plan (APP) 2019/20. The Committee further discussed the African Renaissance and International Cooperation Fund's (ARF) Annual Performance Plan 2019/20, together with the Department's overall budget allocation for 2019/20.

### **2. Briefing by the Department on Budget Vote 6: International Relations and Cooperation**

#### **2.1. Presentation by the Department on its 2019/20 and Medium Term Expenditure Framework (MTEF) expenditure focus**

The Director-General Mr Kgabo Mahoi (the DG) gave a general overview of the mandate of the Department, being to work towards the realization of South Africa's Foreign Policy objectives. This is done through:

- coordinating and aligning South Africa's international relations,
- monitoring developments in the international environment,
- communicating government's policy positions,

- developing and advising government on policy options, and creating mechanisms and avenues for achieving objectives,
- protecting South Africa's sovereignty and territorial integrity,
- contributing to the creation of an enabling international environment for South African businesses,
- sourcing developmental assistance, and
- assisting South African citizens abroad<sup>1</sup>.

The Director-General further mentioned that the organizational structure of the Department was such that there are three political principals, namely, the Minister, Dr Naledi Pandor and two Deputy Ministers. Deputy Minister Candith Mashego-Dlamini would be responsible for issues relating to Africa, Continental Cooperation, Asia and the Middle East. Deputy Minister Alvin Botes, would be responsible for issues relating to the Americas, Europe and the Caribbean. He further highlighted that there the Department operated within the prescripts of the United Nations Convention on Diplomatic Relations 1961 and the United Nations Convention on Consular Relations 1963, both which guide the relations between states.

The Director-General pointed out that there were 125 Missions in 107 countries abroad, four of which are hybrid Missions, (multilateral missions) also accredited to international organisations. These multilateral missions are found at the African Union (AU) in Addis Ababa; the United Nations (UN) in New York; United Nations Offices in Geneva and in Vienna. The Department was reported to also have four strategic geographically designated branches and other services branches working in unison to advance South Africa's Foreign Policy.

According to the Director-General, on the policy level, the Department will be dealing with the Fund for Development (PFD) Bill and the finalisation of the Foreign Service Bill which is before Parliament. The other policy matter relates to the coordination of international activities

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<sup>1</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation  
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of a foreign policy nature. This is implemented through a Cabinet agreed Consultative Mechanism between the three spheres of government, which has been a challenge.

The global situation under which the Department had to operate was regarded as volatile, uncertain, complex and ambiguous (VUCA). The external factors and international developments remained influential to the execution of South African Foreign Policy. He further indicated that the substantial budget cuts announced by the government would have impact on the operations of the Department. However, the Department would still be able to navigate and achieve its set objectives.

The other concerning development was that the National Treasury has, since 2017/18, requested the African Renaissance and International Cooperation Fund (ARF) to hand-over its surplus funds. The Department has since submitted a request to National Treasury to retain the uncommitted funds of R 85 374 million in 2018/19, and is awaiting a response. According to the ARF Act<sup>2</sup>, accumulated surplus would be carried forward as a credit in the Fund to the next financial year. The concern was that if this practice continued, the ARF would be faced with a limited financial leverage to discharge its mandate as a 'soft power' tool of Foreign Policy.

The Department reported that the overall mandate of the Department is to work for the realisation of South Africa's international relations policy objectives. The foundation of South Africa's foreign policy was built on a desire to promote South Africa's national interest and values, the African Renaissance and the creation of a better world for all<sup>3</sup>.

It was highlighted that the Department derived its responsibility from the Constitution<sup>4</sup> and the National Development Plan (NDP) 2030. Its

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<sup>2</sup> The African Renaissance and International Cooperation Fund Act 51 of 2000; section 7(2)

<sup>3</sup> Department of International Relations and Cooperation, Strategic Plan 2015-2020

<sup>4</sup> The Constitution of South Africa 1996

mandate is further detailed in the 2014-2019 Government's Medium Term Strategic Framework (MTSF).

The Department was also reported as guided by the White Paper on South Africa's Foreign Policy, which directed the future focus of the Department. Outcome 11 of Government's 2014-2019 medium term strategic framework was also on the Department. Under this, the Government sought to "Create a better South Africa and contribute to a better and safer Africa in a better world", further articulating the vision of South Africa in the regional, continental and international arenas. It was further pointed out that some aspects of the White Paper may be due for a review.

### **3. Overarching mandate**

#### **3.1 National Development Plan**

Chapter 7 of the NDP envisioned South Africa as a globally competitive economy and an influential, leading member of the international community. The plan saw South Africa as promoting and contributing globally to sustainable development, democracy, the rule of law, human rights, and peace and security.

- The NDP has focused on the need to enhance South Africa's position in the region and the world, and to increase trade and investment. The plan further states that the country's foreign policy should be shaped by the interplay between diplomatic, political, security, environmental, economic and regional dynamics that define international relations. The plan envisions the country positioning itself as one of Africa's powerhouses, leading development and growth on the continent; and deepening integration with the Brazil-Russia-India-China-South Africa (BRICS) group of countries.

### 3.2 State-of-the-Nation Address 2019

In his State-of-the-Nation Address, President Cyril Ramaphosa designated foreign policy as one of the government's priorities. Priority seven, relates to 'a better Africa and world'. The President confirmed the impetus of South Africa's Foreign Policy towards multilateralism and a rules-based international system; commitment to global peace and security including sustainable economic growth; and the integration of South Africa's economy with those of the neighbours and the rest of the continent<sup>5</sup>. President Ramaphosa went further to say that the African Continental Free Trade Area would improve the movement of goods and services, capital and means of production across the continent<sup>6</sup>. The President further pointed out that within the Southern African Development Community (SADC), priority would be on development of cross-border value chains in key sectors such as energy, mining and mineral beneficiation, manufacturing, infrastructure and agro-processing<sup>7</sup>. President further elaborated that in order to gain economic development, the SADC region must be peaceful and stable and address conflicts within the region.

South Africa would use its membership of the UN Security Council to promote the peaceful resolution of disputes particularly on the African continent<sup>8</sup>.

## 4. Situational analysis around the world

Foreign policy is conducted in a very unpredictable performance environment<sup>9</sup>. It was reported that South Africa's foreign policy is implemented within a highly dynamic and challenging global environment that is often volatile, unpredictable, complex and ambiguous. (VUCA).

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<sup>5</sup> Presidency, 2019

<sup>6</sup>Ibid

<sup>7</sup>Ibid

<sup>8</sup>Ibid

<sup>9</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23–2019

It was indicated that globalisation continued to shape the world at an accelerating pace. The VUCA environment has brought about tendencies towards protectionism; increase in populism and extremism; rising populism, global economic imbalances, trade war between United States and China; increased societal impact of social networks and climate change, and the ideals of the Fourth Industrial Revolution. These global trends were increasingly influencing the way the countries of the world relate to one another. South Africa has had to develop a responsive foreign policy approach in order to navigate the turbulent often hostile international environment within which it operates<sup>10</sup>.

It was highlighted that South Africa's diplomatic service is conducted within a dynamic environment with varying foreign legislative contexts and unstable monetary regimes, that impact on the resources of the Department. In view of the increasing demands being placed on the national fiscus and the drive to curtail the public sector wage bill, departments have to operate within a set ceiling of compensation of employees. The Department found itself affected by the ceiling which has been set below the existing wage bill, leaving the Department with very little room to maneuver<sup>11</sup>.

## **5. Planned policy initiatives**

- The Department conducted its affairs and operations in a global environment, with circumstances and conditions which were often vastly different and diverse from the policy context within South Africa, which governs the Public Service. The Department has tabled a Foreign Service Bill in 2015, to cater for the unique work environment in which it operates. It is envisaged the Bill would allow the Department to fulfil its administrative and management responsibilities within the framework of the South African legislation. It would also create the necessary flexibility to address the challenges posed by it operating in a global level.

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<sup>10</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation

<sup>11</sup>Ibid

The Foreign Service Bill was adopted by the Portfolio Committee on 22 November 2018 and by the National Assembly on 4 December 2018. The Bill was also considered by the National Council of Provinces in March 2019. The Bill has since been referred back to the Portfolio Committee to consider an amendment to clause 2: Conflict of laws, and take the process further. Once all the processes have been completed, the Bill will then be referred to the President for assent.

South Africa's outgoing cooperation funding is governed by the African Renaissance and International Cooperation Fund (ARF)<sup>12</sup>. This fund has catered for initiatives between South Africa and other countries that relate to the promotion of democracy and good governance among others. At the operational level, the Fund has been experiencing challenges due to strategic and operational inefficiencies within the Fund.

As a consequence of these challenges over the past years, in 2009, Cabinet approved the proposal for the establishment of the South African Development Agency (SADPA). It was envisioned as the body to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects. On 14 July 2013, the proclamation on the creation of the SADPA was gazetted. This process provided the legal framework for establishing the agency. The core mandate of the agency would be for managing all South Africa's outgoing development cooperation, and creating the Partnership Fund for Development (PFD). The PFD is aimed to replace the African Renaissance and International Cooperation Fund Act, 2001 as the mechanism for funding development-cooperation initiatives.

The Department envisages that the new Partnership Fund for Development Bill will be tabled in 2019/20 reporting year<sup>13</sup>. It is aimed to enhance the utility of the fund and also improve substantially the governance of funding mechanisms. Furthermore, the Department has completed a draft strategic

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<sup>12</sup>African Renaissance and International Co-operation Fund Act, 2000 (Act No. 51 of 2000)

<sup>13</sup> Annual Performance Plan 2019/20, Department of International Relations and Cooperation  
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framework and policy guidelines for all outgoing development cooperation to be administered under the agency<sup>14</sup>.

## 6. Policy mandates of the Department

According to the Revised Strategic Plan 2015-2020, the Department is further responsible for regulation and implementation under the following Acts<sup>15</sup>:

- *The African Renaissance and International Cooperation Fund (ARF) Act, 2001 (Act 51 of 2001)*: The Act establishes the Fund to enhance cooperation between the South Africa and other countries, in particular, African countries. This is achieved through the promotion of democracy, good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.
- *The Foreign States Immunities Act, 1981 (Act 87 of 1981)*: This Act regulates the extent of the immunity of foreign states from the jurisdiction of courts of the Republic and provides for matters connected therewith.
- *The Diplomatic Immunities and Privileges Act, 2001 (Act 37 of 2001)*: This Act provides for the immunities and privileges of diplomatic missions and consular posts and their members, heads of state, special envoys and certain representatives of the United Nations and its specialized agencies, and other international organizations and of certain other people. Provision is also made for immunities and privileges pertaining to international conferences and meetings held in South Africa.

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<sup>14</sup>Ibid

<sup>15</sup> Strategic Plan 2015-2020, Department of International Relations and Cooperation ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

- The *Measures and Guidelines for Enhanced Coordination of South Africa's International Engagements* and its annexures, approved by Cabinet in 2009, establish more effective measures and mechanisms to coordinate the conduct of international relations and the implementation of South Africa's foreign policy.
- *The White Paper on Foreign Policy*, approved by Cabinet in 2011, assesses South Africa's foreign policy against the rising expectations of the critical role of foreign policy to meet domestic priorities.
- Foreign Service Dispensation (FSD) is implemented in terms of the provisions of Section 3(3) (c) of the Public Service Act, 1994 (Act 103 of 1994), as amended, and is applicable to designated employees who serve in a foreign country at a South African mission abroad and fall within the scope of the Public Service Coordinating Bargaining Council.

The Department is also a custodian of international agreements (bilateral and multilateral) concluded by the Republic in terms of relevant constitutional provisions (sections 231(2) and 231(3) of the Constitution).

## **7. Overview of the Department's strategic outlook and budget for 2019/20; and the MTEF expenditure focus**

### **7.1 Strategic outlook for 2019/20: Annual Performance Plan 2019/20**

The Revised Strategic Plan 2015-2020 has been categorized into six key priority areas. This is in order for the Department to contribute to a better life for all South Africans as pronounced through the State of the Nation address 2019, with the aim of responding to the domestic priorities as announced by government for the 2019/20 financial year as follows:

- Enhancing the African Agenda and Sustainable Development;

- Strengthening political and economic integration of the Southern African Development Community (SADC);
- Strengthening of South-South Relations;
- Strengthening of Relations with the strategic formations of the North;
- Strengthening of Political and Economic Relations;
- Participation in the Global System of Governance.

According to the Department's Revised Strategic Plan 2015-2020, the Department would continue to operate in a dynamic environment that combines varying legislative and monetary regimes that impact on its foreign policy operations. In 2019, South Africa maintained diplomatic relations with countries and organisations through 125 missions in 107 countries abroad<sup>16</sup>, and through the accreditation of more than 160 countries and organisations resident in South Africa.

The spending focus over the MTEF would be on advancing national priorities through economic and political relations. The Department would work in pursuit of the national imperatives outlined in Chapter 7 of the National Development Plan and Outcome 11 (Create a better South Africa, a better Africa and a better world) of the 2014-2019 medium term strategic framework. The Department would focus on consolidating South Africa's global economic, political and social relations, advancing an equitable, just and representative rules-based multilateral system; pursuing a sustainable developed and economically integrated Africa; and the regional integration of the Southern African Development Community (SADC)<sup>17</sup>.

There would be a concerted focus on economic diplomacy to contribute to South Africa achieving the vision and goals as espoused in the NDP. The Department would also focus on enhancing its operational capacity. It would also continue with its ongoing development and management of its infrastructure projects and properties.

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<sup>16</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation

<sup>17</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation  
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In the light of the dynamic global environment, South Africa's international relations is aligned to and support the southern African regional agenda. Consequently, the regional integration agenda remains key continental development. This is in line with the particular emphasis on improving the political and economic integration of the SADC.

There has been a clear and deliberate move to ensure there is a link between the activities of the Department and the implementation of Chapter 7 of the NDP Vision 2030. The NDP underscores the importance of building a nation that contributes to the prosperity of the southern Africa region, the African continent and the betterment of the lives of the marginalised throughout the world.

The NDP further requires that South Africa build a resilient economy which would contribute towards creating a working nation in order to narrow and eventually eliminate the gap between the rich and poor. The Department recognises that the national priorities as contained in the NDP are inextricably-linked to the aspirations of the African continent. Hence, Economic diplomacy would be used to promote the country as a trade and investment destination, thereby attracting foreign investment and also boosting its tourism sector<sup>18</sup>.

The aspirations of the NDP have also found expression in the Southern Africa Development Community (SADC)'s development mechanism, the Revised Regional Indicative Strategic Development Plan (RISDP). These aspirations are also found in the continental programme as encapsulated in the African Union's (AU) Agenda 2063 Vision. The economic development integration of SADC remains a key focus area<sup>19</sup>.

The Southern African Customs Union (SACU) and SADC are considered primary vehicles for regional economic integration. They are regarded important building blocs to achieve the Common Market for Eastern and

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<sup>18</sup>National Development Plan 2030, Chapter 7 thereof

<sup>19</sup>Annual Performance Plan 2019/20 of the Department of International Relations and Cooperation

Southern Africa (COMESA)-East African Community (EAC)-SADC Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA), which was launched in March 2018. Under the AfCFTA, the African nations commit to cut tariffs on 90% of goods with the aim of increasing intra-Africa trade. It was further indicated that the AfCFTA has created the largest free trade zone since the creation of the World Trade Organisation (WTO).

However, it was pointed out that for SACU to play its role in the economies of the member states, it would have to be transformed. This would assist to promote equitable development, sustainable infrastructure development and industrialisation. Peace, security and stability are considered prerequisites for sustainable economic development on the continent.

The cornerstone of South Africa's Foreign Policy is its believe in multilateralism<sup>20</sup>. South Africa is in the UN Security Council as a non-permanent member for the 3<sup>rd</sup> term as from 2019- 2020. The unanimous vote from the UN General Assembly was testament to the level of trust and respect the international community has on South Africa<sup>21</sup>.

During the reporting year, South Africa will continue to promote a more effective multilateral approach to international peace and security to ensure sustainable peace. South Africa will continue to promote multilateralism to advance the priorities reflected in the NDP 2030. South Africa believes in being represented in these multilateral forums to influence, engage the outcomes of the decisions taken by these organisations. In his maiden speech at the UN General Assembly in September 2018<sup>22</sup>, President Ramaphosa challenged Member States resist efforts to undermine the multilateral approach to international relations.

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<sup>20</sup>Ibid

<sup>21</sup> Estimates of National Expenditure 2019

<sup>22</sup>Presidency, 2018

South Africa will continue to promote the interests of Africa and the Global South to increase intra-Africa trade and industrial development<sup>23</sup>. South Africa ratified the agreement on the African Continental Free Trade Area (AfCFTA) in December 2018. When depositing the Instrument of Ratification at the Summit of the African Union in Addis Ababa, President Ramaphosa highlighted that South Africa showed its unwavering commitment to the implementation of the AfCFTA<sup>24</sup>. The AfCFTA is aimed to remove trading barriers, boost intra-Africa trade and build an integrated and diversified market, with a GDP of approximately 3.3 trillion US Dollars.

Africa remains central to South Africa's Foreign Policy<sup>25</sup>. This is pursued through strengthening of bilateral relations for economic development and integration; and on promoting peace, security and stability in the continent. The Department has highlighted that South Africa will assume the chairship of the African Union in 2020. President Cyril Ramaphosa will lead the programmes of the Union.

It is believed that during this period, the Department would pursue the economic development trajectory for the continent<sup>26</sup>. The Department is of the view that, strengthening cooperation between the AU Peace and Security Council and the UN Security Council would assist in realising Agenda 2063 goal of creating a continent at peace with itself.

The Department recognised the collective efforts required by Agenda 2063 to strengthen the organs of the African Union (AU), particularly the Commission. It should be empowered to play a central role in the implementation of the continental development plan. South Africa believed that aspirations of Agenda 2063 could be realised not only in conditions of peace and security, but also within the environment entrenching good economic and political governance.

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<sup>23</sup>Annual Performance Plan, Department of International Relations and Cooperation

<sup>24</sup>Presidency, 11 February 2019

<sup>25</sup>Annual Performance Plan 2019/20, Department of International Relations and Cooperation

<sup>26</sup>Estimates of National Expenditure 2019

The Department recognised the efforts made by the continent in finding solutions to its own challenges. South Africa is committed to the AU's resolve to silence the guns by 2020 through collective efforts. In this regard, South Africa welcomed the progress made by the AU since the adoption, in January 2017, of the AU Master Roadmap on Practical Steps on Silencing the Guns in Africa by the Year 2020.

Similarly, South Africa is pleased with the progress made in the implementation of the AU Agenda 2063 First 10-Year Implementation Plan. This included the launch of the Single African Air Transport Market in January 2018. Thus, commendable progress has already been made in realising Africa's aspirations through flagship projects. There are 10 flagship projects being pursued under the auspices of the AU Agenda 2063. In his State-of-the-Nation address, President Cyril Ramaphosa confirmed impetus of South African solidarity with the people of Western Sahara towards a referendum which would enable them to decide their destiny.

With regard to bilateral relations with other countries, the Annual Plan provides that South Africa will pursue numerous critical international engagements in the form of structured bilateral mechanisms (bilateral commissions) with other countries<sup>27</sup>. The Department and its Missions abroad have committed<sup>28</sup> to contribute towards improving the lives of South Africans as they tackle the triple challenges of poverty, unemployment and inequality. The Department would seek opportunities in skills and knowledge development; targeted investments; growing markets for South Africa's products and services in an integrated and inclusive manner. The main focus of the Department would be to utilise South Africa's bilateral engagements and Missions abroad to contribute to the government drive for investment and inclusive growth.

According to the APP, Asia and the Middle East region has become an integral part of South Africa's global trade aimed at addressing the triple challenges. The Department intends to scale up high level visits to the

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<sup>27</sup> Ibid

<sup>28</sup> Annual Performance Plan 2019/20, Department of International Relations and Cooperation ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

region. During his February 2019 State of the Nation address, President Ramaphosa mentioned an investment summit, to which China already has pledged US\$14 billion and the United Arab Emirates (UAE) and Saudi Arabia jointly pledged US\$10 billion towards the President investment drive.

Brazil, Russia, India, China, South Africa (BRICS) formation is reported to have strong ties. It is argued that its strength is based on the common values of seeking redress for the domestic challenges faced by each country. The BRICS family also cooperate in calling the international community to restructure the global political, economic, financial architecture. The formation seeks a more balanced, representative, inclusive and rules based multilateralism. South Africa hosted the 10<sup>th</sup> BRICS Summit in July 2018. The next BRICS Summit will be held in Brazil at the end of 2019, and South Africa will participate.

The India, Brazil South Africa (IBSA) grouping is characterised by common domestic challenges and the aspirations to tackle them through South-South cooperation partnerships. IBSA has in the recent past been considered dormant<sup>29</sup>, however, the partners are scheduled to meet on the margins of the 74<sup>th</sup> UN General Assembly in New York in September 2019. The IBSA formation has a Development Fund and it is very active. It has funded a number of projects in the Global South, which are in support of the Sustainable Development Goals (SDGs) and Agenda 2063. IBSA is celebrating 15 years of existence this year.

The Indian Ocean Rim Association (IORA) is reported to be the brainchild of Former President Mandela<sup>30</sup>, who had a vision of a prosperous group of nations bordering the Indian Ocean. He envisaged the utilisation of the resources of the Blue Economy for the common good of the nations bordering the Indian Ocean. South Africa is currently chairing IORA until end of 2019. South Africa addresses the aspirations of Operation Phakisa through the Blue Economy programmes of IORA.

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<sup>29</sup> Revised Strategic Plan 2015-2020, Department of International Relations and Cooperation

<sup>30</sup> Ibid

South Africa would remain committed to the strategic partnership relations with formations of the North. Western Europe remained a key strategic region for South Africa for continued engagements and the search for opportunities related to Operation Phakisa and unlocking the Ocean's Economy. It will utilise co-chairship of G20 (Group of 19 countries plus the European Union) Development Working Group to support economic development and inclusive growth for South Africa, Africa and the Global South. The partnership would further assist in identifying vocational training and scholarship opportunities. This would be in order to provide the workforce with necessary skills required to fill the gaps in the country's labour market and for attracting trade and investment from the region. The European Union (EU) thus remains South Africa's largest trading partner and largest foreign investor.

South Africa's diplomacy in Asia and the Middle East would focus on cooperation pursued with partners through high-level visits, structured bilateral mechanisms and economic diplomacy initiatives. Focus would also be on the promotion of South Africa as an investment destination for investors from the region. Focus would be on value-added sector and beneficiation in support of South Africa's industrialisation and development.

The Indian Ocean region remained of vital importance and growing geostrategic significance. South Africa was reported as viewing the Indian Ocean Rim Association (IORA) as a pre-eminent regional organisation linking Africa, the Middle East and Asia via the Indian Ocean. The association is growing in stature and prominence, and South Africa is the Chair of IORA for the period from October 2017 to October 2019.

However, the Department has underscored that socio-economic development, regional or international, would be realised in a democratic environment which responds to the needs of the people. The conduct of bilateral political and economic relations would remain the center of the Department's international work. This would be with a deliberate view to address domestic challenges and pursue continental aspirations.

As a result, this Annual plan commits South African missions abroad to work tirelessly and undertake practical steps to attract foreign direct investment and attract tourists from the South and the North alike. It further provided details of how the Department sought to project South Africa and improve comprehension of the country's international engagements by both domestic and international audiences.

With regard to the relations with the anchor states and formations of the South, the Department recognises that South Africa shares a history of solidarity and current developmental challenges with most African countries and the global South. South-South cooperation remains critical in advancing common aspirations. The historic partnership has been entrenched with the establishment of the India, Brazil, and South Africa (IBSA) and the Brazil, Russia, India, China and South Africa (BRICS). South Africa's membership in BRICS has yielded benefits for the country and is expected to do so for the rest of the continent.

The New Development Bank (NDB) was launched in 2015, while the African Regional Center (the ARC) of the NDB was launched in 2017 by former President Jacob Zuma. The ARC is intended to play a catalytic role in providing financial and project preparation support for infrastructure and sustainable development projects in South Africa and Africa. South Africa assumed the rotational

On the Global Agenda, the Department's focus would continue to be on the reform of the United Nations (UN) system. The Department is conscious that the UN, in its current form, is not reflective of the current global political and economic configuration. Its current form, the UN system (especially the UN Security Council) is regarded as undemocratic and unrepresentative of the aspirations of its membership, particularly the poor and the marginalised.

The Department further urges that the 2015 Paris Agreement be implemented without delay to protect human life from the on-going erratic

and persistent weather conditions. The Department would also continue to represent the national interest of South Africa and the aspirations of the African continent and the global South in its participation in the World Trade Organisation (WTO) and the Group of 20 (G20).

The Portfolio Committee had recommended, in its 2014/15, 2015/16 and 2016/17 Budget Review and Recommendation Reports, that the Department should ensure that crafting of foreign policy and its diplomatic projections are handled by cognisant, professional and technically proficient officials at home and in missions abroad.

In response, the Department revised its organisational structure in 2016, to realign it with the ever-changing mandate of international relations trends.

However, the new structure is not fully operational. In the light of the increasing demand being placed on the national fiscus and the drive to curtail the public sector wage bill, the Department has to operate within a set ceiling of compensation of employees. This has severely impacted on the filling of vacancies and the Department would accordingly continue to abolish/freeze non-critical posts, both at headquarters and abroad. The Department has reported a current vacancy rate at 9,09%, which is within the national minimum average rate of 10%.

## **7.2 Overview of Departmental budget 2019/20 and MTEF expenditure focus**

The Department would be allocated a decreased budget amount of R6 508,5 million in 2019/20 compared to R6 552,8 million in 2018/19 financial year. The budget could still be affected by foreign exchange fluctuations later in the year, or by unplanned activities that the Department could find itself faced with in the execution of its mandate. The impact on the overall budget could be further exacerbated since the Department would be hosting a number of high level events in the 2019/20 financial year. This was reported

in line with South Africa having assumed strategic leadership positions in international forums and being: Chair of IORA: October 2017-October 2019; currently serving as a non-permanent member in the UN Security Council for 2019 and 2020, and to assume the chairship of the African Union in 2020. There would be summits and structured meetings which South Africa has to host, and National Treasury has asked the Department to find a budget for the events within the allocated budget.

### **7.3 Strengthening the African Agenda and regional integration**

Over the medium term, the Department would be involved in rationalising regional economic communities towards a continental free trade area. It would be revitalizing the New Partnership for Africa's Development (NEPAD) on infrastructure development, and promoting good governance systems through the African Peer Review Mechanism (APRM). These and other related activities are budgeted for in the Africa subprogramme of the International Relations programme and the Continental Cooperation subprogramme of the International Cooperation programme. Spending over the medium term is projected to be R3,7 billion, the bulk of which will be on compensation of employees, contractual obligations in Missions abroad and membership contributions to regional and continental bodies<sup>31</sup>.

As one of the largest contributors to the AU budget, South Africa's membership contribution is expected to increase by R200 million in 2019/20 (from R237,9 million to R437,9 million) and by R213,3 million in 2020/21 (from R251 million to R464,3 million) to address a shortfall as a result of the current scale of assessment to determine countries' membership fees to the AU. This contribution is expected to decrease to R265,1 million in 2021/22, when the current three-year cycle of the scale of assessment lapses<sup>32</sup>.

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<sup>31</sup>Annual Performance Plan 2018/19, Department of International Relations and Cooperation

<sup>31</sup> National Treasury Estimates of National Expenditure 2019

<sup>32</sup>Ibid

#### **7.4 Consolidating global economic, political and social relations**

To advance South Africa's foreign policy objectives, the Department would continue to strengthen and consolidate South-South relations through its membership and engagements with organisations such as the Forum on China-Africa Cooperation, G77 and the Brazil-Russia-India-China-South Africa (BRICS) group of countries. The adoption of the strategy for the BRICS economic partnership is expected to facilitate trade and investment, enhance access to market opportunities, and facilitate trade between member countries. The BRICS New Development Bank (the NDB) was officially launched in February 2015. The bank is operational and it lends money to developing countries and emerging economies to help finance infrastructure and sustainable projects in BRICS member states and other developing countries and emerging economies. The bank's ARC was launched in Johannesburg in 2017 by the former President Jacob Zuma and has begun operations. The ARC is intended to play a catalytic role in providing financial and project preparation support for infrastructure and sustainable development projects in South Africa and Africa.

The Department would continue to support, negotiate and influence reforms in systems and structures of global governance through its ongoing participation in United Nations (UN) structures, and multilateral organisations and forums. South Africa would continue its support to the India, Brazil, and South Africa (IBSA) forum. These activities are funded through the *Membership Contribution* subprogramme in the *International Transfers* programme.

#### **7.5 Recalibrating South Africa's foreign policy and services**

South Africa's foreign policy is formulated and executed in a global environment that is constantly evolving. It therefore requires frequent recalibration through comprehensive reviews of various foreign policy levers, tools and instruments to remain relevant and in line with the Department's mandate. To this end, in 2018/19, Minister Sisulu established

the foreign policy review panel and convened the inaugural foreign policy review workshop to begin the process of reassessing South Africa's foreign policy.

The panel's work over the MTEF period is expected to provide strategic guidance and recommendations on rationalising foreign missions. This will be done through critical appraisals of staffing levels within missions, and reviews of the policy frameworks governing the foreign services and those regulating benefits and allowances for foreign service dispensation. To support the panel's activities, R8 million per year over the medium term is allocated in the *Administration* programme.

Over the medium term, the Department has planned to establish and manage bilateral structures and mechanisms. It would also coordinate high-level engagements on issues such as trade, investment, peace, security and cultural exchange.

This would strengthen South Africa's political and economic partnerships. It could also increase exports of the country's goods and services. It could attract greater foreign direct investment and technology transfers into value adding industries and mineral beneficiation, and grow inbound tourism and the skills base. The 125 foreign missions play a crucial role in these activities, as do bilateral meetings with targeted government ministries, meetings with potential investors, engagements with various chambers of commerce, and participation in events to promote tourism.

In 2019/20, the Department is expected to undertake 112 economic diplomacy initiatives on trade and investment, as well as 126 engagements with chambers of commerce. The Department has also planned to enhance. Spending on these activities is in the International Cooperation programme, and is expected to increase at an average annual rate of 7,8%, from R490,1 million in 2017/18 to R613,8 million in 2020/21.<sup>33</sup>

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<sup>33</sup> Ibid

## **7.6 Developing and managing infrastructure projects and properties**

The Department manages a portfolio of domestic and international properties. Expenditures incurred in the domestic portfolio include: unitary payments for the public-private partnership for the head office building; rental and maintenance costs for three state protocol lounges at the OR Tambo, Cape Town and King Shaka international airports; the costs of two diplomatic guesthouses; and the accommodation costs of United Nations agencies, the Pan African Parliament and the NEPAD secretariat. The geographically decentralised and complex nature of the Department places high demands on it for the provision of accommodation, facilities, goods and services that allow optimal efficiency and effectiveness in the execution of its mandate. The Department operates both in South Africa and in various countries abroad. Currently, South Africa is represented in 107 countries globally and conducts business from 125 diplomatic and consular missions.

In addition, the Department manages a portfolio of state-owned and rented properties abroad, and is responsible for leasing, purchasing, disposals, alterations, maintenance, refurbishment, furniture and facilities.

The Department's new property management strategy was approved in August 2017 to provide for a mixture of rental and ownership. To reduce the cost of rental properties, the Department was in the process of drafting a plan to own properties in missions for office and residential accommodation. Accordingly, and for piloting purposes, the Department was in the process of purchasing a property in New York to house the country's mission office and residence in the United States.

The Department's international property portfolio consists of approximately 163 state-owned properties and in excess of 1000 rented properties. In support of cost-containment measures, and in order to reduce the operational cost associated with the rental of properties abroad

as well as to provide in missions' need for suitable and secure long-term accommodation, the Department is developing a property acquisition strategy for the accelerated acquisition of state-owned accommodation via alternative funding mechanisms such as finance lease arrangements.

During the medium term period, focus will be on the development of state-owned vacant land according to developmental standards and norms. There will also be a drive for the acquisition of properties in areas of strategic and economic importance, such as multilateral areas and in BRICS trading partners.

Property renovations, repair and maintenance activities have also been planned for the reporting year. This will be executed in accordance with the comprehensive property conditions assessment of all state-owned properties performed in 2016/17. Day-to-day property maintenance continues to be executed by Missions and is monitored by Head Office with specific key performance areas at both levels. All state owned properties are maintained annually from operational funds allocated to individual missions. At present, the Government owns 25 chanceries, one consulate, 35 official residences, 66 staff houses, 14 plots of vacant land and one parking bay<sup>34</sup>.

## **7.7 Public Private Partnerships (PPPs)**

The headquarters of the Department and guesthouses were constructed under a PPPs arrangement. The same facilities management company maintained the properties on behalf of the Department. The Department has to pay a unitary fee for the services, amounting to R249,9 million per annum for the head office and guest houses. The PPPs agreement would continue until September 2034.

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<sup>34</sup> Department of International Relations and Cooperation, Annual Performance Plan 2019/20  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23–2019

## 8 Expenditure trends for Departmental programmes

**Table 1 Budget Allocation-Vote 6: International Relations and Cooperation**

Programme (R million)	Adjusted appropriation	Medium term estimates		
	2018/19	2019/20	2020/21	2021/22
1: Administration	1 566,9	1 447,8	1 716,2	1 927,1
2: International Relations	3 375,6	3 018,0	3 246,4	3 443,9
3: International Cooperation	527,5	564,2	613,8	651,6
4: Public Diplomacy & Protocol	342,9	322,9	344,8	365,9
5: International Transfers	739,9	1 155,6	1 005,0	729,7
<b>Total</b>	<b>6 552,8</b>	<b>6 508 5</b>	<b>6 926,1</b>	<b>7 118,3</b>

Source: 2019/20 Annual Performance Plan of the Department

Table 1 illustrates the medium term expenditure estimates for each programme for the years 2018/19 to 2021/22. From this the following can be concluded. For programme 1: Administration, the 2019/20 allocation is R1 447,8 million. Programme 2: International Relations allocation for 2019/20 is R3 018,0 million. Programme 3: International Cooperation, the 2019/20 allocation is R563,2 million. Programme 4: Public Diplomacy and Protocol Services, the allocation for 2019/20 is R322,9 million. Finally, Programme 5: International Transfers, allocation for 2019/20 is R1 155,6 million.

The Department stipulates that the spending focus over the Medium Term Expenditure Framework (MTEF) period will be on advancing national priorities through the following parameters: economic and political bilateral relations; participating in global governance fora; advancing an equitable, just and representative rules-based multilateral system; pursuing a sustainable, developed and economically integrated Africa; and the regional economic integration of the Southern African Development Community (SADC). There will be a concerted focus on Economic Diplomacy to contribute to South Africa achieving the vision and goals as espoused in the National Development Plan (NDP).

The Department has been allocated an overall decreased budget of R6 508,5 million in 2019/20 compared to R6 552,8 million in 2018/19.

## **8.2 Expenditure per programme**

### **8.2.1 Programme 1: Administration**

The purpose of this programme is to develop the overall policy of the Department and manage its operations. The Strategic Objective of this programme is to achieve an efficient, effective, economical and fully capacitated Department.

The programme has been allocated a decreased budget of R1 447,8 million in 2019/20 compared to R1 566,9 million in 2018/19. The programme caters for the overall day to day running of the Department. Over the past five years, the Department continued to portray a good image of the country to the outside world. In both the 4<sup>th</sup> and 5<sup>th</sup> Parliaments, the portfolio committees acknowledged the good political work that the Department has been doing. This assessment was informed by the fact that South Africa is now a respected global player. It has been invited to participate in many formerly exclusive global forums, like, the G20 (a Group of 19 states plus the European Union).

With the demand being placed on the national fiscus and the drive to curtail the public sector wage bill, this has severely impacted on the filling of vacancies. The Department would accordingly continue to abolish/freeze non-critical posts, both at headquarters and abroad. The Department has reported a current vacancy rate at 9,09%, which is within the national minimum average rate of 10%.

### **8.2.2 Programme 2: International Relations**

The purpose of this programme is to promote relations with foreign countries. The Department will continue to support efforts towards democracy and good governance in the region. South Africa will thus

continue to participate in election observer missions in Malawi, Botswana and Namibia in 2019/20. Bilateral engagements are a basis for strengthening political and economic relations and provide a platform for advancing national priorities and to lobby support for multilateral engagements and common positions.

### **Subprogrammes**

- **Africa** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Africa, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
- **Asia and Middle East** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Asia and the Middle East, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
- **Americas and Caribbean** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in the Americas and the Caribbean, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
- **Europe** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Europe, particularly through focusing on increasing exports of South

African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.

The programme has been allocated a decreased budget of R3 018,0 in 2019/20 compared to R3 375,6 million in 2018/19<sup>35</sup>.

### **8.2.3 Programme 3: International Cooperation**

Purpose - Participate in international organisations and institutions in line with South Africa's national values and foreign policy objectives.

#### **Objectives**

- Contribute towards a reformed, strengthened and, multilateral system that is based on equal rules and that will be responsive to the needs of developing countries and Africa, in particular, by participating in the global system of governance on an ongoing basis.
- Strengthen the African Union (AU) by:
  - providing ongoing financial support for the operations of the Pan African Parliament in terms of the country host agreement.
- Improving governance and capacity in the SADC secretariat on an ongoing basis by implementing the secretariat's job evaluation plan and assisting with the recruitment process on an ongoing basis.
- Contributing towards the New Partnership for Africa's Development process for socioeconomic development in Africa by participating in the African Peer Review Mechanism and submitting the African Peer Review Mechanism country report when required.

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<sup>35</sup> National Treasury, Estimates of National Expenditure 2019  
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- Strengthening bilateral, trilateral and multilateral interest and relations within the Brazil-Russia-India-China South Africa group of countries dialogue forum through continuous active participation in forum structures.
- Strengthening political solidarity, economic cooperation and socio-cultural relations with Asian countries by participating in the New Asian-African Strategic Partnership structures over the medium term.

### **Subprogrammes**

- **Global System of Governance** provides for multilateralism and a rules based international order. This entails participating and playing an active role in all forums of the UN system and its specialised agencies, and funding programmes that promote the principles of multilateral activity. The NDP advocates that the Department should retain an influential space for South Africa in key multilateral institutions. As a result, South Africa continues to regard the United Nations as a vehicle to advance the global development agenda, address underdevelopment and eradicate poverty. South Africa is currently serving its 3<sup>rd</sup> term as a non-permanent member of the United Nations Security Council UNSC (2019- 2020) and will again chair the UNSC during October 2019 having done so in January. Furthermore, South Africa has undertaken to present South Africa's Voluntary National Report (VNR) on SDGs implementation to the High level Political Forum.
- **Continental Cooperation** provides for the enhancement of the African Agenda and sustainable development. Africa remains central to South Africa's Foreign Policy, and as such has aligned its Foreign Policy engagements with Africa's Agenda 2063. South Africa remains committed to the strengthening of the African Union and its political structures. In this regard, South Africa participates in the AU Peace and Security Council, and participates

in peace missions such as the UN Multidimensional Integrated Stabilisation Mission in the Democratic Republic of Congo (MUNUSCO).

South Africa also contributes to the AU Peace and Security Peace Fund, aimed at self-sufficiency and finding African Solutions to African problems. South Africa participates in Post Conflict Reconstruction and Development initiatives, largely through committing funds from the ARF. South Africa will be chairing the AU in 2020. The promotion of Good Governance and protection of human rights feature prominently in the work of the Department within the AU. The ARF has funded elections processes in the region, and SADC remains a region with a high democracy barometer as a result.

- **South-South Cooperation** provides for partnerships with countries of the South in advancing South Africa's own development needs and the needs of the African Agenda; and creates political, economic and social convergence for the fight against poverty, underdevelopment and the marginalisation of the South. South Africa will continue to engage its partners from the Global South through forums such as the Non-Aligned Movement (NAM); the Brazil, Russia, India, China and South Africa (BRICS) forum; the India, Brazil and South Africa (IBSA) grouping; the Indian Ocean Rim Association (IORA); and the African Caribbean and Pacific (ACP) region.

South Africa is the current chair of IORA until the end of 2019. South Africa participates in these forums as it shares common values with the countries concerned. The common aspirations are with regard to eradicating poverty, addressing unemployment and inequality and aspiring for sustainable economic growth in their respective countries. The Department has to ensure that the outcomes of these engagements reflect South Africa's national interest.

- **South-North Dialogue** provides for South Africa's bilateral and multilateral engagements to consolidate and strengthen relations with organisations of the North to advance and support national priorities, the African Agenda and the developmental agenda of the South. South Africa will continue to leverage relations with the strategic partners of the North in advancement of national and continental priorities, as well as the interest of the Global South. South Africa's engagements with the North pursue national interest and are aimed to address the triple challenges facing the country. In particular, these engagements target the five priorities of Government, the nine-point plan and the objectives of Operation Phakisa.

The International Cooperation programme has been allocated an increased budget of R564,2 million in 2019/20, compared with R527,5 million in 2018/19<sup>36</sup>.

#### **8.2.4 Programme 4: Public Diplomacy and Protocol Services**

Purpose - Communicate South Africa's role and position in international relations in the domestic and international arenas, and provide protocol services.

##### **Subprogrammes**

- **Public Diplomacy** promotes a positive projection of South Africa's image; communicates foreign policy positions to both domestic and foreign audiences; and markets and brands South Africa by using public diplomacy platforms, strategies, products and services. The Department will deliver in this programme through 12 public participation programmes, 120 media statements, 12 opinion pieces and 4 stakeholder publications for the 2019/20 financial year.

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<sup>36</sup>National Treasury, Estimates of National Expenditure 2019  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

- **Protocol Services** facilitates incoming and outgoing high level visits and ceremonial events, coordinates and regulates engagement with the local diplomatic community, provides protocol advice and support to the various spheres of government, facilitates the hosting of international conferences in South Africa, and manages state protocol lounges and guesthouses. through the accreditation of more than 160 countries and organisations resident in South Africa. South Africa has the second largest diplomatic community to Washington. The Department will also continue to provide protocol advice and support to the various spheres of government, facilitate holding of international conferences and manage State Protocol Lounges in Pretoria and in international airports at OR Tambo, King Shaka and Cape Town.

Programme 4 has been allocated R322,9 million in 2019/20, compared to R342,9 million in 2018/19<sup>37</sup>.

### 8.2.5 Programme 5: International Transfers

Purpose - Fund membership fees and transfers to international organisations such as the UN, AU, and SADC.

#### Subprogrammes

- **Departmental Agencies** facilitates the transfer to the African Renaissance and International Cooperation Fund, a public entity of the Department.
- **Membership Contribution** facilitates transfers to international organisations.

According to the ENE<sup>38</sup>, the spending focus for Programme 5 over the medium term will be on making transfers to the public entity and timeous payment of South Africa's membership fees to international organisations.

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<sup>37</sup> Ibid

<sup>38</sup> Estimates of National Expenditure 2019, National Treasury  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23–2019

The programme has been allocated an increased budget of R1 155,6 million in 2019/20 compared to R739,9 million in 2018/19<sup>39</sup>. This allocation is also impacted upon by currency fluctuations.

## **9 African Renaissance and International Cooperation Fund**

The Department has one entity, the African Renaissance and International Cooperation Fund (ARF). After 1994, the democratic government took a deliberate decision to establish a fund, to promote development assistance and consolidate peace and reconstruction in Africa and elsewhere in the world. The fund was thus established in 2000 pursuant to an Act of Parliament, the African Renaissance and International Cooperation Fund Act (Act No. 51 of 2000).

The fund was piloted to give practical effect to the vision of an African Renaissance, being the revival of economic and social development agenda for Africa. The strategic function of the ARF is to leverage South Africa's influence, as a 'soft power' tool, in pursuance of its Foreign Policy. This would include promotion of democracy and good governance, the prevention and resolution of conflicts, socioeconomic development and integration, humanitarian assistance and human resource development and consolidate peace and reconstruction in Africa. Countries in need of assistance apply for funding from the fund. Thus, the strategic approach of the ARF was couched in pursuance of South Africa's foreign policy objectives as well as Africa's developmental agenda.

The ARF is located in the Department, under the supervision of the Director-General. The ARF's activities were administered and managed by an advisory committee, which would comprise representatives from the Department and National Treasury. This advisory committee would make recommendations to the two ministers for concurrence to fund all its projects. Much as the ARF has been allocated personnel, it has been

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<sup>39</sup> Ibid

completely supported and administered by the Department. Transfers to the Fund were included in the monies appropriated to the Department. Countries in need of assistance apply for funding from the fund.

On 2 December 2009, Cabinet approved the proposal from the Department for the establishment of the South African Development Partnership Agency (SADPA). Its aim is to function as a body/agency to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects. There were processes to table a Partnership Fund for Development Bill in Parliament in 2019/20 financial year. Once enacted, the Bill would repeal the African Renaissance and International Cooperation Fund Act (2000), resulting in the integration of functions and the transfer of reserves and assets from the fund to the agency.

### **9.1 African Renaissance Fund medium-term targets**

There are new performance areas introduced under the ARF. These are important elements needed for ensuring that the entity performs as expected.

In support of democracy, and good governance, the ARF supports the holding of democratic elections. This is achieved through South Africa's participation in the Southern African Development Community elections observer missions and technical support for elections, hence the need for oversight by the Committee. The conduct of free and fair elections provides a yardstick for measuring the quality of democracy in a country<sup>40</sup>. The ARF would continue to support projects that would contribute toward improving food security and addressing poverty reduction on the continent. It will continue to contribute to peace and stability on the continent, and South Africa would support mediation processes in conflict hotspots.

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<sup>40</sup>Annual Performance Plan 2019/20, the African Renaissance and International Cooperation Fund

Also as part of the decision to lower the national aggregate expenditure ceiling, the 2019/20 appropriated funds for the ARF is R46,3 million. As of 31 March 2019, the ARF had uncommitted funds to the amount of R85,4 million, which the Department has since submitted a request to National Treasury to retain the uncommitted funds, and it is awaiting a response. It is important to note that the ARF continues to be a significant instrument in the implementation of South Africa's foreign policy imperatives, especially for development cooperation in Africa. However, The ARF was requested by National Treasury, to surrender to the national revenue fund, R1,6 billion in the 2017/18 financial year. This is likely to happen again, despite the provisions of section 7(2) of the ARF Act (Act No. 51 of 2000) providing that "any unexpended balance in the Fund at the close of any financial year must be carried forward as a credit in the Fund to the next succeeding financial year".

One of the objectives of the ARF is to promote democracy and good governance. The ARF would continue to support the Southern Africa Development Community (SADC) election observer missions. The holding of democratic elections is considered critical to socio-economic development on the continent. There are ten countries due to go for elections in 2019/20, and of these, five would be from the SADC region, namely, Botswana, Malawi, Mozambique, Namibia and South Africa. The Department believes that building strong institutions would enable South Africa to entrench the culture of good governance as well as efficiency and responsiveness, which, is an integral part of Africa's renewal programme.

The ARF would continue to pursue its strategic objectives as outlined in the ARF Act, with more emphasis on provision of loans and investment projects to fulfil these strategic objectives. Loans or other financial assistance are granted in accordance with an agreement entered into by the country in question and the Minister of International Relations and Cooperation (hereafter referred to as the Minister). The ARF has granted its first loan to the Government of Cuba, this was line with the ARF future strategy of focusing on loans and infrastructure investment, which would

aid in recapitalising the ARF amid reduced allocations. Socio-economic development could be achieved by funding sustainable projects through the provision of loans. Cuba is reported to have already serviced and paid its loan in full.

The world continues to experience an increase in natural disasters. This fund enables South Africa to be counted among those who strive to restore human dignity and bring relief to people in distress as and when humanitarian situations arise.

Trilateral cooperation would be an area of focus in the medium term period. The ARF would work with other funding institutions to ensure greater impact of the projects that are funded.

## **10 Observations and concerns raised by the Committee (Findings)**

- 10.1 The Committee had wished that, since it was the first engagement, the Department would have made a detailed introduction on its work, its audit baseline; successes and challenges it could be facing, to give members a holistic perspective into the unique mandate of the Department.
- 10.2 The Committee noted the undertaking by the Department that it would endeavour to achieve their set annual objectives within the allocated tight budget. However, more details were sought on how the Department planned to navigate without compromising on the deliverables of South Africa's Foreign Policy. It was further asked whether the budget review takes into account the late assessments of membership fees by international organisations.
- 10.3 There were challenges facing the Department which would impact on its overall budget. A detailed explanation was sought on how the Department would contain expenditure within the

reduced compensation of employees as these were largely paid in foreign currency. It was noted that there would be a projected shortfall of R429 million on compensation of employees based on filled positions. The Department was asked what steps it would take to contain expenditure within the prescribed ceiling.

- 10.4 The Committee further noted that the Department was also facing scenarios of unexpected though unavoidable expenditure due to its international obligations this financial year; such as the shortfall for 2019 on South Africa's Annual SADC Member States' contribution amounting to R43,5 million. Furthermore, South Africa would be assuming the chairship of the African Union in 2020. More details were sought on how the Department would implement its international obligations with no additional funds allocated from National Treasury for these events, and whether the National Treasury is being engaged on these matters.
- 10.5 Two cost-drivers impacting on the budget of the Department were identified. These were the budget ceiling on the compensation of employees and the operational leases for around 1000 rented premises abroad. Both these items are impacted upon by the fluctuation of major currencies affecting the Rand. Mitigating factors put in place with regard to employees included the deferment of filling some posts of transferred personnel. It was further noted that the Department had commissioned a Foreign Policy Review Panel which, among others, proposed that the rationalisation of South African missions abroad should be considered in the future to address this challenge. Nonetheless it was felt that rationalisation should not impact on Africa and the African Agenda.
- 10.6 A need was identified for future regular political engagements and discussions between the Minister and the Committee on various international affairs issues. This would enable the

Committee, as the public's representatives, to understand the politics behind certain positions that South Africa has to take in multilateral forums.

- 10.7 More information was sought on the kind of support that South Africa would be extending to four countries which would be holding elections in 2019. These are namely, Botswana, Malawi, Mozambique, and Namibia.
- 10.8 The Department has conducted a feasibility study on the viability of developing an acquisition and disposal strategy. This is aimed to promote a shift towards property ownership over rental. More detail was sought on the result of such a study and progress related to its initial application in the mission in New York.
- 10.9 It was noted that South Africa was serving a third term as a non-permanent member of the United Nations Security Council (UNSC) for 2019-2020. It was said there would be a need for a thorough briefing on how South Africa utilises its seat in the UNSC in pursuance of South Africa's Foreign Policy.
- 10.10 More details were sought regarding how the existence of an African Continental Free Trade Area (AfCFTA) would address this challenge, and how South Africa would embrace the investment drive by President Ramaphosa using this continental tool.
- 10.11 The Cuban government has been diligently repaying the loan ahead of the stipulated time. Cuba was commended for having paid back, ahead of time, a large percentage of its current loan with the South African government. The gesture was seen as a true reflection of solidarity and cooperation under the auspices of the South-South relations. It was further noted that the ARF is

now looking into issuing investment loans in the future, such as the one with Cuba.

- 10.12 More details were sought regarding the impact on the activities of the ARF, by the recalling of R85,374 million by National Treasury from its 2018/19 surplus funds. This was seen as threatening to limit the historical mandate of the ARF as a ‘soft power tool’ to leverage aspirations of South Africa’s Foreign Policy.
- 10.13 More information was sought on whether this financial year, SADPA would be operationalised and the ARF repealed to address all the challenges facing the ARF. It was further noted that the Department has been having the same indicator in previous years regarding the tabling of the Partnership Fund for Development Bill.
- 10.14 More information was needed on the political and rand value of South Africa’s membership to international organisations.
- 10.15 A detailed report was requested on the projects receiving funding from the African Renaissance Fund, their current status, project oversight reports for active projects and completion reports where projects are closed. This would assist the Committee to draw up its own oversight strategy on the entity.
- 10.16 More information was sought regarding finalised disciplinary cases, including the one concerning the Chief Financial Officer.
- 10.17 There was a need for more detail on the Department’s roadmap to use economic diplomacy to increase intra-Africa trade. This should extend to how it intended to respond to the need to attract FDI required for Operation Phakisa and the President’s drive to create job opportunities.

- 10.18 More information was needed on the circumstances rendering irregular and also fruitless expenditure in the operations of the Department, as stipulated in the Auditor General's annual reports.
- 10.19 It was observed that the Department's budget figures as they were not correlating, and the Department asked to give an explanation and review them.
- 10.20 Detailed information was requested on the progress relating to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063.
- 10.21 More information was requested on South Africa's posture for keeping the reform of the United Nations Security Council alive on the agenda of the UN.
- 10.22 An update was sought regarding steps taken thus far to address the shortcomings identified in the Auditor General's Report 2017. Special focus was on the matters relating to the upgrading and integration of the departmental ICT systems, completeness of the asset register and compliance with the prescripts of supply chain management.
- 10.23 It was noted that South Africa has a basket of allocated quotas in strategic international organisations that it is party to. It was asked how far the Department had gone in attracting South Africans to these positions.
- 10.24 The Committee requested the Department to submit a detailed report on the processes thus far, regarding the provision of a permanent headquarters for the Pan African Parliament.
- 10.25 An update was sought on the status of the Foreign Service Bill, 2015.

- 10.26 It was asked how far the Department was from the growth target predicted by the National Development Plan.
- 10.27 More clarity was sought on the relationship between the mandate of the Department and that of Brand SA, and how they synchronise efforts towards promoting the image of the country.
- 10.28 It was noted that some of the challenges facing the Department were that some service contracts had expired though still being utilised. It was questioned why such contracts were left to continue running while illegal.
- 10.29 It was observed that from the reports of the Auditor General and the presentation by the Department, there was a tendency to ignore the prescripts of the PFMA. The Department was urged to comply with requisite legislation while executing its mandate.
- 10.30 The Committee recalled that its mandate translates to overseeing and ensuring accountability in the formulation and implementation of South Africa's Foreign Policy. It further noted that the mandates of the Department and its entity are largely executed abroad by the Department and its South African Diplomatic Missions abroad. The Committee concluded that in order for the Committee to assess service delivery on Foreign Policy, it must be able to oversee the work of the Department, its entity and South African Missions where they operate, being beyond the borders of South Africa.

The Committee noted with concern that the current inward-looking Parliamentary Oversight Model imposed challenges on the mandate of the Committee. It allows a limited space for oversight beyond the borders of South Africa, in that it largely allows oversight within the borders of South Africa. Otherwise, the Committee would conduct oversight abroad where South Africa's Foreign Policy is implemented.

## **11 Responses by the Department**

In its responses the Department noted the following.

- 11.1 The pressures imposed on the overall allocated budget would have an impact on the operations of the Department, however the Department would endeavour to achieve its objectives.
- 11.2 The Department has already put cost-containment measures in place in order to source funds for the extra-budgetary international obligations facing it this financial year. It would not fill positions which become vacant in order to try and stay within the prescribed ceiling on compensation of employees. The Department would also reduce both overtime payments and annual leave encashment, encourage early retirement and review the Cost of Living Allowances (COLA) for transferred staff in the Missions.
- 11.3 With regard to rationalisation of South African missions abroad, it was still open for discussion and the Committee was urged to also make recommendations on the matter. It was said further that the Department would remain conscious of the economic position of the country when engaging on the rationalisation of missions. However other factors are that with the advent of the AfCFTA, South Africa may actually think of strengthening its footprint in Africa. Furthermore, time and space should be given for the new Minister and the President to study the situation and take appropriate decisions on the matter.
- 11.4 The idea of regular political discourse between the Minister, her deputies and the Committee was welcomed. Such political discussions would help shape the next round of strategic planning content, hence allowing the Committee to influence the areas of work the Department would focus on.

- 11.5 Vacant state owned properties abroad would be under the responsibility of the Department once the Foreign Service Bill has been accented to by the President. The Department is eager to have the issue raised by the NCOP on the Bill addressed and the Bill finalised.
- 11.6 The new property management strategy was approved in August 2017 to provide for a mixture of rental and ownership. For piloting purposes, the Department embarked on a building project in New York to house the country's mission office (Chancery) and residence in the United States, and other areas would follow. The project was halted, while National Treasury is assessing the processes around procurement of services.
- 11.7 The Department would take undertake to curb future fruitless and irregular expenditures. Irregular expenditure is often caused by disregarding of the prescripts of the supply chain management. The fruitless expenditure would arise if meetings are cancelled and flights too, with hefty penalties. The outdated ICT infrastructure is being looked into and there is an ICT Charter in place, aimed at regulating use and security associated with ICT. The asset register has been cleaned up and the Department is awaiting the Auditor General's assessment through his annual report. The Department would ensure that in the future, the irregular service contracts do not remain in the system unchecked.
- 11.8 The African Continental Free Trade Area (AfCFTA) sought to address the low intra-Africa trade. South Africa has ratified the AfCFTA. The economic diplomacy drive for attracting investment into the country will thrive through the implementation of the AfCFTA. Missions abroad are geared to make in-roads and attract Foreign Direct Investment (FDI), while seeking opportunities for South Africa's business and the continent and beyond.

- 11.9 Due to the unilateral US economic embargo on Cuba, the loan granted by the government to Cuba could not be transferred through normal bank transactions. The ARF had to step in and effect the transactions under the Economic Assistance Package agreement between South Africa and Cuba. The Cuban government has been diligently repaying the loan ahead of the stipulated time. A detailed report on the Economic Development Package to Cuba would be submitted to the Committee.
- 11.10 Section 7(2) of the ARF Act (Act No. 51 of 2000) provides that any unexpended balance in the Fund at the close of any financial year must be carried forward as a credit in the Fund for the next financial year. However, the National Treasury started in 2017/18 to request the ARF to surrender the surplus of R1.6 billion. The concern has been that if the accumulated revenue continues to be surrendered, the ARF would reach a point where it would have limited capacity to finance causes in pursuit of national interest. The detailed report on the activities of the ARF will be submitted.
- 11.11 The Department and Brand SA work together to promote the good image of the country internationally.
- 11.12 A detailed report on South Africa's membership to different organisations and related information would be availed to the Committee.
- 11.13 A detailed report on the status regarding the provision of headquarters to the Pan African Parliament would also be availed.
- 11.14 A detailed report on the progress made with regard to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063 will be availed for consideration by the Committee.

- 11.15 A detailed report is being compiled on the achievements and processes on South Africa's Chairship in different international organisations. It would be availed to the Committee for its consideration.
- 11.16 The allegations against the Chief Financial Officer have been investigated and he has been acquitted. and all other pending disciplinary matters were receiving attention. A full report would be availed to the Committee during the 1<sup>st</sup> quarter performance reporting process.
- 11.17 The budget of the Department is based on the Rand equivalent at the very beginning of the Budget circle. When payments have to be made in foreign currency, there is always a challenge because then such payments will be subject to the prevailing exchange rate, which may be two times over the set rate that National Treasury used.
- 11.18 The asset register is receiving attention, and the company Net Race is back providing electronic capturing of these assets, and coordinating operations with all Missions abroad. An updated asset register would be provided.
- 11.19 The processes for the upgrading of the outdated ICT infrastructure is underway and a progress report would be shared with the Committee.
- 11.20 The quota availed South Africa in international organisations are not fully utilized. It has been observed that South Africans are generally not keen to work in these institutions, either because the salaries are not competitive or some are simply not aware that these opportunities exist.

11.21 It was regarded absolutely important that since the mandate of the Department is unique and cross-cutting, there should be greater effort amongst departments to harmonise policies to facilitate international intercourse.

11.22 The Department has maintained focus on the issue of the reform of the United Nations systems, especially the structural reform of the UN Security Council. This agenda is being further pursued during South Africa's 3<sup>rd</sup> term as a non-permanent member in the UN Security Council.

11.23 South Africa is among five countries expected to pay 15% of the African Union operational budget. There is also the Peace Fund to pay for annually. These obligations are in line with South Africa's Foreign Policy principles of pursuing a continent that is self-sufficient and able to apply African solutions to African problems.

## **12 Conclusions**

After discussions during the briefing, the Committee concluded as follows:

The Department has been operating on a very tight budget year after year. This year it has received a decreased budget which is already facing a number of hurdles to overcome. The budget would still further be affected by the imminent foreign exchange currency fluctuations and unavoidable mandates and responsibilities in its diplomatic intercourse and conduct of international relations. Its main operations abroad have previously been affected by currency fluctuations.

However, the Committee was encouraged by the Department's commitment and resolve to achieve its strategic objectives albeit with a tight budget. Graduation from the qualified audit opinion baseline to a

clean audit should be the Department's goal for the medium term; and it should adhere to and implement the cost containment measures it has agreed to with the National Treasury.

The Department has to carry out its mandate within unpredictable, at times turbulent, external environment to advance South Africa's national interest. The National Development Plan prescribed that the Department should position itself to assume greater leadership role in Africa, leading development and growth in the continent. The interplay between foreign policy and national interest continue to be the baseline for the Department's success in the conduct South Africa's foreign policy. Following from the above conclusions, it has, therefore, become important for the Department to have continued with clear and focus driven plans which remain aligned to the budget allocated, and the continued vigour to respond to the domestic challenges as per the aspirations of the NDP.

The Committee would draw inspiration from its predecessors and lead a robust oversight over the activities of the Department, South Africa's Missions abroad and the entity, the African Renaissance Fund. The Committee would engage in various issues aimed at enhancing the conduct of South Africa's foreign policy. It would engage in issues from human rights, engagement with civil society, para-diplomacy, assisting in shaping conduct of foreign policy in the region, Africa and the world, and in the conduct of economic diplomacy by Missions abroad, among other important issues.

The Committee would continue to make a number of recommendations to the Department, as part of its oversight, and in an effort to enhance the way South Africa relates and engages in international relations. The Department has, over the years, responded positively and walked this road benefitting from guidance from the Committee.

The Committee, therefore, is at the stage where it would monitor compliance with and implementation of the strategies and turnaround strategies put in place by the Department. It would look into emerging trends in the conduct of South Africa's foreign policy for the Committee to make its political input. The Committee's future areas of focus should be in regard to the issues raised as risks in the Revised Strategic Plan 2015-2020.

### **13 The Committee's recommendations**

Having considered the Revised Strategic Plan 2015-2020 and the Budget Vote 6 of the Department 2019/20 and its entity, the Committee recommends that the Minister should consider the following and report on progress within three months of adoption by the National Assembly of this report:

- 13.1 Reporting on how the Department will reprioritise its work in order to find adequate resources for financing activities to be borne from South Africa's international obligations as the chair of a number of multilateral organisations in 2019/20.
- 13.2 Ensuring compliance with the prescripts of the PFMA and related regulations of supply chain management and consequence management.
- 13.3 Having regular political engagements and discussions with the Committee on international issues that impact upon South Africa's Foreign Policy.
- 13.4 Finalising processes and inter-departmental negotiations towards the operationalisation of the South African Development and Partnership Agency (SADPA).
- 13.5 Reporting on progress towards the upgrading and integration of the departmental ICT systems.
- 13.6 Providing a complete asset register of the Department.
- 13.7 Developing a strategy to attract South Africans to fill quotas allocated in international organisations to which South Africa is a member, and focus on middle management levels.

- 13.8 Reporting on the processes regarding the provision of a permanent headquarters for the Pan African Parliament.
- 13.9 Concretising the implementation of the pilot project to acquire property abroad for the utilisation by missions abroad via alternative funding, in order to curb costs of leasing properties abroad.
- 13.10 Finalising pending disciplinary cases, especially the matter regarding the Chief Financial Officer.
- 13.11 Assessing and reporting on how the recall of the surplus monies by National Treasury from the African Renaissance Fund would impact on its mandate as a 'soft power tool' for South Africa's Foreign Policy.
- 13.12 Considering the issue of rationalisation of Missions as recommended by the Review Panel to South Africa's Foreign Policy.
- 13.13 Reporting on the state of preparedness and strategies by the Department for the assumption of the chairship of the African Union by South Africa, President Ramaphosa, in 2020.
- 13.14 Reporting on the Department's work in the UN Security Council as a non-permanent member for a 3<sup>rd</sup> term. Focus should be on how South Africa utilises its seat in pursuance of South Africa's Foreign Policy.
- 13.15 Developing a turnaround strategy to stay within the predetermined budget ceiling for the compensation of employees.
- 13.16 Reporting on the progress made with regard to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063.
- 13.17 Reporting on cost-containment measures that would be taken to address the shortfall of R429 million on compensation of employees; and the shortfall for 2019 on South Africa's Annual SADC Member States' contribution amounting to R43,5 million.
- 13.18 Implementing the Consultative Mechanism for coordinating international activities of a foreign policy nature by the three spheres of government.

- 13.19 Graduating from the qualified audit opinion with findings to a clean audit report in 2018/19 financial year.

**To the National Assembly**

- 13.20 The Parliamentary Oversight Model must be reviewed to allow the Portfolio Committee on International Relations and Cooperation to have more regular oversight visits to South African Missions abroad, in order to have a holistic approach on the performance abroad of the Department of International Relations and Cooperation.
- 13.21 The Parliamentary Oversight Model should allow the Portfolio Committee on International Relations and Cooperation to have more regular oversight visits to project areas of the African Renaissance and International Cooperation Fund (ARF), in order to have a holistic approach on the performance abroad of the entity of the Department of International Relations and Cooperation.
- 13.22 The Committee should be allowed to conduct oversight visits to international organisations that the Republic of South Africa is a state-party. This would enable the Committee to assess the impact of the Department's participation on the overall outcomes at such forums.

The Committee recommends that Budget Vote: 6 International Relations and Cooperation be passed.

Report to be considered.

**Sources and references**

1. National Treasury, 2019 Estimates of National Expenditure Budget: Vote 6 International Relations and Cooperation
2. Constitution of the Republic of South Africa 1996
3. Department of International Relations and Cooperation: Revised Strategic Plan 2015-2020
4. Department of International Relations and Cooperation Annual Performance Plan 2019-2020
5. African Renaissance and International Cooperation Fund: Revised Strategic Plan 2015-2020
6. African Renaissance and International Cooperation Fund: Annual Performance Plan 2019-2020
7. State of the Nation Address, February and June 2019
8. The National Development Plan 2030: Chapter 7
9. Government's Medium Term Strategic Framework 2014-2019
10. Delivery Agreement Outcome 11 of Government's Medium Term Strategic Framework 2014-2019

## **6. Report of the Portfolio Committee on Agriculture, Land Reform and Rural Development on the 2019/20 Annual Performance Plan and the Budget of the Department of Agriculture, Forestry and Fisheries (Vote 24) and its Entities, dated 10 July 2019.**

The Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Committee) examined Budget Vote 24: Agriculture, Forestry and Fisheries including the Annual Performance Plan of the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as DAFF or the Department) for the 2019/20 financial year and budget projections for the Medium Term Expenditure Framework (MTEF) period ending in 2021/22.

During the process, the Portfolio Committee also examined the 2019/20 Annual Performance Plans (APPs) and Budgets for the MTEF period, of the following DAFF Public Entities:

- Agricultural Research Council (ARC)
- Onderstepoort Biological Products (OBP)
- National Agricultural Marketing Council (NAMC)

Having considered the APPs and Budget Vote 24, which includes the Department and the above-mentioned entities amongst others, the Committee reports as follows:

### **1. Introduction and Background**

The Report provides an account of the engagements that were held by the Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Committee) in considering Budget Vote 24 along with the Annual Performance Plans (APPs) of the Department of Agriculture, Forestry and Fisheries (DAFF) and abovementioned public entities. The APPs and Budgets of DAFF and its Entities were tabled in Parliament as required in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), on 01 July 2019. The APPs are

expected to outline the Department's annual plans in line with its Strategic Plan and the allocated budget that has been tabled by the Minister of Finance in February. The budget of the Department is entailed in Vote 24: Agriculture, Forestry and Fisheries of the 2019 Estimates of National Expenditure (ENE) as tabled by the Minister of Finance. Vote 24 includes the following public entities of the Department, Agricultural Research Council (ARC), Onderstepoort Biological Products (OBP), National Agricultural Marketing Council (NAMC), Perishable Products Export Control Board (PPECB) and the Marine Living Resources Fund (MLRF).

Through the reconfiguration of the National Executive that was announced by the President on 29 May 2019, the Forestry and Fisheries functions were transferred to the former Department of Environmental Affairs, which has been renamed, the Department of Environment, Forestry and Fisheries. The Department of Agriculture (excluding Forestry and Fisheries) will amalgamate with the former Department of Rural Development and Land Reform to form a new Department of Agriculture, Land Reform and Rural Development.

The APP of the Marine Living Resources Fund (MLRF) is considered with that of the Department as part of Programme 6. The MLRF is a sub-programme of Programme 6 (Fisheries Management) and essentially outlines annual targets for Programme 6; and is responsible for funding operational activities of the Programme. However, as the function is going to be transferred along with Forestry, to Environmental Affairs, the Committee did not discuss Programme 6 but noted the allocation through the Vote including the planned activities including responses to pronouncements from the 2019 State of the Nation Addresses.

In performing its constitutional mandate, the Committee held briefings with DAFF and three of its entities (ARC, OBP and NAMC) to consider the 2019/20 APPs on 03 July 2019, taking into account the alignment of the APPs with the 2019 State-of-the-Nation Addresses (SONAs) (February & June), the objectives of the National Development Plan (NDP), the Medium

Term Strategic Framework (MTSF) and other key policy priorities as well as resource allocation (budget) for the planned targets. The Committee considered the Department and its Entities' 2019/20 APPs and Budget Vote by further assessing whether the funds that are allocated to the Department and its Entities through different programmes, will translate to actual service delivery, particularly in rural and underserved areas. In this regard, the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), grants Parliament the power to reject, recommend or amend budgets of departments and entities.

## **2. The National Policy Mandates**

DAFF's strategic goals and associated objectives were revised in the previous medium term in response to the objectives and targets of the National Development Plan, the New Growth Path and the Medium Term Strategic Framework (MTSF) 2014-2019; and are also informed by the Department's own Agriculture, Forestry and Fisheries Strategic Framework and the Agricultural Policy Action Plan (APAP)/Revitalisation of the Agricultural and Agroprocessing Value Chain (RAAVC).

### **2.1 The National Development Plan (NDP)**

The NDP's overarching aim is to eliminate poverty and reduce inequality by 2030. The Plan recognises that South Africa needs an inclusive economy that is more dynamic and in which the fruits of growth are shared equitably amongst its citizens. Agriculture is identified in the NDP as one of the key sectors through which increased employment and poverty alleviation can be achieved. In this regard, approximately 1 million new jobs and a trade surplus are expected to be created from agriculture, agroprocessing and related sectors by 2030. The NDP's focus is on smallholder farmers and it is expected that the 1 million new jobs target can be achieved by expanding irrigated agriculture. The Makhathini Flats and Umzimvubu River Basin have been specifically identified for the development of irrigation infrastructure. The NDP further expects that a third (33%) of the food surplus should be produced by smallholder farmers by 2030.

## 2.2 Medium Term Strategic Framework 2014 – 2019 (MTSF)

The MTSF is the Government's strategic plan for the 2014 to 2019 period. It is a five-year implementation phase of the NDP that is outcomes-based, and also takes into account the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP) and other Government policy foci. The two overarching strategic themes of the MTSF are **radical economic transformation** and **improving service delivery**.

The MTSF's aim is to ensure policy coherence, alignment and coordination across Government Plans, as well as alignment with budgeting processes. For each Government Priority Outcome, the MTSF set out specific targets for various sectors and government Ministries that should be achieved by 2019. The MTSF set out the following service delivery targets inter alia, which are linked to the Ministry of Agriculture, Forestry and Fisheries:

### **Outcome 4: Decent employment through inclusive economic growth**

- All APAP sector and crosscutting interventions to be implemented by 2019. Department to report annually on implementation including review and extension of plans.
- 95% implementation of an Agricultural, Forestry and Fisheries Trade and Marketing Strategy by 2019. Annually, the Department needs to report on the implementation of the Strategy.
- 95% implementation of the Comprehensive Africa Agriculture Development Programme (CAADP) by 2019. Annually, the Department needs to report on the implementation of the investment plans.
- 300 000 smallholder producers producing for markets by 2019.

### **Outcome 7: Vibrant, equitable and sustainable rural communities contributing towards food security for all.**

- 1.6 million households benefitting from Food and Nutrition Security initiatives by March 2019, i.e. 4.3 million people of the 13.8 million that were food insecure in 2014.

- 1 million hectares of underutilised land in communal areas developed and under production by March 2019.
- Policies promoting the development and support of smallholder producers implemented by March 2019.
- An additional 1 250 hectares of land under irrigation for smallholder production by March 2019.
- An additional 80 000 smallholder producers receiving support for production efficiencies by March 2019.
- By March 2013, 4 million hectares of transferred land (4 860 farms) was underutilised, therefore, approximately 3 million hectares of land transferred through land reform should be utilised by March 2019.
- Hundred per cent development and implementation of the Agricultural Policy Action Plan (APAP) by March 2019.
- Develop, resource and implement Agricultural Value Chain interventions (SIP 11) by 2019.

**Outcome 10: Protect and enhance environmental assets and natural resources.**

- 152 500 hectares of forestry areas should be under rehabilitation and/or restoration by March 2019.
- Status reports on resource status for abalone (31% above pre-fished stock by 2019), West Coast rock lobster (26% above the 2006 level by 2019) and deep-water hake (30% of pre-fished biomass by 2019).
- Climate change adaptation plans for the 5 sectors developed by 2019.
- Climate change response to reduce risks and vulnerability in the 3 sectors by 2019.

The Department presented a summary of achievements for the 2014-19 MTSF. The report did not include some of the targets that are specific to DAFF e.g. breakdown of smallholder support according to market access (Outcome 4) and production efficiencies (Outcome 7), APAP interventions, 3 million hectares of land transferred through land reform should be utilised. It should be noted that the latter target is over and above the 1 million

hectares lying fallow in communal areas that was put into productive use. In addition, the Department did not report on the targets that it has not achieved, however, some of these form part of the APP e.g. the PDAL Bill. Furthermore, the Department did not report on MTSF targets relating to the Comprehensive Africa Agriculture Development Programme (CAADP), which is also an MTSF target.

CAADP is a Pan-African Framework for accelerating long term agricultural development and growth among African countries and focuses on improving food security, nutrition and increasing incomes in Africa's largely farming based economies. The Department has been unable to implement targets relating to CAADP citing budgetary constraints. Despite the reported MTSF achievements, support to smallholder producers, job losses in the agricultural sector and food insecurity as indicated by Statistics SA through its General Household Surveys, remain major challenges.

### **2.3 The New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP)**

The NGP is a national framework for economic policy and the driver of the country's job strategy. Its aim is to target the country's limited capital and capacity at activities that maximise the creation of decent work opportunities through macro and micro economic policies in order to create a favourable overall environment and to support more labour-absorbing activities. The main indicators of success will be jobs (the number and quality of jobs created), growth (the rate, labour intensity and composition of economic growth), equity (lower income inequality and poverty) and environmental outcomes.

The NGP identified agriculture as one of the key job drivers with the potential to create 145 000 jobs in agroprocessing and to place 300 000 households in agricultural smallholder schemes by 2020. Jobs are expected through smallholder schemes in industrial products and forestry; fruit and wine exports; and extension services for the smallholder sector. The NGP

also recognises that the sector has the potential to improve the living conditions of the approximately 660 000 farm workers through upgrading of employment in commercial farms by 2020.

The IPAP is informed by the NDP's country vision and is framed by and constitutes a key pillar of the NGP. The overriding goal of the IPAP is to prevent industrial decline and support the growth and diversification of South Africa's manufacturing sector. The IPAP emphasises the development and expansion of agroprocessing for the entire value chain in all three sectors (i.e. agriculture, forestry and fisheries). The focus for agriculture is food processing; for forestry it is paper, sawmills, timber and furniture making; and for fisheries it is aquaculture development and processing.

#### **2.4 The Agriculture, Forestry and Fisheries Strategic Framework and the Agricultural Policy Action Plan (APAP)**

The Agriculture, Forestry and Fisheries Strategic (AFFS) Framework, formerly called the Integrated Growth and Development Plan (IGDP) was developed in response to the Government Priority Outcomes that relate to job creation, rural development and food security, to which DAFF contributes. Its primary purpose is to achieve the transformation and restructuring of the agriculture, forestry and fisheries sectors that are currently dominated by a small number of large companies, and to ensure that constraints experienced in the areas of input supply, production and marketing are addressed cost-effectively and in a timely manner.

The Agricultural Policy Action Plan (APAP) was developed in 2013 and finalised in 2014 to serve as an implementation arm of the AFFS Framework. The APAP is planned over a five-year period and will be updated on an annual basis. Its encompassing objectives are to promote labour absorption and broaden market participation; implement strategic interventions that are aimed at increasing value-chain efficiencies and competitiveness focusing on selected subsectors and/or value chains.

Following the President's pronouncement during the 2015 State of the Nation Address (SONA) on the Revitalisation of the Agricultural and Agroprocessing Value Chain (RAAVC) as part of the Nine-Point Plan, the Department reported that the APAP now forms an integral part of RAAVC. APAP interventions are one of the MTSF targets that were not achieved as the Department has been unable to report on the implementation of APAP sector and crosscutting interventions.

### **3. Consideration of the 2019/20 Annual Performance Plans (APP) and Budget of the Department of Agriculture, Forestry and Fisheries**

#### **3.1 The Department of Agriculture, Forestry and Fisheries (DAFF) and its Core Functions**

The aim of the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as DAFF or the Department) is to lead, support and promote agricultural, forestry and fisheries resources growth and management through policies, strategies and programmes that contribute to and embrace economic growth and development; job creation; sustainable use of natural resources; food security and rural development. The Department's legislative mandate is derived from Section 27(1)(b), as well as Section 24(b)(iii) of the Constitution of the Republic of South Africa. The Department also contributes directly to three of the national Government priority outcomes as outlined in the 2014-19 Medium Term Strategic Framework (MTSF), namely, Outcome 4 (job creation), Outcome 7 (rural development and food security) and Outcome 10 (natural resources management).

The Department's activities are guided by the following four strategic goals and associated objectives to address priorities that are identified in the National Development Plan (NDP): Vision 2030:

Strategic Goal	Strategic Objectives
<b>1:</b> Effective and efficient strategic leadership, governance and administration	<b>1.1</b> Ensure compliance with statutory requirements and good governance practice. <b>1.2</b> Strengthen support, guidance and interaction with stakeholders in the sector. <b>1.3</b> Strengthen institutional mechanisms for integrated policy, planning, monitoring and evaluation in the sector.
<b>2:</b> Enhanced production, employment and economic growth in the sector	<b>2.1</b> Ensure increased production and productivity in prioritised areas as well as value chains. <b>2.2</b> Effective management of biosecurity and sector related risks. <b>2.3</b> Ensure support for market access and processing of agriculture, forestry and fisheries products.
<b>3:</b> Enabling environment for food security and sector transformation	<b>3.1</b> Lead and coordinate government food security initiatives <b>3.2</b> Enhance capacity for efficient delivery in the sector <b>3.3</b> Strengthen planning, implementation, monitoring and oversight of comprehensive support programmes.
<b>4:</b> Sustainable use of natural resources in the sector	<b>4.1</b> Ensure the conservation, protection, rehabilitation and recovery of depleted and degraded natural resources. <b>4.2</b> Ensure adaptation and mitigation to climate change through the implementation of effective prescribed frameworks

The Department carries out its mandate through six programmes, namely:

- Programme 1: Administration;
- Programme 2: Agricultural Production, Health and Food Safety;
- Programme 3: Food Security and Agrarian Reform;
- Programme 4: Trade Promotion and Market Access;
- Programme 5: Forestry and Natural Resources Management; and
- Programme 6: Fisheries Management.

To contribute to the realisation of the goal of the NDP of eliminating poverty and reduce inequality by 2030, DAFF identified priority areas and developed short to medium and long term policies and strategies. These include the Agricultural Policy Action Plan (APAP) that encompasses the Nine Point Plan's Revitalisation of Agriculture and Agroprocessing Value Chain (RAAVC); the Operation Phakisa for Agriculture, Land Reform and Rural Development and finalisation and implementation of key policies and programmes for smallholder development. The 2019/20 APP of DAFF outlined actions, indicators and targets that will be pursued over the medium term to accelerate service delivery within the agricultural sector to ensure creation of decent jobs, sustainable growth of the country's economy and contribution to the Gross Domestic Product (GDP).

The key legislation, policies and other interventions that form part of the Department's implementation activities for the 2019/20 APP, to which the Committee will focus its oversight activities include inter alia:

- The *Preservation and Development of Agricultural Land (PDAL) Bill* – it is one of the targets of the 2014-19 MTSF and was supposed to have been implemented as an Act by March 2019. Its finalisation is very crucial to protect and preserve agricultural land in light of the continuing loss of agricultural land to mining and urban sprawl.
- *National Policy on Extension and Advisory Services* – the policy was developed to address challenges with provision of extension services support to farmers and land reform beneficiaries. However, despite its implementation, technical support and capacity building of farmers and land reform beneficiaries remain a major challenge.
- Finalisation for implementation of the *National Policy on Comprehensive Producer Development Support* – the policy is meant to coordinate support and comprehensively address challenges associated with provision of appropriate support to producers and land reform beneficiaries.
- Deployment of veterinarians in rural areas through the *Compulsory Community Service (CCS)* programme for veterinarians.

- *Commercialisation of Black Producers Programme* and the utilisation of the *Blended Finance Model* that will be used a funding instrument for farmers selected for commercialisation. The Department reported that the programme was temporarily suspended in the past financial year on the realisation that it was benefiting officials responsible for its implementation or people linked to them. The Committee should get a further briefing on this.
- *Climate Change Adaptation and Mitigation Plan* for the sector and the *Climate Smart Agriculture (CSA) Strategic Framework* – focus on the quarterly activities or action plans that will give effect to the implementation of the Plan as climate change has an adverse impact on the development and growth of the agricultural sector.
- The *AgriBEE Sector Code* government undertakings to enforce transformation in the agricultural sector. Progress in this regard has been viewed as slow.

The Committee raised a concern with the protracted period it takes the Department to develop and eventually implement policies and legislation that are crucial for addressing sectoral challenges while promoting sector growth. There is uncertainty about the Department's capacity and commitment to legislation and policy development. The *National Policy on Extension and Advisory Services* has been under development since 2012 but was only approved by Cabinet in October 2016 and eventually implemented in 2017. The Draft *National Policy on Comprehensive Producer Development Support* has been under development since 2015 and was supposed to be tabled in Cabinet in 2018/19, a target that has since been rolled over to 2019/20.

In 2015, the Department invited public inputs on a draft PDAL Bill, which was then called PDALF Bill as per the MTSF, and since then its submission has been a moving target. After three years, in 2018, the Department reported that it had appointed a private consultant (legal firm) to redraft the Bill. The PDAL Bill is now expected to be submitted to Cabinet during 2019/20. The processing of the Bill within the Department was previously a target under Programme 5: Forestry and Natural Resources Management but for the year under review, it is under Programme 1: Administration.

#### **4. Overview of the 2019/20 Budget Allocation and the Medium Term Expenditure Framework (MTEF) Estimates of the Department**

The budget allocation of the Department (Budget Vote 24) for the 2019/20 financial year is R7.665 billion, a slight decrease from the 2018/19 financial year's revised budget estimate of R7.732 (Table 1). The budget allocation in Table 1 is in nominal terms (not adjusted for inflation) as it is presented in the National Treasury's Estimates of National Expenditure (ENE), hence it is showing a slight exponential increase over the medium term expenditure framework (MTEF) period. However, when the budget for the medium term (2019/20 – 2021/22) is adjusted for *inflation* (i.e. an increase in the overall price level of goods and services in an economy over a specific period of time), it is decreasing in real terms as compared to the rest of the economy.

In real terms, the Department's budget allocation has been stagnant since 2015/16 with a slight increase during 2018/19. This is a concern when considering the role that agriculture has to play in job creation and ensuring that the country is food secure. The budget has been allocated according to the six programmes of the Department as outlined in subsection 3.1. For Programme 6: Fisheries Management, operational activities are funded through the Marine Living Resources Fund.

In alignment with its stated priority foci for the MTEF period, which are, increasing food security, developing and supporting smallholder farmers, creating jobs, sustainable resource management and improving the contribution of agriculture to the GDP, approximately 77 per cent of the Department's budget is allocated to three core Programmes, namely, Programmes 2, 3 and 5 (see Table 1 below), where Programme 2 accounts for approximately 34% of the total vote expenditure.

**Table 1. Budget Allocation per Programme for the MTEF Period (2019/20 – 2021/22)**

Programme	2018/19 Revised Estimate	MTEF Period Estimates			Proportion of Total Vote for 2019/20
		2019/20	2020/21	2021/22	
<b>R Million</b>					
1. Administration	R 951.7	R 935.7	R 942.4	R1 001.1	12.1 %
2. Agricultural Production, Health & Food Safety	R2 364.5	R2 642.5	R2 741.2	R2 885.2	33.5%
3. Food Security & Agrarian Reform	R2 037.8	R2 237.0	R2 331.7	R2 515.7	28.7%
4. Trade Promotion & Market Access	R 273.9	R 290.9	R 309.1	R 327.4	3.8%
5. Forestry & Natural Resources Management	R1 617.1	R1 039.1	R1 045.6	R1 109.9	15.2%
6. Fisheries Management	R 487.8	R 519.7	R 553.2	R 586.3	6.8%
<b>Total</b>	<b>R7 732.8</b>	<b>R7 664.8</b>	<b>R7 923.2</b>	<b>R8 425.6</b>	<b>100%</b>

Adapted from National Treasury (Estimates of National Expenditure, 2019)

Of the total budget of R7.66 billion that has been appropriated to the Vote for the year under review (2019/20), budget allocation is as follows:

- *Current payments* is R3.25 billion (42% of the total vote) – R2.35 billion, which is 72% of current payments (and 31% of the total vote) will be spent on compensation of employees. This is a 3% increase from the previous year, where compensation of employees accounted for 69% of current payments (and 29% of the total vote). Goods and services are appropriated an amount of R898 million (12% of current payments) for 2019/20; and R205 million (24%) of this amount is for property payments and R107 million (10%) is for agencies and outsourced services.

- *Transfers and subsidies* is R4.28 billion (56% of the total vote) – almost R2.2 billion (51%) will be spent mainly on the conditional grants to provinces (i.e. Comprehensive Agriculture Support Programme (CASP), Ilima/Letsema and LandCare). CASP alone accounts for 67% of the conditional grants and 34.5% of the total transfers and subsidies. A further allocation of R1.55 billion (36%) will be spent mainly on the transfers to departmental entities (i.e. Agricultural Research Council (ARC), National Agricultural Marketing Council (NAMC) and Marine Living Resources Fund (MLRF). Other transfers include R21.6 million to the National Student Financial Aid Scheme (NSFAS) for bursaries through Programme 3 and R1.3 million to the Primary Agriculture Sector Education and Training (AgriSETA) for training.
- *Payments for capital assets* is R130.6 million (2% of the total vote) – mainly for buildings and other fixed structures as well as equipment and machinery.

#### **4.1 An Overview of the 2019/20 Budget Allocations and Performance Plans for the Department's Programmes**

##### **Programme 1: Administration**

The Programme's purpose is to provide strategic leadership, management and support services to the Department. It comprises of the following sub-programmes: Ministry, Department Management, Financial Administration, Internal Audit, Corporate Services, Stakeholder Relations, Communications and Legal Services, and Policy, Planning and Monitoring and Evaluation.

The Financial Administration sub-programme accounts for approximately 24% (R221.8 million) of the total appropriation to Administration, followed by Corporate Services and Office Accommodation sub-programmes (each allocated R202 million, which is 22% of the Programme's planned expenditure). Compensation of employees accounts for 54% of the Programme's total budget for 2019/20. The key planned targets under Programme 1 include the submission of 2 pieces of legislation to the

Minister, namely, the Marketing of Agricultural Products Amendment Bill and the Preservation and Development of Agricultural Land Bill; 80% of invoices paid within 30 days; implementation of the Risk Management Strategy and report on Sector Economic and Statistical Outlook.

As previously indicated, the Department is viewed as having a challenge with the review of old and outdated legislation including development of new legislation, for example, the review of the Marketing of Agricultural Products Amendment Bill has been in the pipeline for most of the entire Fifth Parliament. The same is true for the Perishable Products Export Control Amendment Bill and the Agricultural Products Standard Amendment Bill that both mandates and guide the activities of the Perishable Products Export Control Board (PPECB). The two Bills, including the Agricultural Produce Agents Amendment Bill, the Fertilisers Bill and the Feeds and Pet Food Bill have been in the Department's past Strategic Plans for submission to Minister and have eventually disappeared from the Department's Annual Plans without introduction in Parliament.

In April 2018, DAFF signed a memorandum of understanding with Statistics South Africa (StatsSA) to conduct an Agricultural Census, which was last done in 2007; and to develop a Farmer Register to create a valid database of smallholder and subsistence farmers. An amount of R241 million was allocated for the Census (R90 million in 2018/19; R100 million in 2019/20 and R51 million in 2020/21) and DAFF was to oversee the implementation process. This is not included in the Department's APP although 2019/20 is the second implementation year of the Census.

## **Programme 2: Agricultural Production, Health and Food Safety**

The purpose of the Programme is to promote agricultural production through the management of risks associated with animal diseases, plant pests, genetically modified organisms (GMOs) and registration of products used in agriculture. Its aim is to promote food safety and create an enabling environment for increased and sustainable agricultural production. It comprises four sub-programmes, namely, Management, Plant Production

and Health, Animal Production and Health as well as Inspection and Quarantine/Laboratory Services.

Programme 2 receives the highest budget allocation from the total Vote (33.5%). Approximately 68% of the Programme's budget is for transfers and subsidies, which mainly constitutes transfers to the Agricultural Research Council (ARC) and Ilima/Letsema grant for household food production.

The transfer of R1.2 billion to the ARC accounts for 46% of the Programme's budget for 2019/20. Approximately 26% of the total budget of the Programme will go to compensation of employees. The key annual targets for Programme 2 include inter alia the implementation of the Kaonafatso ya Dikgomo (red meat value chain) and the poultry schemes (poultry value chain); risk surveillance for foot-and-mouth disease (FMD) and *Peste des Petits Ruminants* (PPR – highly contagious sheep and goat plague); exotic fruit fly surveillance; deployment of 189 veterinary graduates through the Compulsory Community Service (CCS) programme and implementation of 27 export protocols for phytosanitary requirements. The Committee appreciated the deployment of veterinarians through the CCS programme but lamented lack of access to veterinary services by most rural communities and smallholder farmers including shortage of veterinarians in most districts.

### **Programme 3: Food Security and Agrarian Reform**

Its purpose is to facilitate and promote food security and agrarian reform programmes. It comprises of Management, Food Security, Sector Capacity Development and National Extension Support Services.

As provinces and other agencies are responsible for implementation of most activities under this Programme, transfers and subsidies account for 86% of its total budget, which is spread out across its 3 core sub-programmes (except Management). This necessitates strengthened monitoring and evaluation systems within the Programme to ensure efficient utilisation and management of such funds including policy implementation.

Approximately 8% of the Programme's budget is for compensation of employees. Of the R1.9 billion for transfers and subsidies under Programme 3, approximately R1.5 billion goes to CASP (i.e. 77% of transfers and subsidies under Programme 3). The rest (R417.7 million for R2019/20 and R1 billion for the MTEF period) is transferred to the Land and Agricultural Development Bank of South Africa (Land Bank) for the commercialisation of black producers. CASP transfers, which constitute 66% of the total budget of Programme 3 are mainly for infrastructure development (R1 billion), Extension Recovery Programme (ERP – R368.6 million) and upgrading of Provincial Agricultural Colleges (R76.6 million). In line with the NDP mandate to develop infrastructure, 71% of the CASP grant allocation under Programme 3 is for infrastructure development. The R21.6 million that DAFF transfers to NSFAS is also transferred through Programme 3.

For the 2019/20 financial year, the Department plans to finalise and table to Cabinet, the National Policy on Comprehensive Producer Development Support; develop quarterly reports on food and nutrition security interventions; annual report on the deployment of Extension Practitioners to commodity organisations for skills development (20 practitioners per year); monitoring the placement of unemployed graduates for capacity building (1 000 bi-annually); number of hectares planted (target: 109 534 ha for 2019/20) and number of households (target; 86 256 HHs for 2019/20) supported by provinces for food production initiatives; number of smallholder producers (target: 26 200 for 2019/20) supported and an annual progress report on the commercialisation of black producers (100 farmers per year for 2019/20). The Committee questioned the basis for the placement of only 20 extension practitioners for skills development given the extent of the challenges associated with provision of quality technical support to producers and lack of it thereof. The Committee further raised a concern with the use of reports as targets and absence of a monitoring and evaluation framework given that 86% of the Programme's budget is transferred to provinces and/or other entities. In 2015, the Department retained R60 million of CASP fund at national level for the 3-year term

starting from 2015/16 – 2017/18 to strengthen the monitoring and evaluation of the utilisation and spending of CASP funds. Instead of monitoring CASP, the Department utilised the ring-fenced budget for other matters such as training.

#### **Programme 4: Trade Promotion and Market Access**

The Programme's purpose is to promote economic development, trade and market access for agriculture, forestry and fisheries products and to foster international relations for the sector. The Programme comprises of four sub-programmes, namely, Management, International Relations and Trade, Agroprocessing and Marketing as well as Cooperatives and Rural Enterprise Development.

Approximately 47% of Programme 4's budget is allocated to the International Relations and Trade sub-programme. Through this sub-programme, the Department facilitates and coordinates trade negotiations and also makes transfers to foreign governments (diplomatic missions) and international organisations, the most significant being a R25.5 million to the Food and Agriculture Organisation of the United Nations (FAO) for 2019/20. The transfer to the National Agricultural Marketing Council is done through Programme 4 and the Department also makes transfers to the Land Bank (R43.8 million in 2019/20) to support smallholder farmers through Programme 4. Compensation of employees accounts for approximately 41% of Programme 4's total budget.

For 2019/20, the Department plans to implement the following annual targets through Programme 4, annual report on the implementation of South Africa-Good Agricultural Practice (SA-GAP) Certification Programme for producers of fresh produce for markets; training of 60 agroprocessing entrepreneurs on norms and standards; reports on the implementation of AgriBEE Enforcement Guidelines and Sector Code government undertakings; 144 cooperatives supported with training; status report on compliance to the African Union (AU) and South African Development Community (SADC) obligations and report on facilitating the implementation of BRICS (Brazil, Russia, India, China, South Africa). The

Committee raised a concern with the Department's targets that constitute mainly of reports and training activities without specific details and measurable impact. As an example, how will training of agroprocessing entrepreneurs contribute to the creation of 145 000 or 1 million jobs that that are expected from the sector through agroprocessing by the NGP and the NDP, respectively. In addition, no mention is made of the specific AU and SADC obligations that the country has to comply to.

### **Programme 5: Forestry and Natural Resources Management**

This Programme's purpose is to develop and facilitate the implementation of policies and targeted programmes to ensure proper management of forests and the sustainable use and protection of land and water and to manage agricultural risks and disasters. It comprises of Management, Forestry Operations, Forestry Oversight and Regulation as well as Natural Resources Management.

Approximately 60% of the Forestry and Natural Resources Management Programme is allocated to compensation of employees for 2019/20, which is the highest personnel expenditure per Programme. The Forestry Operations and the Natural Resources Management sub-programmes respectively, accounted for 52% (R536.5 million) and 41% (R429.8 million) of the Programme's budget for 2019/20. The Forestry Operations sub-programme is responsible for management of state forests and nurseries while the Natural Resources Management sub-programme is responsible for among others, infrastructure development (e.g. irrigation schemes), rehabilitation of degraded areas, sustainable resource use, climate change mitigation and adaptation, climate risk and disaster management. Transfers to provinces through this Programme for 2019/20 include an amount of R82.2 million for the LandCare Poverty Relief Programme (Expanded Public Works Programme) and a further R60.3 million from CASP for flood-damaged infrastructure. Both these transfers are administered through the Natural Resources Management sub-programme.

Some of the planned targets for 2019/20 under Programme 5 include rehabilitation of 27 957 hectares (ha) of agricultural land and 300 ha of

indigenous forests; implementation of the Agroforestry Strategic Framework by piloting project plans in two provinces; annual reports on the implementation of the Climate Change Adaptation and Mitigation Plan for Agriculture, Forestry and Fisheries and the Climate Smart Agriculture (CSA) Strategic Framework; and planting of 945 ha in temporary unplanted areas (TUPs). The Committee highlighted the importance of baselines against which the Department derives the number of hectares for example, that will be planted or rehabilitated per year and/or over the MTEF period. Additionally, in terms of contribution to job creation, the Department needs to differentiate between actual jobs and full-time equivalents (FTEs). The FTEs are used for most of the poverty relief projects that are implemented by the Department (e.g. LandCare) and such jobs are not permanent and in some cases, do not pay the minimum wage.

### **Programme 6: Fisheries Management**

The purpose of this Programme is to promote the development, management, and monitoring and sustainable use of marine living resources and development of the fisheries sector. The Programme comprises of six sub-programmes, namely, Management, Aquaculture, Fisheries Research and Development, Marine Resources Management, Monitoring, Control and Surveillance and the Marine Living Resources Fund (MLRF). Budgetary allocations in this Programme are in respect of personnel costs and allocations to the Marine Living Resources Fund (MLRF), which is responsible for the operational activities of the Fisheries Management Programme. For 2019/10, the MLRF accounted for 53% (R274.3 million) of the Programme's budget and compensation of employees accounted for 47%. The allocation to the MLRF supplements revenue that the MLRF generates from levies on fish and fish products, permits, licences and application fees as well as proceeds from sale of confiscated fish and fish products.

The Department's medium term focus under this Programme is aquaculture development through Operation Phakisa: Oceans Economy activities. For the 2019/20 financial year, the Department planned amongst others, to support four Operation Phakisa aquaculture projects; revise policies and

application forms for 12 commercial fishing sectors whose rights expire in 2020; conduct 5 500 inspections (compliance and enforcement) in six prioritised fisheries sectors (hake, abalone, rock lobster, line fish, squid and pelagic); allocate rights to smallscale fisheries cooperatives in Eastern Cape, KwaZulu-Natal and Western Cape; and to develop an Implementation Plan for the Aquaculture Development Act.

The Department's annual planning is found wanting in this regard as there is no Aquaculture Development Act yet as the Aquaculture Development Bill was introduced in Parliament towards the end of the Fifth Parliament and could not be processed. The Bill will have to be re-introduced in Parliament by the new Minister for Fisheries. There is no certainty on when will that be and how long it will take Parliament to process and finalise it before it is signed into law by the President. An acceptable target in this regard, and in light of the transfer of the Fisheries function to Environment, should have been the introduction of the Aquaculture Development Bill in Parliament.

## 5. Consideration of the 2019/20 Annual Performance Plans (APPs) of the Entities of the Department of Agriculture, Forestry and Fisheries

**Table 2. Budget Allocation to Entities for the MTEF Period**

Entity	2018/19 Appropriation	MTEF Period Estimates		
		2019/20	2020/21	2021/22
<b>R Million</b>				
1. Agricultural Research Council	R1 031.1	R1 223.8	R1 293.9	R1 347.6
2. Onderstepoort Biological Products	-	-	-	-
3. Marine Living Resources Fund	R259.7	R274.3	R289.3	R305.3
4. National Agricultural Marketing Council	R43.2	R45.2	R47.7	R50.3
5. Perishable Products Export Control Board	R0.6	R0.585	R0.584	R0.6
<b>Total</b>	<b>R1 334.6</b>	<b>R1 543.9</b>	<b>R1 631.5</b>	<b>R1 703.8</b>

Adapted from National Treasury (Estimates of National Expenditure, 2019)

## 5.1 The Agricultural Research Council (ARC)

The ARC was established in terms of Section 2 of the Agricultural Research Act, 1990 (Act No. 86 of 1990) and is listed under Schedule 3A (national public entity) of the Public Finance Management Act (PFMA). The ARC is the principal agricultural research institution in the country. It provides agricultural research and development, technology transfer and support to the agricultural community. In addition, the ARC is the custodian of the country's national collections of insects. The ARC's outcome-oriented Strategic Goals over the medium term are to:

- Generate knowledge and technologies that will enhance the efficiencies in crop-based agriculture.
- Generate knowledge and technologies that will enhance the efficiencies in livestock, wildlife and aquaculture-based agriculture.
- Generate knowledge and technologies for the conservation and utilisation of natural resources.
- Generate knowledge, solutions and technologies for food safety, quality and improved efficiencies in the agriculture value chain.
- Generate and disseminate knowledge and technologies for decision making and transformation of the agricultural sector.
- Apply best resource management practices, towards a high performing and visible organisation.

The ARC is appropriated an amount of R1.2 billion through the Department's Programme 2 (Parliamentary Grant) for the 2019/20 financial year. The transfer constitutes baseline allocation for operational and capital expenditure; and additional allocations for provision of national services such as climate monitoring, crop forecasting, INTERGIS (a national electronic data handling system for beef and dairy cattle), diagnostic services, management of Ncera Service Centre as well as the Foot-and-Mouth Disease (FMD) Facility. For the construction and establishment of the FMD Facility, the ARC was allocated R400 million for the medium term period (R130 million for the 2019/20 financial year). The ARC also receives funding for the maintenance of national assets from DAFF and the

Department of Science and Technology (gene banks, databanks, inventories, national collections, surveys and information systems). The baseline allocation (Parliamentary Grant) accounts for 70% of the ARC's total income, while 25% of its income is from external sources and 5% from other sources such as provision of national services and maintenance of national assets. The ARC acknowledged that it is in an adverse financial position as it does not have sufficient current assets to absorb current liabilities. The entity is facing liquidity and going concern challenges.

The ARC highlighted, among its other challenges, the declining Parliamentary Grant (PG), which impacts the entity's ability to generate external funding due to co-funding arrangements. With commodity industries for which they do most research, for example, they have 50:50 arrangements in terms of research funding allocation. As a research institution, personnel costs constitute 60% of its total income and consume more than 90% of the PG. The budget cuts also impact the ARC's ability to fill core (research) vacancies. The entity's financial plan for the medium term shows a deficit but the ARC reported that with the implementation of cost-cutting initiatives and the Financial Turnaround Plan it is confident of an improved financial status during the 2020/21 financial year. One of its cost-cutting measures is to reduce personnel costs annually by R325 million to 60% of the PG instead of more than 90% over the medium term.

The Committee was gravely concerned about the ARC's financial status including its inability to effectively address repeat findings by the Auditor-General of South Africa on its annual financial statements, which resulted in the entity receiving qualified audit opinions on its financial statements for two consecutive financial years (i.e. 2016/17 and 2017/18). In this regard, whilst the Committee was uncertain about the ARC's ability to turn around its financial status, it was equally concerned about the impact of declining funding on agricultural research and innovation, which are essential in addressing emerging challenges and ensuring that the sector remains competitive. As National Treasury highlighted Government's limitations regarding provision of additional funding due to the constrained fiscal

outlook, the ARC was encouraged to find innovative ways to attract external funding through competitive research and innovation, which understandably, requires funding.

## **5.2 The Onderstepoort Biological Products (OBP)**

The OBP was established in terms of the Onderstepoort Biological Products Incorporation Act, 1999 (Act No.19 of 1999). It is listed under Schedule 3B of the PFMA, i.e. national Government business enterprise. It is a state-owned bio-technical company that manufactures livestock vaccines and related products for the global animal health care industry. The OBP does not get a financial transfer from the Department but funds all its operations from its self-generated revenue (mostly from sale of vaccines). The OBP's performance indicators and annual targets are informed by four Strategic Goals:

- To ensure financial sustainability.
- To ensure a globally competitive product and service portfolio.
- To ensure business excellence within the organisation.
- To contribute to socio-economic development as per government priorities.

To give effect to the socio-economic development goal, the OBP plans to increase the number of new distribution points for its products in rural areas. The Committee raised a concern about the effectiveness of the OBP's marketing strategy and highlighted that it should ensure that provinces and other government institutions source vaccines from the OBP. The President in the June 2019 SONA also highlighted the importance of, and advocated for buying local products, an issue which should be promoted.

## **5.3 The National Agricultural Marketing Council (NAMC)**

The NAMC was established in terms of Section 3 and 4 of the Marketing of Agricultural Products (MAP) Act, 1996 (Act No. 47 of 1996) as amended by Act No. 52 of 2001. It is listed under Schedule 3A of the PFMA. The core mandate of the NAMC is to investigate and advise the Minister of

Agriculture, Forestry and Fisheries on agricultural marketing policies and their application, and to coordinate agricultural marketing policy in relation to national economic, social and development policies and international trends and developments. The NAMC's Strategic Goals over the medium term, which are aligned to the MAP Act are to:

- Ensure increased market access for all market participants.
- Promote efficiency in the marketing of agricultural products.
- Optimise export earnings from agricultural products.
- Enhance the viability of the agricultural sector.

The NAMC receives a Parliamentary Grant through the Department's Programme 4; and for the 2019/20 financial year, an amount of R45.2 million is appropriated to the NAMC. Approximately 71% of the entity's total allocation goes to compensation of employees. The NAMC's activities and interventions are centred on realising the four strategic goals. Its spending focus over the medium term will be on Market Access (targeting smallholder farmers) through continued implementation of the National Red Meat Development Programme (NRMDP) that is funded by the Department of Rural Development and Land Reform (DRDLR) in partnership with relevant provincial departments and municipalities. The programme has been implemented in the Eastern Cape, KwaZulu-Natal, North West and Northern Cape; and the entity is currently targeting Limpopo. The programme has great potential to contribute to sector transformation and has made an impact on job creation. However, the reality is that the provinces with the highest number of livestock do not have the infrastructure and processing facilities for farmers to be able to realise great returns from their animals.

The NAMC will promote Market Efficiency by undertaking research on agro-food chains; provide agribusiness training with other industry partners including the AgriSETA; and coordinate implementation of statutory measures as outlined in the MAP Act (i.e. levies, records and returns, registration and control of export products) for 22 agricultural industries. To ensure optimisation of Export Earnings, the NAMC undertakes trade

research to identify export opportunities for South African agricultural products; allocate funding through statutory levies for quality control and to promote exports; and also facilitates technical support and certification for smallholder farmers for them to produce exportable products and access local and international markets.

To enhance Sector Viability, the NAMC will continue monitoring the spending of Agricultural Industry Trusts for transformation activities and in this regard, the entity has established an independent Transformation Review Committee; it developed an Agriculture Branding Initiative to promote a single unified brand for South African Agriculture; and it coordinates the Presidential Infrastructure Coordinating Committee (PICC)'s Strategic Integrated Projects (SIP 11 – focus on agricultural logistics and rural infrastructure) on behalf of DAFF to support increased investment in infrastructure as mandated in the NDP. The NAMC highlighted that funding for infrastructure remains a challenge as SIP 11 was never funded, but some work has been done with limited funding. These include inter alia storage facilities, irrigation schemes, fencing and expansion of agricultural colleges.

## **6. Summary of Key Conclusions drawn from the Committee Deliberations on the 2019/20 APPs and MTEF Budget of the Department (DAFF) and its Entities**

The Committee took note of the implications of the Cabinet reconfiguration and welcomed the amalgamation of the Department with the Department of Rural Development and Land Reform including their restructuring as it was highlighted by the Minister. It was of the view that the amalgamation of the two Departments is necessary for better coordination and improved efficiencies regarding policy and programme implementation and resource utilisation. Having deliberated the findings and observations on the APPs and budget allocations of the Department and Entities, the Committee drew the following conclusions:

## **The Department of Agriculture, Forestry and Fisheries**

**6.1** The Department did not make enough effort in setting specific, measurable and reliable targets that are aligned with service delivery and financial resources. Some performance indicators remain vague e.g. Programme 1: *Sector Research Agenda monitored*, which is both an indicator and an annual target throughout the medium term; Programme 4: International Relations Strategy implemented where annual target is *status report on compliance to AU and SADC obligations*. Resource allocation was not linked to performance targets in the APP (but to Programmes and sub-programmes) so that when a number of targets are not achieved during the previous financial year and are deferred to the following year, the Department should be able to account for the budget that has been allocated for those targets during that year, e.g. development and implementation of specific policies and legislation.

**6.2** Uncertainty regarding the Department's capacity to develop essential legislation and policies to address sectoral challenges in light of the prolonged period it took to finalise and/or implement policies and legislation, e.g. National Policy on Extension and Advisory Services, Draft National Policy on Comprehensive Producer Development Support, Preservation and Development of Agricultural Land (PDAL) Bill and the Marketing of Agricultural Products Amendment Bill.

**6.3** Conditional grants are narrowly focused on certain primary agricultural activities while more employment opportunities may be generated in complementary sectors that are outside the grant requirements such as agroprocessing, which is identified as a key job driver; and agri-tourism. This is notwithstanding training for agroprocessing entrepreneurs that will be provided through Programme 4.

**6.4** Absence of a monitoring and evaluation (M & E) framework as part of the Department's annual plans may impact accountability on performance and service delivery considering that 56% of the total Vote allocation goes to transfers and subsidies. Transfers and subsidies mainly constitute transfers to Departmental and other entities, as well as conditional grants, which are transferred to provinces for implementation of Departmental interventions and service delivery

programmes. In the absence of effective M & E, provinces may sometimes redirect the funds to other activities. This is especially true of CASP, which accounts for 67% of the conditional grants and about 35% of the total transfers and subsidies; and seems to be a funding instrument for everything and anything that is not funded in the Department.

**6.5** There is a need for further engagements on the Commercialisation of Black Producers and the Blended Finance Model, as well as the utilisation of the AgriBEE Fund and Mafisa, which are administered by the Land Bank. During the current financial year (2019/20), the Land Bank will be allocated R461.5 million through Programmes 3 and 4 for the Commercialisation of Black Producers Programme and smallholder farmer support.

**6.6** Lack of intergovernmental collaboration and clear alignment of activities between the Department and its Entities, as well as between DAFF and DRDLR remains a concern that impacts optimal use of limited financial resources and delivery of services, e.g. training programmes for market access through the Department's Programme 4 and the NAMC; involvement of the Department and the ARC in the NAMC's National Red Meat Development Programme that is funded by DRDLR. The Committee hope that this will be addressed by the merger of the two Departments including the Operation Phakisa for Agriculture, Land Reform and Rural Development in which the two Departments and Entities are participating. Operation Phakisa was developed to address inter alia some of the challenges associated with poor coordination and collaboration.

### **Agricultural Research Council (ARC)**

**6.7** The additional allocation of R400 million to the ARC in the medium term, for the construction and establishment of the FMD Facility is welcome. The completion of the Facility is expected to enhance the country's vaccine research capacity and ensure there is a secure local supply of the FMD vaccine, which the country currently imports from Botswana.

**6.8** The ARC's deteriorating financial status and history of poor audit findings put the sustainability of the entity at risk and threatens agricultural research capacity and innovation.

#### **Onderstepoort Biological Products (OBP)**

**6.9** The need for the OBP to improve its marketing plan/strategy to promote visibility in provinces as its products are not widely available or utilised in provinces.

#### **National Agricultural Marketing Council (NAMC)**

**6.10** The NAMC's National Red Meat Development Programme was not sufficiently marketed in provinces as it can play a crucial role in securing market access for smallholder livestock owners.

**6.11** Lack of alignment of activities between the NAMC and the Department with respect to farmer training for market access and market efficiencies. There is a need for better coordination to avoid duplication of activities.

### **7. Committee Recommendations**

After discussions and deliberations on the Department and the Entities' 2019/20 Annual Performance Plans (APPs) and Budget Vote 24, the Portfolio Committee on Agriculture, Land Reform and Rural Development makes the following recommendations to the National Assembly (NA) for the attention of the Minister of Agriculture, Land Reform and Rural Development regarding Budget Vote 24:

**7.1** Notwithstanding the reconfiguration that is in process to amalgamate the two Departments, ensure that vacancies at senior management service (SMS) level of the Department are filled; and with people with the requisite skills required to carry out the Department's mandate. In this regard, particular attention should be given to the policy, planning,

monitoring and evaluation; legal services; as well as financial administration functions of the Department to address weaknesses in drafting APPs, policies and legislation; and to effectively address repeat audit findings on financial statements.

**7.2** Through the reconfiguration process, fast track the finalisation of the National Policy on Comprehensive Producer Development Support; and further consider redefining the mandate of the Departments' conditional grants and other funding instruments; and consolidate them into one 'Comprehensive Producer Support Fund' that will be administered by the Department or suitable entity to minimise administrative costs, to improve spending efficiency, gain maximum value for money and better management and accountability for the funds. These include but not limited to CASP, Mafisa, Blended Finance Model, AgriBEE Fund, Recapitalisation and Development Programme (RECAP). The process should also be accompanied by a Policy Implementation Plan and a Monitoring and Evaluation (M&E) Plan to ensure efficient utilisation of the funds.

**7.3** Engage with the Minister of Finance to discuss the Department's funding needs and reprioritisation of funding particularly for unfunded mandates such as Strategic Integrated Projects (SIP 11) as infrastructure development is essential for the implementation of the APAP and revitalisation of the agricultural and agroprocessing value chains (RAAVC).

**7.4** Fast-track the establishment of baseline information and databases for the smallholder sector including the facilitation of a full Agricultural Census and an import and export system. The databases are essential in order to effectively guide and manage interventions for the development and transformation of the sector; and to measure impact of Government interventions. In this regard, a progress report on the Agricultural Census including the development of the national Farmer Register for which R241 million was budgeted for a 3-year period from 2018, should be submitted in Parliament.

- 7.5** Facilitate and strengthen intergovernmental relations through the alignment of services between the Department, entities, provinces and other departments such as the Departments of Trade and Industry (the dti), Small Business Development (DSBD) and the Water and Sanitation (DWS) as this can assist the Department with cost containment measures in light of budget cuts, avoiding duplication of activities, to maximise service delivery and resource allocation to joint programmes such as Operation Phakisa for Agriculture, Land Reform and Rural Development, which is expected to play a significant role in ensuring the Revitalisation of the Agricultural and Agroprocessing Value Chain (RAAVC).
- 7.6** Ensure that funds that are transferred by both Departments to the Land Bank for agricultural development (e.g. commercialisation of black farmers) and transformation (AgriBEE Fund) are ring-fenced for that purpose and the Land Bank should report on their utilisation bi-annually.
- 7.7** In light of the possibility of the Land and Agricultural Development Bank of South Africa moving back to the Ministry of Agriculture, Land Reform and Rural Development in line with the Cabinet reconfiguration, consider a review of the mandate and funding model of the Bank to ensure that it addresses challenges of the agricultural sector including its dual nature while promoting the development of previously disadvantaged farmers.
- 7.8** Develop an Action Plan with timeframes for submission to Parliament, to fast-track policy development and legislative review.
- 7.9** Submit to Parliament comprehensive progress reports on the Commercialisation of Black Producers, revitalisation of irrigation schemes and Agricultural Colleges.
- 7.10** Ensure that the Agricultural Research Council submit to Parliament its Financial Turnaround Plan and an Audit Improvement Plan and present progress on these in Parliament during quarterly briefings.

- 7.11** In light of the constrained fiscal framework, review the mandates of the Department's Public Entities to strengthen alignment (amongst entities and between entities and the Department); and further coordinate and align agricultural research activities between the different spheres of Government (e.g. the Department, Public Entities and provincial research stations). Where there are duplicated roles among entities, merging should be considered.
- 7.12** Engage with the Minister of Higher Education, Science and Technology to address the shortage of critical skills in the agricultural sector and to strengthen research capacity in light of technological developments that have implications for the sector such as the Fourth Industrial Revolution (4IR). This should include a national skills assessment across sectoral disciplines.
- 7.13** Strengthen the Department's contribution to the implementation of the National Policy on Food and Nutrition Security by streamlining food security initiatives within the Department to maximise food availability and stability. Submit quarterly progress reports in Parliament that quantify primary production activities (yields) for both crop and livestock production systems, funding instruments and resource allocation for each activity.
- 7.14** Submit quarterly progress reports on the implementation of the Climate Change Adaptation and Mitigation Plan for Agriculture and Climate Smart Agriculture (CSA) projects. The reports should also include financial resources that are allocated to the implementation of the Plan and CSA projects as climate change-induced disasters have an adverse impact on the development and growth of the agricultural sector.

*The Committee further recommends that within three months after the adoption of this report by the National Assembly, the Minister should submit responses and progress on the implementation of the above recommendations.*

*Report to be considered.*

## **7. Report of the Portfolio Committee on Agriculture, Land Reform and Rural Development on Budget Vote 39: Rural Development and Land Reform, 10 July 2019**

The Portfolio Committee on Agriculture, Land Reform and Rural Development, having considered the 2019/20 Annual Performance Plans and allocation of budget for the Department of Rural Development and Land Reform, the Commission on Restitution of Land Rights, the Office of the Valuer-General, and the Ingonyama Trust Board, reports as follows:

### **1. Background and introduction**

This report accounts for the consideration of Budget Vote 39: Rural Development and Land Reform by the Portfolio Committee on Agriculture, Land Reform and Rural Development (the Committee). The Vote encompasses the Department of Rural Development and Land Reform (DRDLR), the Commission on Restitution of Land Rights (CRLR), the Office of the Valuer-General (OVG) and the Ingonyama Trust Board (ITB). The briefings on, and analysis of, strategic plans (2014-2019), annual performance plans (APPs) and estimates of expenditure formed part of the activities carried out by the Committee during the committee process. The Committee assessed the plans and resource allocation against key policy priorities drawn on the 2019 State of the Nation Addresses (SONAs), the National Development Plan (NDP), Medium-Term Strategic Framework (MTSF), the Estimates of National Expenditures (ENE) and the 2019 Budget Speech of the Minister of Finance.

The Committee recognizes that the Ministries of Rural Development and Land Reform, and Agriculture, Forestry and Fisheries have been merged. The DRDLR and the Department of Agriculture, Forestry and Fisheries (DAFF) will ultimately merge to form the new Department of Agriculture, Land Reform and Rural Development (DALRRD). For purposes of consideration of the 2019/20 Budget Vote 39, tabled in February 2019 before the announcement of the merger, the Committee has considered Budget Votes 24 & 39 separately and is tabling two separate reports

according to the vote, hence this report accounts for Budget Vote 39 and the mandate of the DRDLR.

On 3 July 2019, the Committee held briefing session where the DRDLR, the ITB, the CRLR, and the OVG presented their APPs and the final report was adopted on 10 July 2019. The principal concern of this report is whether the key priorities of the DRDLR, CRLR, ITB, and OVG were clearly enunciated, supporting programmes were put in place and sufficient resources were allocated to give effect to the Constitutional imperatives to redress skewed land ownership patterns in Section 25 of the Constitution. Against this backdrop, this report proceeds as follows: It presents an overview of the strategic context and review the priorities as well as estimates of expenditure of the DRDLR and its entities discussed above; it documents key conclusions, taking into account the implementation track record of the DRDLR and its entities; and it concludes with recommendations for consideration by the National Assembly.

## **2. The Department of Rural Development and Land Reform**

The mandate of the DRDLR is to create and maintain an equitable and sustainable land dispensation; and acting as a coordinator and catalyst in rural development to ensure sustainable rural livelihoods, decent work and continued social and economic advancement of all South Africans. The mandate draws on Sections 24, 25 and 27 of the Constitution of the Republic of South Africa, which is about sustainable development and use of natural resources, redress of racially-based property relations, and access to sufficient food and water. Against this backdrop, the vision of the Department is to ensure vibrant, equitable and sustainable rural communities. The mandate, mission and vision of the DRDLR is underpinned by agrarian transformation which is understood to mean a rapid and fundamental change in the relations (systems and patterns of ownership and control) of land, livestock, cropping and community.

## **2.1 Strategic context, goals and the key priorities for the 2019/20 financial year.**

The 2019/20 APP presented represented the final cycle for the 2015/16 – 2019/20 Medium-Term Strategic Framework in which interventions to address marginalisation and deprivation of the poor, especially those living in the rural areas, as per the Strategic Plan (2014-19). Marginalisation and deprivation of the black majority result from the legacy of apartheid's spatial design. It excluded blacks from the mainstream of the economy and resulted in skewed land ownership patterns. The existing conditions of poverty, unemployment and inequality can be associated with the legacy of decades of segregation and apartheid policies. To what extent do plans presented to the Committee contribute to reversing such legacy?

A high level policy document that sets goals to reverse the legacy is the National Development Plan (NDP). The Committee assessed the APPs in order to ascertain if they were aligned with Chapter 6 of the NDP (inclusive rural economy). The NDP targets seek to ensure that, by 2030, there would be integrated rural areas where residents will be economically active, have food security, access to basic services, health-care and quality education. At the heart of the NDP is job creation to alleviate unemployment and poverty. Table 1 below (Alignment of the DRDLR Strategic Objectives with NDP and MTSF) demonstrate the extent to which the DRDLR attempted to align its strategic objectives to MTSF priorities. The Committee welcomed the alignment of programmes of the DRDLR to the MTSF priorities and the relevant SONA pronouncements. For example, increase the percentage of productive land owned by previously disadvantaged individuals from 11.5 per cent in 2013 to 20% by 2019 (or 16.2 million hectares) will make more land available and inclusive agricultural industry.

The 2019 SONAs, both February and June, place job creation high on the national agenda. Accelerated land reform, expansion of agricultural output and promotion of economic inclusion takes central place in these

undertakings. The SONAs reaffirmed government's resolve to accelerate land redistribution, not only to redress historical injustice but also to widen access to land in order bring in more producers into the agricultural sector. It also committed the State to making well-located state and public land available to human settlements. On the basis of the above, oversight of the release of such land is prioritised by the Committee. The Committee noted, however, that it was unclear how the DRDLR was going to deal with this matter. It requires coordination with the Department of Public Works and Infrastructure.

**Table 1: Alignment of the DRDLR Strategic objective with NDP and MTSF**

<b>NDP &amp; MSTF Priorities</b>	<b>MTSF Activities</b>	<b>Relevant Strategic Objectives</b>
Improved land administration and spatial planning for integrated development in rural areas		Improved spatial planning.  Improve land administration for integrated and sustainable use of land for development.
Sustainable land reform (restitution, redistribution, tenure reform and development) contributing to agrarian transformation.	Increase the percentage of productive land owned by previously disadvantaged individuals from 11.5 per cent in 2013 to 20 per cent by 2019 (or 16.2 million hectares).	Promote equitable land redistribution and agricultural development.  Promote sustainable rural livelihoods.  Restoration of land rights.
Improved food security	Reduce the percentage of households who are vulnerable to hunger from 11.4 per cent in 2013 to less than 9.5 per cent in 2020.	Provide comprehensive farm development support.  Promote sustainable rural livelihoods.
Smallholder producers' development and support for agrarian transformation	Increase the percentage of productive land owned by previously disadvantaged individuals from 11.5 per cent in 2013 to 20 per cent by 2019 (or 16.2 million hectares).	Provide comprehensive farm development support.
Increased access to quality infrastructure and functional services, particularly in education, healthcare and public transport in rural areas.		Facilitate infrastructure development to support economic transformation by 2020 Improved access to services.

Growth of sustainable rural enterprises and industries characterised by strong rural-urban linkages, resulting in rural job creation.	Reduce the percentage of the population living below the lower bound poverty line (R443 in 2011 prices) from 32.3 per cent to below 22 per cent. Reduce rural unemployment from the current 49 per cent to less than 40 per cent.	Provide support to rural enterprises and development of rural industries. Job creation and skills development in rural areas.
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Table 2 below illustrates strategic objectives according to the five main programmes of the Department. The Committee noted that the strategic objectives of the Department largely remained unchanged since the tabling of the Strategic Plan (2015-2020). Appraisal of the priorities and strategic objectives, illustrated in Tables 1 and 2 demonstrates the extent of alignment of the programmes of the Department, the NDP and ultimately MTSF priorities.

**Table 2: Strategic objectives of the Department of Rural Development and Land Reform**

<b>Programme</b>	<b>Strategic Objective</b>
<b>1. Administration</b>	1.1 Compliance with all public sector legal prescripts
<b>2. National Geomatics Management Services</b>	2.1 Facilitate integrated spatial planning and land use management in all provinces through the application of relevant legislation by 2020 2.2 Ensure integrated and comprehensive land administration system
<b>3. Rural development</b>	3.1 Facilitate infrastructure development to support rural economic transformation by 2020 3.2 Provide support to rural enterprises and industries in areas with economic development potential and opportunities by 2020 3.3 Increase job opportunities and ensure skills through CRDP and land reform initiatives by 2020
<b>4. Restitution</b>	4.1 Facilitate the restoration of land rights or alternative forms of equitable redress by 2020
<b>5. Land Reform</b>	5.1 Promote equitable land redistribution and agricultural development by acquiring hectares of strategically located land by 2020 5.2 Provide comprehensive farm development support to smallholder farmers and land reform beneficiaries for agrarian transformation by 2020

5.3 Functional systems and institutional arrangements for tenure and land administration to enable agrarian reform in all provinces by 2020

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Source: DRDLR (2015) Strategic Plan 2015-2020

Analysis of the strategic objectives of the DRDLR, especially Programme 3 (Rural Development) and Programme 5 (Land Reform) creates potential for duplication of services rendered by DAFF. The Committee suggested that the Minister should consider, during configuration of the new department, bringing all aspects of farmer/settlement support under one branch for ease of coordination. Further, clear distinction must be made between support for smallholders and subsistence producers and support for large-scale commercial agriculture in order to avoid bias in favour of large-scale commercial agriculture and neglecting the land-based livelihoods of rural households.

**2.2 Priority legislation and policies to be developed over the medium-term**

Having noted policy initiatives planned for 2019/20, the Committee welcomed plans to produce a Revised White Paper on Land Reform and Land Redistribution Policy Framework. As the legacy report of the 5<sup>th</sup> Parliament Portfolio Committee on Rural Development and Land Reform shows, the absence of policy framework has been a major weakness in the DRDLR. Other policies that have been planned are –

- a) Unitary Land Tenure Policy
- b) Communal Land Tenure Policy
- c) Voluntary Land Donations Policy
- d) South Africa Land Administration Policy
- e) Deeds Registries Transformation Policy (Land Rights Registration Policy)

The Committee, however, noted that there have been challenges regarding capacity of the department to finalise different policies and legislation. The following policies initiatives appear to have been dropped, namely: Policy on Exceptions to the 1913 cut-off date and Policy on access to Historical Land Marks and Heritage Sites as pronounced by the President during the SONA of 2012. There has been lack of clarity with regard to –

- a) Policy framework: Review of the Deeds Registries Act of 1937 and geomatics functions;
- b) An operations policy to institute agricultural land ceilings;
- c) Policy contributions towards a land value tax; and
- d) An operations policy for evidence based policy research and development for rural development and land reform

With regard to legislative programme, the Committee observed that the DRDLR did not have any legislation that it plans to table in Parliament in 2019/20. Except 1, all the 7 pieces of legislation that were in the previous APP were not achieved and have been dropped from the Plans. Those are –

- Regulation of Agricultural Land Holding Bill, 2018;
- Communal Land Bill, 2018;
- Deeds Registries Amendment Bill, 2018;
- Sectional Titles Amendment Bill, 2018;
- Planning Profession Amendment Bill, 2018;
- Land Survey Amendment Bill, 2018; and
- Rural Development Bill, 2018.

### **3. Overview of the 2019/20 budget allocations and the Medium-Term Expenditure Framework estimates**

The Medium-Term Expenditure Framework (MTEF) total allocation for the DRDLR is R33.2 billion. Of the total allocation, 10.8 billion (32.3 per cent) has been allocated to Programme 4 - Restitution and R8.7 billion (26.2 per cent) to Programme 5 - Land Reform. As would be expected, redistributive

land reform takes the largest share of the total budget of the DRDLR. However, restitution and redistribution as priority programmes, receive modest annual real terms increases of 1.9% and 1.6% respectively. From these allocations, it is quite obvious that the number of hectares to be acquired would be affected.

**Table 3: Overall programme appropriations from 2018/19 to 2021/22**

Programme (R Million)	Budget (R'000)				Rand change		% change	
					Nominal	Real	Nominal	Real
	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20	2018/19-2019/20	2018/19-2019/20	2018/19-2019/20
Administration	1 861.4	1 889.1	1 976.8	2 087.6	27.7	- 65.7	1.49	-3.53
NGMS	677.3	712.8	762.3	817.8	35.5	0.3	5.24	0.04
Rural								
Development	1 785.4	1 821.1	1 985.2	2 112.9	35.7	- 54.3	2.00	-3.04
Restitution	3 363.8	3 608.2	3 336.8	3 552.2	244.4	66.0	7.27	1.96
Land Reform	2 737.3	2 915.0	2 608.8	2 785.1	177.7	33.6	6.49	1.23
<b>TOTAL</b>	<b>10 425.2</b>	<b>10 946.2</b>	<b>10 669.9</b>	<b>11 355.6</b>	<b>521.0</b>	<b>- 20.1</b>	<b>5.00</b>	<b>-0.19</b>

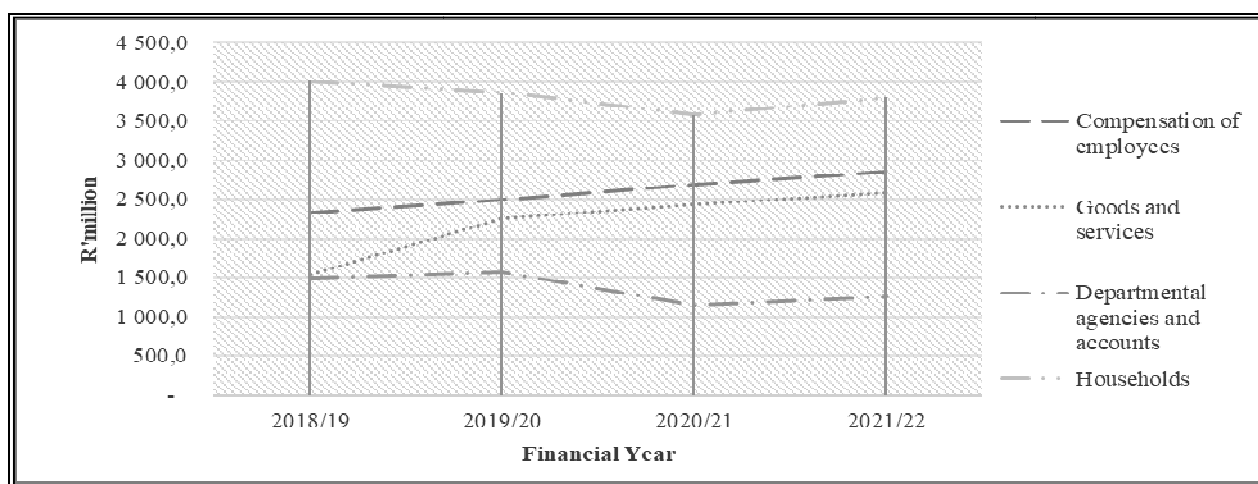
Source: Adapted from National Treasury (2019), Vote 39: Rural Development and Land Reform

Table 3 above shows that the total budget appropriated to the DRDLR has increased from R10.425 billion in 2018/19 to R10.946 billion in 2019/20, equivalent to a nominal increase of 5%. Yet in real terms, the budget decreased by 0.19%. Over the medium term, the budget allocation to the DRDLR decreases by an average rate of 2.4% in real terms. As was the case in previous years, the Committee expressed concern about the fact that the budget for land reform does not change in real terms as illustrated in Figure 1 below. Further, some budget for land reform goes to development support, a mandate that is closely link to DAFF. The Committee urged the Minister to ensure that reconfiguration of the departments addresses this overlap. Given the public outcry for land, National Treasury should consider prioritising redistributive land reform in budget allocation in order to give effect to the transformational provisions of Sections 25(5), (6) and (7) of the Constitution.

In terms of Economic Classification, the Committee noted that the main cost drivers are compensation of employees (COE) and Goods and Services

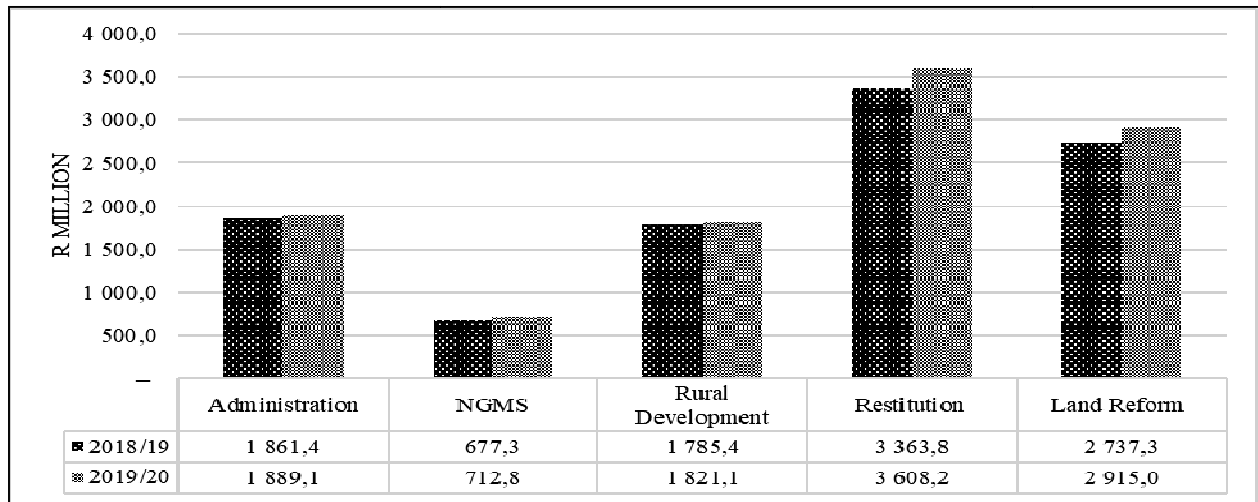
under Current Payments, Departmental Agencies and Accounts as well as Households under Transfers and subsidies as illustrated in Figure 1 below. The Committee, however, expressed concerns that the items having direct impact on communities, especially the rural poor, had decreasing budget while compensation of employees and goods and services has shown steady increase. Nonetheless, Households still takes 35.31% of the total budget of the DRDLR, followed by COE and Goods and Services at 22.85% and 20.64% respectively.

**Figure 1: Main cost drivers (economic classification 2018-2021)**



### 3.1 Overview of programme allocation and performance plans

The mandate of the DRDLR, as outlined above, is carried out in terms of the five programmes, including the Commission on Restitution of Land Rights implemented as programme 4 of the Department. The five Programmes; namely, 1. Administration, 2. National Geomatics Management Services, 3. Rural Development, 4. Restitution (the CRLR), and 5. Land Redistribution and Development. The Committee noted that there was ongoing discussion about the autonomy of the CRLR, whether it should be under programme 4 or should be allocated under transfers so that it functions independently of the DRDLR.

**Figure 2: Allocation of funds by Programme**

### 3.1.1 Administration

Administration programme encompasses provision of leadership, management and support services to the entire Department. Table 4 below illustrates that the total appropriation for Administration nominally increased by a negligible 0.6% from R1 877.9 billion in 2018/19 to R1 889.1 billion in 2019/20. However, in real terms, it decreases by 4.38%.

**Table 4: Administration Appropriations from 2018/19 to 2019/20**

Sub-Programme	Budget		Increase /Decrease		% Increase/Decrease	
	2018/19	2019/20	Nominal	Real	Nominal	Real
<i>Ministry</i>	47.8	46.5	- 1.3	- 3.6	-2.72	-7.53
<i>Management</i>	207.4	215.6	8.2	- 2.5	3.95	-1.18
<i>Internal Audit</i>	46.7	48.6	1.9	- 0.5	4.07	-1.08
<i>Corporate Services</i>	456.4	423.8	- 32.6	- 53.5	-7.14	-11.73
<i>Financial Services</i>	193.2	205.7	12.5	2.3	6.47	1.21
<i>Provincial Coordination</i>	393.5	435.7	42.2	20.7	10.72	5.25
<i>Office Accommodation</i>	532.9	513.2	- 19.7	- 45.1	-3.70	-8.46
<b>TOTAL</b>	<b>1 877.9</b>	<b>1 889.1</b>	<b>11.2</b>	<b>- 82.2</b>	<b>0.6</b>	<b>-4.38</b>

Source: Adapted from National Treasury (2019) Vote 39: Rural Development and Land Reform

As has been the case in previous years, there is high vacancy rate at senior management level. For example, almost nine of the 12 top management position including the Director-General position, were vacant for a very long time. By the end of 2018/19, the vacancy rate of the DRDLR was 15%, a regression to the 2015/16 vacancy rate. The vacancies impact on the capacity of the DRDLR to meet its performance targets as delivery against the MTSF targets demonstrates. Some of the targets that the DRDLR have failed to meet are as follow. For example, failure to meet the targets for legislative and policy programme. For example, inability to conclude the 2011 Green Paper of Land Reform processes, and failure to produce overarching Policy on Rural Development and establish the Rural Development Agency.

The Committee noted that there have been various investigations being conducted either internally by the DRDLR or Special Investigative Unit (SIU). The Committee requested reports, management response, and progress report with regard to the implementation of SIU recommendations.

### **3.1.2 National Geomatics Management Services (NGMS)**

The NGMS caters for the provision of geospatial information, cadastral surveys, deeds registration, spatial planning information and other technical services in support of sustainable land development. Its objective is to facilitate integrated spatial planning and land use management across South Africa through relevant legislation by 2020. The budget allocation for this Programme has increased from an adjusted appropriation of R657.6 million in 2018/19 to R712.8 million in 2019/20, a nominal increase of 8.4% whereas in real terms it decreased by 3.04%. The increase can be attributed to prioritisation of the Spatial Planning and Land Use Management sub-programme with a nominal increase of 25.9%. The Registration of Deeds Trading Account (RDTA) generates its own revenue and therefore, it does not receive any financial support. As show in Table 5, NGMS and RDTA accounts for close 99% of the total budget of this programme and play a key role in terms of spatial transformation of our cities and villages.

**Table 5: National Geomatics Management Service Appropriations from 2018/19 to 2019/20**

Sub-Programme	Budget		Increase/Decrease		%Increase/Decrease	
	2018/19	2019/20	Nominal	Real	Nominal	Real
R Million						
<i>NGMS</i>	497.5	512.8	15.3	- 10.0	3.08	-2.02
<i>SPLUM</i>	152.5	192.0	39.5	30.0	25.90	19.68
<i>RDTA</i>	0.0	0.0	0.0	0.0	0.00	0.00
<i>SA Council of Planners</i>	3.7	3.9	0.2	0.0	5.41	0.20
<i>SAGC Council</i>	3.9	4.1	0.2	0.0	5.13	-0.07
<b>TOTAL</b>	<b>657.6</b>	<b>712.8</b>	<b>55.2</b>	<b>20.0</b>	<b>8.4</b>	<b>3.04</b>

Source: Adapted from National Treasury (2019) Vote 39: Rural Development and Land Reform

The Committee welcomed the allocation. However, there was a concern around oversight of SPLUMA because it was not yet clear whose primary responsibility to administer SPLUMA. It is understood that DRDLR, COGTA and DPME will all have joint responsibility in the administration of this legislation. The Committee sought clarity around roles and responsibilities.

### 3.1.3 Rural Development

Rural development programme is expected to contribute towards rural economic transformation, the growth of rural economies and the creation of job opportunities in rural areas, especially among rural youth through Agri-Parks and National Rural Youth Service Corps (NARYSEC). The strategic objectives make it clear that it focusses on livelihoods support, rural enterprise and industries development and support, as well as job creation.

**Table 6: Rural Development Appropriations from 2018/19 to 2019/20**

Sub-Programme	Budget		Increase/Decrease		%Increase/Decrease	
	2018/19	2019/20	Nominal	Real	Nominal	Real
R Million						
<i>RID</i>	835.0	875.0	40.0	- 3.3	4.79	-0.39
<i>REID</i>	509.2	534.5	25.3	- 1.1	4.97	-0.22
<i>NARYSEC</i>	443.0	411.6	- 31.4	- 51.7	-7.09	-11.68
<b>TOTAL</b>	<b>1 787.2</b>	<b>1 821.1</b>	<b>33.9</b>	<b>- 56.1</b>	<b>1.9</b>	<b>-3.14</b>

Source: Adapted from National Treasury (2019) Vote 39: Rural Development and Land Reform

Table 6 above shows that the budget allocation for this programme nominally increased by 1.9% from an adjusted allocation of R1.787.2 billion in 2018/19 to R1.821.1 billion in 2019/20. However, if one considered inflationary adjustment, the budget has a real decrease of 3.14%. The following points can be made about rural development: NARYSEC allocation decreases from R443 million in 2018/19 to R411 million in 2019/20, Representing a nominal decrease of 7.09%. The Committee expressed concerns about the unintended consequence of the decrease, especially ability to reach rural youth for skills development interventions. The Committee therefore called for a review of NARYSEC, as part of the ongoing reconfiguration of the DALRRD. Analysis of economic classification demonstrates that a significant amount under programme 3's goods and services, about R453.7 million (57.8%) goes to consultants which gives rise to the question about the lack of internal capacity to implement programmes and projects.

### 3.1.4 Land Reform and Development

Table 7 below shows that the budget allocation to the Land Reform Programme has increased from R2 743.0 in 2018/19 to R2 914.9 billion in 2019/20, nominal (6.3%) and real (1%) increase.

**Table 7: Land Reform Appropriations from 2018/19 to 2019/20**

Sub-Programme R Million	Budget		Increase/Decrease		%Increase/Decrease	
	2018/19	2019/20	Nominal	Real	Nominal	Real
Land Redistribution and Dev.	422.3	298.2	- 124.1	- 138.8	-29.39	-32.88
Land Tenure and Administration	446.5	443.6	- 2.9	- 24.8	-0.65	-5.56
Land Reform Grants	386.3	603.6	217.3	187.5	56.25	48.53
KwaZulu-Natal ITB	20.3	21.5	1.2	0.1	5.91	0.68
ALHA	1 326.5	1 405.9	79.4	9.9	5.99	0.75
OVG	141.1	142.1	1.0	- 6.0	0.71	-4.27
<b>TOTAL</b>	<b>2 743.0</b>	<b>2 914.9</b>	<b>171.9</b>	<b>27.8</b>	<b>6.3</b>	<b>1.0</b>

Source: Adapted from National Treasury (2019) Vote 39: Rural Development and Land Reform

The budget allocation for the Agricultural Land Holding Account (ALHA) sub-programme has increased by 5.9 per cent in nominal terms or 0.7 per cent in real terms in 2019/20 compared to 2018/19. However, the budget for ALHA is expected to decrease at an average rate of 7.1 per cent over the medium term. This means less funds will be available over the medium term for the acquisition of land. The Department is expected to acquire 269 539 hectares of strategically located land over the medium term at a cost of R3.5 billion transferred to the ALHA. The Agricultural Land Holding Account sub-programme receives the largest share of the allocation, amounting to R1.406 billion in 2019/20, which translates into 48 per cent of the total budget allocation for Programme 5. It is followed by the Land Reform Grants sub-programme, at 21 per cent. Together, these two sub-programmes consume 69 per cent of the total allocation for Programme 5. This shows that these two sub-programmes are priorities for the Programme, as they are key to land acquisition and productive utilisation of redistributed land.

Under Economic classification, Transfers and Subsidies receive the biggest share of the budget of Land Reform in 2019/20, amounting to R2.24 billion (77 per cent). Of this amount, the largest share of R1.569 billion (70 per cent) is for departmental agencies and accounts. The bulk of this is transferred to the ALHA, amounting to R1 405.9 billion (89.6 per cent).

## **4. Relevant entities**

### **4.1 Commission on Restitution of Land Rights (Programme 5 of the Department)**

#### **4.1.1 Overview**

The Commission on Restitution of Land Rights (Commission) was established in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994). Its powers are to provide restoration of land rights and equitable redress in line with the provisions of section 25(7) of the Constitution of the Republic of South Africa of 1996. At time of reporting, the Commission had

settled 99% of all the 'old order' land claims. However, there were about 18000 unfinalised and backlog claims. For 2019/20, the Commission has planned to settle 420 land claims and finalise 637 land claims. The Committee noted that CRLR was unable to conduct and finalise all outstanding research of claims lodged prior to 31 December 1998 (i.e. 916 land claims) by the end of the 2018/19 in terms of the Operation Phakisa for Agriculture, Rural Development and Land Reform.

The Committee also noted that the CRLR could not start to attend to new order claim because an interdict in terms of the so-called LAMOSIA Constitutional Court Judgement. Further, the Court has placed new reporting requirement that the CRLR must bi-annually report to Court about the progress to settle 'old order' land claims. The Committee was yet to discuss the legislative implication and whether reintroduction of the Restitution of Land Rights Amendment Act was desirable, given multiplicity of policy discussion taking place, for example, the Constitutional Review, Presidential Advisory Panel on Land Reform, and the Speaker's Forum High Level Panel Report.

#### **4.1.2 Budget allocation and targets on strategic objectives**

The allocation to the Restitution Program constitutes 32.3 per cent of the Department's total allocation of R33.2 billion over MTEF period. The Committee noted that increase in the allocation was below the R30 billion required to finalise all pre-1998 land claims as per Operation Phakisa plans. Further, the Committee was of the view that if land reform is national priority, therefore its allocation should be increased significantly to address landlessness and provide justice for the dispossession of land rights for the majority of South Africans.

**Table 8: Programme 4: Appropriations from 2018/19 to 2019/**

Sub-Programme R Million	Budget		Increase/Decrease		%Increase/Decrease	
	2018/19	2019/20	Nominal	Real	Nominal	Real
Restitution of National Office	653.7	185.2	- 468.5	- 477.7	-71.67	-73.07
Restitution of Regional Office	479.3	503.3	24.0	- 0.9	5.01	-0.18
Restitution Grants	2 226.3	2 919.7	693.4	549.1	31.15	24.66
<b>TOTAL</b>	<b>3 359.3</b>	<b>3 608.2</b>	<b>248.9</b>	<b>70.5</b>	<b>7.4</b>	<b>2.10</b>

Source: Adapted from National Treasury (2019) Vote 39: Rural Development and Land Reform

Table 8 above shows that budget allocation for the Restitution has increased from an adjusted appropriation of R3.6 billion in 2018/19 to R3.9 billion in 2019/20. It has increased both nominally and in real terms by 7.4% and 2.1%. The Committee welcomed an increase in the budget allocation for the Restitution Grants from R2.2 billion in 2018/19 to R2.9 billion. Restitution Grants takes 81% share of the total budget of the Restitution in 2019/20. The allocation was welcomed by the Committee on the basis that it covers transfers to households for finalising claims. The Committee noted that there has not been progress in the conversion of the Commission to be an autonomous body. Further, the plans of the Commission do not include this policy directive that was taken a few years ago and is in line with the Restitution of Land Rights Act.

## 4.2 Office of the Valuer-General

### 4.2.1 Overview

Since its establishment, the OVG, as an autonomous entity, tabled its first Strategic Plan and Annual Performance Plan. The Office of the Valuer-General (OVG) was set up in terms of the Property Valuation Act, No.17 of 2014. The OVG is responsible for: the valuation of properties identified for land reform purposes, as well as where a department has made a request for a valuation service to be rendered for purposes of acquiring or disposing of property; and developing criteria and procedures for the valuation of property that has been identified for land reform purposes and monitoring the proper, efficient and effective valuation of such properties based on set

criteria and procedures. The intension was that the OVG would contribute to the government's commitment to address the slow pace of redistribution of land which has partly been associated with the escalating market-based land prices that government pays when acquiring land. These hefty prices are being paid in spite of the constitutional provision for 'just and equitable' compensation. Given the policy decision to abandon the Willing Buyer, Willing Seller approach and implement a 'just and equitable' compensation, the OVG ought to play a central role in determining property values. However, the Committee was unhappy that the slow pace in processing valuations by the OVG was the cause of delays in finalising claims.

#### **4.2.2 Strategic objectives and estimates of expenditure for the OVG**

The strategic focus of the OVG can be categorised into three main areas; namely, support land reform (including restitution); develop criteria, procedures and guidelines to standardise valuation practice for land reform; and ensure organisational stability.

- ***Support land reform*** by conducting all land valuation requests from the DRDLR and the Commission within the agreed timeframes. The OVG will complete 995 backlog valuations by the end of the financial year. It commits to taking about 50 days to issue a valuation certificate for valid valuation reports. The Committee expressed concerns with regard to capacity of the OVG to achieve these targets. It recommended that the OVG must improve its capacity.
- ***Implement valuation criteria, procedures and guidelines to standardise valuation practice for land reform.*** It was reported that the procedures were in place and the OVG will implement them 100%. However, it would start by developing an implementation plan.

The OVG has received a transfer of R142.1 million from the DRDLR in 2019/20, which is a slight increase of 0.7 per cent in nominal terms but translate into a decrease of 4.3% in real terms compared to the adjusted

allocation of R141.1 million in 2018/19. This is of concern, since it is a new structure that needs to be capacitated to give effect to its responsibility of providing valuations of land earmarked for land reform and land restitution purposes in order to increase the pace of Land Reform.

### **4.3 Ingonyama Trust Board**

The Ingonyama Trust Board (ITB) is a schedule 3A Public Entity and reports to the Minister of Rural Development and Land Reform. The Ingonyama Trust was established in terms of the KwaZulu-Natal Ingonyama Trust Act No 3 of 1994, amended by the National Act 9 of 1997 which provided for the establishment of the (ITB, hereafter referred as the Board). The Ingonyama Trust functions as a landowner-in-law of the Ingonyama Trust Land (previously owned by the KwaZulu Government). The land is owned communally and administered by Amakhosi. To date, such land was estimated to be 2,8 million hectares under some 1 600 individual titles in all of the 11 Districts of KwaZulu-Natal and eThekweni Metro. The main objective of the Board is to administer Ingonyama Trust Land for the material and welfare benefit of traditional authorities and communities residing thereon.

#### **4.3.1 Overview**

The Secretariat is the administrative component through which ITB discharges its mandate. The organogram of the Secretariat has been substantially reviewed to enable the Board to respond efficiently to the needs of the community. The separation of the Ingonyama Trust Board and the Ingonyama Trust presents challenges with regard to accountability of the entity to Parliament. The Committee urged the Minister to consider seeking legal opinion about this matter because it creates impression that it is the ITB that accounts to Parliament and the Ingonyama Trust does not. Having been established by an Act of Parliament, and further having taken ownership of land in trust for the residents of the Former KwaZulu, the Trust must account to Parliament.

On the basis of the separation, the total budget of the ITB is made up of transfer payments it receives from the DRDLR. The Ingonyama Trust receives its fund revenue income is earned from leases and investments. The internal administrative costs of the Board are met through a transfer payment from the Department. The ITB reported that transfer payment (baseline of 21 million) cannot cover the administrative costs of the ITB, estimated at R65 million. Therefore, the Ingonyama Trust covers the shortfall.

With regard to the Ingonyama Trust, all the activities of the Trust are funded by income self-generated by the Trust. Its disbursement policy states that 90% of the income earned through trading activities is for the material benefit of deserving communities. The Committee noted that separate budgets for ITB and Ingonyama Trust have been tabled since 2015/16, as these have recently been seen as separate entities. This, according to the Committee, is a matter that require clarification because there are different interpretations of law and must be resolved. There appears to be difference of legal interpretation by the Minister of Rural Development and Land Reform, the Auditor-General of South Africa and the Ingonyama Trust Board.

#### **4.3.2 Medium-Term Estimates of Expenditure: Ingonyama Trust**

The total estimates of expenditure for the Ingonyama Trust in 2019/20 is R165.6 million. It encompasses R52m allocated for administration (corporate services and financial administration), a shortfall from administration of the Ingonyama Trust Board. The allocation increases from R46m in 2018/19. The largest share of the Trust Budget is for Land Tenure Management Services which has been allocated R113.5m. It entails tenure management and planning projects (R6.6m), workshops (R4.9m), provision for rates on ITB land (R95m), bursaries (R650 000) and business or agricultural projects (R6.3m). The Committee expressed concern about the cost of workshops which in most cases do not target the rural poor but elite within communities. It was not clear what the business and agricultural projects' allocation was for because the projects were not listed and quantified. Further information was required by the Committee.

### **4.3.3 Medium-term Estimates of Expenditure: Ingonyama Trust Board**

As discussed above, the ITB administers the affairs of the Ingonyama Trust and Trust Land for the material benefit of communities living on the Ingonyama Trust land. The total budget allocation for the ITB for 2019/20 amounts to R56.6 million. Given the baseline transfer of R21m, the ITB has shortfall for operative costs which is funded from the Ingonyama Trust revenue as discussed above. The Committee, since majority of the members are new to the portfolio, have agreed to give ample time to focus on the functioning of the Ingonyama Trust and the Trust Board, its existence, policy relevance in relation to the broader land ownership and land tenure policy for the entire country. In doing this, the Committee would reflect on other reports such as the HLP and Presidential Advisory Panel as well as the Communal Land Tenure Policy.

## **6. Summary of key conclusions drawn on the deliberations on the Strategic Plan, the Annual Performance Plan of the DRDLR and the entities**

Having deliberated the findings and observations on budget allocations and APPs of the DRDLR and entities, the Committee drew the following conclusions:

### **6.1 Department of Rural Development and Land Reform**

#### *Administration*

- The programmes of the DRDLR are aligned to government priorities outlined in the NDP and MTSF priorities. Introduction of Operation Phakisa for Agriculture, Rural Development and Land Reform could assist in the accelerated programmes for settlement of land claims and redistribution of land.
- The continuous real terms decline of budget could potentially affect service delivery amid growing calls for acceleration of the redistribution of land through expropriation of land without compensation.

- The vacancy rate in the DRDLR poses a threat to the capacity of the DRDLR and entities to deliver on the mandate and ambitious targets they set for themselves. Such could further be compounded by the vacancy rate of 15% (5% higher than the acceptable 10% vacancy rate). The fact that 9 of the 12 top management positions are vacant, including the position of the Director-General, could be amongst the reasons for failure to deliver on MTSF targets. Some vacancies arise from suspensions related allegations of corruption.
- There was still no overarching policy framework that creates linkages among various policies that have been created over the last five years. The inclusion of a Revised White Paper on Land Policy in the APP could assist the DRDLR on policy clarity which in turn could yield better results for land reform because of policy clarity and transparency.
- Further, the continued lack of provisional timeframes for submission of planned policies, albeit on a piece-meal basis, creates a challenge for Parliamentary oversight and holding the Executive accountable.

#### *National Geomatics Management Services*

- Lack of clear delineation of responsibilities amongst government departments responsible for the administration of SPLUMA is likely to affect the outcome of the programme. Without a platform for the Presidency, DRDLR and COGTA to coordinate interventions, the programme risks duplication of services as unintended consequences arising from lack of coordination shown by CRDP.
- The land audit report, and further audits of state land, is a welcome initiative which is necessary for the identification of strategic and well-located public and state land that should be released for redistribution. The DRDLR, together with DPWI, should prioritise releasing state land in a manner that could result in faster pace of redistribution and meeting the pressing urban land needs for human settlement.

*Rural Development*

- The real terms budget decrease of the programme has affected NARYSEC programme which aims to provide skills to rural youth. Therefore, fewer youth were going to receive training due to budget constraints. However, a programme assessment to verify programme effectiveness is vitally necessary. Given the reported complaints about the programme, revisiting the model and programme review could assist to provide relevant training programme.
- Agri-parks, if properly conceptualised and implemented, has a potential to transform the rural economy tremendously. The weakness of coordination in the Department, as seen with CRDP pilots, is likely to affect the effectiveness of the programme, especially as it relates to the role played by Department of Trade and Industry, Department of Small Business Development and the DAFF.
- Projects linked to revitalisation of agriculture and agro-processing should be best implemented by those with expertise in this area of work, mainly the DAFF and DTI. Configuration of the DALRRD which takes into account the existing duplication of services might save the State some funds which could be channelled to land acquisition.

*Land Reform*

- Expenditure of land reform as a percentage share of the total expenditure of programmes of the Department has been in decline in the last few years. However, the decrease in the budget allocation for ALHA, which has resulted in few hectares to be acquired in 2018/19 compared to 2017/18 might undermine the strategic objective to fast track land reform.
- Having been calling for proper budget for tenure reform on farms, the Committee concludes that focus on settlement of labour tenants' claims, capacity building and support for CPAs, implementation of ESTA is likely to improve the lives of some of the most marginal people in our Society.

- The extent to which transfer of the implementation of the ‘recap policy’ to the DAFF could result in more efficient farmer support is yet to be seen. However, the configuration of the DALRRD could bring about dedicated integrated support mechanisms that have been called for over the last MTEF period.
- Weak legal services support for both land reform beneficiaries and farm dwellers/labour tenants, in terms of the Land Rights Management Facility, will not assist in the fundamental transformation of property relations in South Africa.
- Slow progress in the release of state and public land for land redistribution has contributed to the slow pace of land reform. Such land is available, in most cases, for immediate occupation by landless communities and individuals.

## **6.2 Commission on Restitution of Land Rights (Restitution)**

- Failure to finalise the transition of the Commission on Restitution of Land Rights to being an autonomous entity reporting directly to the Minister meant that the Commission continued to operate as programme 4 of the DRDLR and is inconsistent with the legislative framework for the establishment of the Commission.
- The strategy of the Commission to deal with land claims on state land, including all forestry land, military land and other agricultural land, has not been effective. Many community claims on state and public land remains unresolved. If those claims are not attended as a matter of urgency, they could be mass land occupations.
- The impact of Operation Phakisa for agriculture, land reform and rural development places settlement and finalisation of land claims in high priority. Therefore, commission needs to improve research capacity, negotiations and conflict resolution in order to finalise outstanding claims without delay.

### **6.3 The Office of the Valuer-General**

- Reported saving of the fiscus by regulating the valuations is a welcome development. It thus means that there is a need for further clarity on how the OVG determine the property value, and whether the values for compensation are “just and equitable” in line with the Section 25(3) of the Constitution.
- The under-achievement by the Commission to meet the target on the number of phased projects processed has been attributed to late appointment of valuers. If the OVG does not attend to capacity constraints without delay, the office could become one of the factors that slows down the pace of settlement of land claims, an unintended consequences of the establishment of the OVG.

### **6.4 The Ingonyama Trust Board**

- Lack of performance indicators and targets relating identification of community and development projects, which are part of the main aims of the existence of the Board, is a cause of concern and could create an impression that the ITB does not exist for the material benefit of the deserving communities on the ITB land.
- There has been the delay in finalising engagements between ITB, Auditor-General, the Department and National Treasury about the qualified audit opinion as well as engagements regarding royalty revenue with the Department of Mineral Resources. If not addressed, these issue would continue to result in negative audit opinion.
- Given the performance track record in policy development, an increase in the number of policies to be developed and reviewed does not inspire confidence in the capacity of the ITB to deliver on such policies. It appears that ITB is developing policies every year, it should therefore submit the list of policies it developed and those to be developed

## 7. Recommendations

In view of the observations and key conclusions discussed above, the Committee recommends that the Minister of Agriculture, Land Reform and Rural Development should –

### *General*

- Ensure policy coherence across different branches of the DRDLR, and ultimately the new DALRRD, and other government policies and legislation, especially in dealing with communal land tenure policies and development support for smallholder farmers.
- Ensure that the configuration of the new department pulls together different forms of farmer and post-settlement support under single branch, including but not limited to, Recapitalisation and Development Programme, MAFISA, and CASP, in order to establish a comprehensive post-support programme that targets farmers across a continuum of scales, especially smallholders and subsistence farmers in the former homelands.
- Submit management response to the SIU findings and recommendations as well as progress report on the implementation of the recommendations, and systems put in place to ensure prevention of the recurrence of maladministration and corruption.
- Streamlining food security initiatives by both DRDLR and DAFF in order to maximise food availability and stability. Submit quarterly progress reports in Parliament focusing on primary production activities including yields for both crop and livestock production systems, funding instruments and resource allocation for each activity.

### *Administration*

- Finalise all disciplinary matters in the DRDLR within 90 days. Further submit a report, within 30 days after the finalisation of the disciplinary matters, outlining the outcome of each matter. In the event that some

matters could not be concluded as recommended here, a time-bound plan on conclusion of all investigations and disciplinary processes must be submitted to the Committee.

- Submit a revised legislative and policy programme outlining realistic targets for tabling of planned pieces of legislation in the National Assembly as well as finalisation of the proposed policies.
- Enhance capacity of the policy and legislative drafting section of the DRDLR, ultimately the new DALRRD, in order to ensure adherence to the legislative programme and achievement of the set targets.

#### *National Geomatics Management Services*

- Draw and submit coordination and implementation plan for SPLUMA in conjunction with COGTA and the DPME in the Presidency.
- Finalise the next phase of land audit which must unpack the ownership of all land under the ownership of Trusts and Companies and finalise survey of all land in the former homelands and any other areas in South Africa. Further, submit a budget allocation for both the audit and the survey.
- Submit a report on the identification of well-located and strategic land in cities and peri-urban areas to be released for redistribution to landless people. Equally, develop same plan for rural state land to be released for restitution and redistribution.

#### *Rural Development*

- Conduct a review of the NARYSEC programme to assess if the programme has achieved, the intended outcomes over the last five years, highlight the challenges encountered, and the implications for future programme implementation. Further, skill development under NARYSEC should be linked to the mandate of the new Department.
- Together with the National Treasury, Department of Agriculture Forestry and Fisheries, and other relevant government departments, review all programmes under rural development, especially those linked

to revitalisation of agriculture and agro-processing as well as small business development, in order to minimise duplication of services.

- Ensure that all agricultural support programmes are coordinated under the same branch in the newly configured DALRRD.

#### *Restitution*

- In line with the set times for reconfiguration of Cabinet, fast-track reconfiguration of an autonomous Commission on Restitution of Land Rights in order to ensure alignment with the founding legislation and other legal prescripts.
- Work with the Minister of Justice and Constitutional Development to ensure that the Land Claims Court is well capacitated with permanent judges and all relevant operational support mechanisms required to speedily deal with all the matters before it without delay and clear backlog of claims before it.
- Ensure that reports that are submitted to the Land Claims Court bi-annually are also referred to the Committee in order to ensure alignment and the consistency on issues reported before the Land Claims Court and Parliament.
- Continuously engage National Treasury about increasing allocation of funding for restitution to clear the commitment register of settled land claims and to accelerate the finalisation of the land claims as outlined in Operation Phakisa initiative.

#### *Land Reform*

- Conduct enterprise analysis and socio-economic impact assessment of a representative sample of farming enterprises under the Recapitalisation and Development Programme, Strengthening of Relative Rights Programme and other post-settlement support initiatives under the Agri-Parks programme. The impact assessment should be geared toward assessing if government funds invested under these programmes were

yielding viable and sustainable farming businesses and ultimately having livelihood impacts on members of projects or beneficiaries.

- Ensure that the Department, working with the OVG, must develop a policy position regarding expropriation of land in the public interest, taking into consideration the SONA pronouncement around expropriation of land without compensation in a manner that does not harm the economy and food security. Further explore the modalities with which such policy pronouncement could be implemented.
- Ensure capacity of the Department to monitor land reform projects, especially an interface of strategic partnership and mentorship programmes and distribution of rewards or dividends to beneficiaries.
- Conclude, without delay, the finalisation of the Integrated Funding Model for post-settlement support.
- Working with the Minister of Justice and Constitutional Development, facilitate discussion between the Department and the Legal Aid Board aiming at strengthening the provision of legal services to land reform beneficiaries (CPAs and Trusts) and the vulnerable landless people, especially the farm dwellers and labour tenants who confront the brutality of illegal evictions from their homes on farms as well as violation of tenure rights for people living on communal land in the former homelands.

### **The Office of the Valuer-General**

- Ensure that the capacity of the OVG is enhanced in order to support faster delivery of quality support service to land reform, especially acceleration of settlement of land claims.
- Submit progress report on implementation of the existing organogram focusing on funded posts, both filled and vacant, and positions that are additional to the establishment. Further identify capacity constraints in the OVG and plans to address those constraints.

### **The Ingonyama Trust Board**

- On the basis of the legal opinion obtained by the Minister of Rural Development and Land Reform, facilitate discussions between the Auditor-General, the Ingonyama Trust and the ITB, and the Department to develop a common understanding on the nature of the Ingonyama Trust and the Ingonyama Trust Board (whether the ITB should be seen as an independent entity from the Ingonyama Trust and the auditing complexities).
- Facilitate resolution of key questions and concerns raised by the Auditor-General in relation to the value of the ITB's land/property so that the ITB could move toward achievement of an unqualified audit. Further, submit quarterly progress report on implementation of the remedial measures set out by the Auditor-General in order to ensure that the ITB is compliant with all the relevant prescripts.
- Conduct a comprehensive socio-economic impact assessment on the performance and existence of the Ingonyama Trust/ITB and how the beneficiaries have socio-economically benefited from the programmes.
- Submit a report that outlines the Constitutional and legislative imperatives for the existence of entities like the Ingonyama Trust and the Ingonyama Trust Board in Kwazulu-Natal and not in other parts of South Africa.

*The Committee further recommends that, within the three months after the adoption of this report by the National Assembly, the Minister must submit responses and progress report on the implementation of the above recommendations.*

Report to be considered

## **8. Report of the Portfolio Committee on Small Business Development on Budget Vote 31 of the Department of Small Business Development for Financial Year 2019/20, Dated 10 July 2019**

### **1. INTRODUCTION**

The Portfolio Committee on Small Business Development (“the Portfolio Committee”) having considered Annual Performance Plans and Budget allocations of the Department of Small Business Development (“the Department”), alternatively, (“DSBD”) and its entities, Small Enterprise Finance Agency (“sefa”) and Small Enterprise Development Agency (“Seda”), reports as follows: -

#### **1.1 Background**

At the beginning of each year following the State of the Nation Address (SONA) by the President, the Minister of Finance tables before Parliament a detailed plan of the State's Budget: how much money will be or ought to be spent, on what, in that financial year. Thereafter, various government Departments present their budget votes before Parliament stipulating how they intend reconciling their resources with service delivery imperatives as outlined by the President of the Republic of South Africa in the State of the Nation Address. One of the main statutory functions of Parliament in that regard is to discuss, pass and oversee the State's Budget. On that score, the Department of Small Business Development Budget (Vote No. 31) was thus referred to the Portfolio Committee for consideration and reporting.

Budget vote debates provides an opportunity for Parliament to discuss, and then formally adopt, the budgets of government departments and entities that are funded through a parliamentary vote. Budget votes are the formal negotiation between a committee and a department about the desired outcomes that might be expected from the policy priorities and resource allocations indicated in the budget under consideration. Each department and entity is required to table its strategic and annual performance plans and budget in the National Assembly. The debate therefore allows for

Parliament, and the public, to be updated about what departments are doing, how they are performing and exactly how public money is being used in a forum larger than a Committee meeting.

It is important for the strategic plans to be tabled within the stipulated period because the plans provide information for the budget appraisal process of the relevant Portfolio Committee. Strategic Plans identify strategically important outcome orientated goals and objectives against which public institutions medium-term results can be measured and evaluated by Parliament. Annual performance plans identify the performance indicators and targets that the institution endeavours to accomplish in the upcoming budget year. It furthermore shows funded service-delivery targets or projections. The annual budget sets out what funds an institution is allocated to deliver services and most importantly, indicates the resource envelope for the year ahead, and sets indicative future budgets over the Medium Term Expenditure Framework (MTEF). The budget covers the current financial year and the following two years.

## **1.2 Purpose of the Budget Vote**

The Constitution of South Africa (Act No. 108 of 1996) recognises that the legislative authority has an important role to play in overseeing both the financial and non-financial performance of government departments and public entities. Section 27 of the Public Finance Management Act (No. 1 of 1999) makes provision for Ministers to table the annual budget for a particular financial year in the National Assembly before the start of that financial year. Whereas section 10(1)(c) of the Money Bills Amendment Procedures and Related Matters Act (No. 9 of 2009) makes provision for Ministers to table Strategic Plans and Annual Performance Plans for their respective Departments, public entities or institutions, which must be referred to the relevant Portfolio Committees for consideration and adoption.

The budget is a political and financial instrument that the government uses to ensure that its policy programmes are operationalised through the

allocation of financial resources to the different spheres of government, specifically to programmes and projects. It reflects an outcomes centred public spending approach. It is further described as a tool that the government uses to evaluate the financing of its key policy objectives. It also used to evaluate whether the macro-economic perspectives of the Budget and the respective Budget Votes meet the requirements of government policies and give substance to the government's five-year plan. Therefore, the purpose of Vote 31 for the Department is to promote the development of survivalist, small, micro, medium and co-operative enterprises that contribute to inclusive growth and job creation.

### **1.3 Objectives of the Report**

The objectives of the report are as follows: -

- 1.3.1 To describe and analyse the budget of the Department of Small Business Development and its entity Seda, vote 31, over the 2019/20 financial year;
- 1.3.2 To consider, soon to be phased out due to the recent reconfiguration of state departments, vote 25 as **sefa**, is still an agency of the Economic Development Department (EDD) through Industrial Development Corporation (IDC);
- 1.3.3 To report on the deliberations and consideration, which are essentially the unpacking and examining of the Department annual performance plan and its associated budget vote in relation to the strategic plan;
- 1.3.4 To make recommendations concerning the endorsement, adjustment or rejection of budget vote 31 and any other recommendations regarding the implementation of the Department strategic plan;
- 1.3.5 To record general and specific observations and make appropriate recommendations.

### **1.4 The Portfolio Committee Process**

The Portfolio Committees have met with departments and their entities to pore over their strategic and annual performance plans, budgets and performance targets in preparation for reports to be considered by the

House. In compliance with the referral by the National Assembly, the Portfolio Committee on Small Business Development held its briefing on July 03, 2019 with the Department of Small Business Development, Small Enterprise Development Agency and Small Enterprise Finance Agency to consider their annual performance plans and the Department budget vote. The above exercise explains the significance of the budget and strategic plan process in the calendar of Parliament and the requirement for departments to table these on time to ensure that Parliament is provided with information required for its oversight work.

The APPs are forward looking plans, however, their consideration do consider the past performance of the Department and its entities. Honourable Minister Khumbudzo Ntshavheni, Honourable Deputy Minister Rosemary Capa, led the DSBD delegation while the Accounting Authorities and Chief Executive Officers from the agencies led their respective delegations. The APPs and budget was deliberated against the Department and entities strategic plans, soon to be reviewed, and government priorities as captured in the National Development Plan (NDP), Medium Term Strategic Framework (MTSF) of 2014 - 2019, New Growth Path (NGP) as well as February and July 2019 State of the Nation Address (SONA).

## **2. OVERVIEW OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT**

### **2.1 Aim and Purpose of the Department**

To support the radical transformation of the economy through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth.

### **2.2 The mandate of the Department**

The mandate of the Department is “to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability”.

### **2.3 Legislative and Policy Mandates**

The directive of the Department is primarily premised on diverse sections of legislations and policies such as the Constitution (1996), Public Finance Management Act (1999), Public Service Act (2007); White Paper on National Strategy for the Development and Promotion of Small Business (1995), Small Business Development Act (1980), National Small Enterprise Act (1996), as amended in 2003 and 2004, Companies Act (2008), Close Corporation Act (1984), Co-operatives Act (2005), Co-operatives Amendment Act (2013), Co-operative Banks Act (2007), Industrial Development Corporation Act (1940), Business Act (1991), Broad Black Business Economic Empowerment Act (2003), National Empowerment Fund Act (1998), Preferential Procurement Policy Framework Act (2011), Intergovernmental Relations Framework Act (2005), Local Government Bylaws, Youth Enterprise Development Strategy, Strategic Framework on Gender and Women Empowerment Strategy, Innovation and Technology Strategy, National Development Plan (NDP), New Growth Path (NGP), the Industrial Policy Action Plan (IPAP), Agricultural Policy Action Plan (APAP) and 2014-2019 Medium Term Strategic Framework (MTSF).

### **2.4 Vision of the Department**

A radically transformed economy through integrated and effective enterprise development and entrepreneurship promotion.

### **2.5 Mission of the Department**

The coordination, integration and mobilisation of efforts and resources towards the creation of an enabling environment for the growth and sustainability of small businesses and co-operatives.

### **2.6 Values**

The values and principles that underpin the DSBDs pursuit of its vision and mission are shared across the three entities, and are predicated on the principles of Batho-Pele as follows: -

- Innovation;
- Integrity;

- Professionalism;
- Customer-centric and;
- Commitment.

## 2.7 Strategic Outcome-Oriented Goals

- 2.7.1 Planning and policy coherence in the sector that promotes an enabling ecosystem for SMMEs and co-operatives;
- 2.7.2 Equitable access to responsive and targeted products and services that enable the growth and development of SMMEs and co-operatives;
- 2.7.3 An enhanced contribution to socio-economic development outcomes by the sector;
- 2.7.4 Sound governance and the optimal utilization of available resources;
- 2.7.5 A professional and capacitated small business development sector.

## 2.8 Programme Structure (2019/20)

**Table 1: Programme Structure**

PROGRAMME NO.	PROGRAMME NAME	SUB-PROGRAMMES
<b>Programme 1</b>	<b>ADMINISTRATION</b>	1) Ministry 2) Departmental Management (Office of the DG) 3) Corporate Management 4) Financial Management 5) Communications and Marketing
<b>Programme 2</b>	<b>SECTOR POLICY AND RESEARCH</b>	1) Research 2) Policy and Legislation (including IGR and Coordination) 3) International Relations and Trade Promotion 4) Monitoring and Evaluation
<b>Programme 3</b>	<b>INTEGRATED CO-OPERATIVES DEVELOPMENT</b>	1) Co-operatives Development 2) Co-operatives Programme Design and Support 3) Supplier Development and Market Access Support
<b>Programme 4</b>	<b>ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP</b>	1) Enterprise and Supplier Development 2) SMME Programme Design and Support 3) SMME Competitiveness 4) Entrepreneurship

**Source: DSBD 2019/20 Annual Performance Plan**

### **3. EXPENDITURE ANALYSIS BASED ON ESTIMATES OF NATIONAL EXPENDITURE**

The department has a total budget of R8.1 billion over the medium term, 72.8 percent (R5.9 billion) of which are transfers to the Small Enterprise Development Agency for its operations, and the Small Enterprise Finance Agency for administering the Small Business and Innovation Fund (SBIF). The department's expenditure is expected to increase at an average annual rate of 24 percent, from R1.5 billion in 2018/19 to R2.9 billion in 2021/22. This is mainly due to allocations amounting to R3.2 billion over the MTEF period to operationalise the SBIF. Over the medium term, the department will focus on a myriad of activities to strengthen the sector: developing, evaluating and reviewing strategies and legislation for small enterprises and co-operatives, increasing support for small enterprises; and developing and supporting co-operatives.

- 3.1 One of the key delivery areas for the Department will be the development, evaluation and review of strategies and legislation for small enterprises and co-operatives. These activities will be carried out in the Sector Policy and Research programme that has an estimated budget of R117 million over the MTEF period. Expenditure in the programme is expected to increase at an average annual rate of 12.3 percent, from R29.9 million in 2018/19 to R42.3 million in 2021/22;
- 3.2 The second most important area of priority is the scaling up financial and non-financial support for small enterprises. For instance, Black Business Supplier Development Programme (BBSDP) is a cost sharing grant for small enterprises to acquire tools, machinery, and equipment as well as training to a maximum of R1 million per applicant, it is allocated R906.5 million over the medium term period. Spending on the scheme is situated under the SMMEs Programme Design and Support, a subprogram under the Enterprise Development and Entrepreneurship programme, which has a total allocation of R248.4 million over the MTEF period;

3.3 The third area of focus for the Department is the provision of support to co-operatives through Co-operatives Incentive Scheme (CIS). The scheme provides a 100 percent grant to the maximum of R350 000 per registered primary co-operative and R11 million per registered clustered co-operatives. In doing so, the scheme intends to improve the viability and competitiveness of co-operatives by lowering the cost of doing business. Over the MTEF period, the Co-operatives Programme Design and Support, a subprogram in the Integrated Co-operative Development programme aims to support 890 co-operatives with a total allocation of R278.7 million.

#### **4. POLICY PRIORITIES FOR 2019/20**

##### **4.1 National Development Plan**

The implementation of the National Development Plan (NDP) is one of the key government imperatives under the current administration and is aligned with the Africa Agenda and the global Sustainable Development Goals (SDGs). The NDP focuses us on the overall objectives, supported by South Africans, to eradicate poverty and substantially reduce inequality by 2030 through the creation of jobs and accelerating inclusive economic growth. The Department is directed to implement chapters three (3) and six (6) of the NDP that deal with the economy and employment as well as rural inclusive growth. The NDP is the country's vision, with a target of creating 9.9 million new jobs from small businesses by 2030.

##### **4.2 New Growth Path**

In terms of the New Growth Path (NGP), the Department is mandated to implement various policy propositions for growth, decent employment and equity. Its foremost objective is to push for the creation of five (5) million jobs by 2020, and also forge a new and more inclusive, as well as labour intensive and efficient economy. According to the NDP (2011: 117), "the NGP is the government's key programme to take the country onto a higher growth trajectory".

### **4.3 The Medium Term Strategic Framework**

The current period marks the end of the first Medium Term Strategic Framework (MTSF) following the adoption of the NDP. The Cabinet had decided back in 2013 that the 2014 - 2019 MTSF would form the first five-year implementation phase of the NDP and mandated work to begin on aligning the plans of the state organs with the NDP vision and goals. Thus, for the past five years the MTSF has made some priorities aimed at achieving radical socio-economic transformation through decent employment and inclusive growth. The Department of Small Business Development had been assigned to champion some of the priorities, namely, outcome four (4): Decent employment through inclusive growth, outcome five (5): A skilled and capable workforce to support an inclusive growth path and outcome seven (7): Rural development. The 2019 - 2024 MTSF, to inform the new strategic plan of the Department and entities, is still being finalised.

### **4.4 State of the Nation Address**

Owing to the national general elections held on 8 May 2019, South Africa has had two State of the Nation Address (es), February and June 2019. In both SONAs, the President emphasised government commitment towards increasing local demand through, among other things, increasing the proportion of local goods and services procured by both government and the private sector, import replacement measures and stressed the importance of small business incubation programmes. Also in terms of market access opportunities for small enterprises infrastructure has been given a special priority with R100 billion set aside to seed the Infrastructure Fund. Labour intensive sectors particularly agriculture and agro-processing have consistently received special attention with R3.9 billion allocated to the Land Bank to support black commercial and emerging farmers. Business premises and access to affordable infrastructure for small enterprises remains one of the notable bottlenecks, the President stressed the significance of revamping industrial parks in townships and rural areas that have been lying idle for years.

#### 4.5 Planned Policy Initiatives

All planned policy initiatives as contained in table two (2) below had been earmarked for implementation during 2015/16, 2016/17, 2017/18 and 2018/19. However, they have all been deferred for implementation during 2019/20 financial year. It is important to note that, over and above these, the Portfolio Committee has implored the Department to look into Franchising regulations, Business Act, and other key policy measures falling outside DSBD purview such as PPPFA, BBBEE and charters, Co-operative Banks Act, IPAP and APAP to name the few.

**Table 2: Planned Policy Initiatives**

POLICY	INTENT
<b>NATIONAL SMALL ENTERPRISE ACT (NO. 102 OF 1996) AS AMENDED IN 2003 AND 2004</b>	<ul style="list-style-type: none"> <li>○ The Department is in the process of amending of the National Small Business Act (No. 102 of 1996) and anticipate submitting a bill to the Executive Authority during the course of 2019 / 20 financial year. To date amendments to Schedule 1 of the National Small Enterprises Act has been gazetted;</li> </ul>
<b>INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES</b>	<ul style="list-style-type: none"> <li>○ The DSBD is reviewing the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, in order for the strategy to remain relevant and to accommodate recent economic activities and business cycles;</li> </ul>
<b>MIDTERM REVIEW OF THE CO-OPERATIVES STRATEGY (2012-20220:</b>	<ul style="list-style-type: none"> <li>○ The DSBD will evaluate the Co-operatives Strategy (2012-2022) and improve on the implementation plan and will inform the development of an integrated approach to co-operatives development.</li> </ul>

**Source: DSBD 2019/2020 Annual Performance Plan**

#### 5. BUDGET ANALYSIS

The Department's total budget allocation for Medium Term Expenditure Framework allocation as shown on table 3 below is R8 billion. The total allocation, which includes transfers to Small Enterprise Development Agency, and a R1 billion portion of the Small Business and Innovation

Fund announced by the President and the Minister of Finance in February 2018. The objective of the fund is to build on best practices and will largely be directed at innovative start-ups with a reasonable prospect of success. It will receive R3.2 billion over the medium-term, which it will lend to small business intermediaries, such as fund managers and incubators. The intermediaries will fund and support ideation and start-up companies and small businesses focusing on innovation. The total DSBD allocation therefore will increase from R1.5 billion in 2018/19 to R2.5 billion during the current financial year. The Department's budget is dispersed across the following four programmes: -

- Programme 1: Administration;
- Programme 2: Sector Policy and Research;
- Programme 3: Integrated Co-operatives Development and;
- Programme 4: Enterprise Development and Entrepreneurship.

**Table 3: Overview of 2019/2020 Budget and MTEF Estimates**

PROGRAMME	AUDITED OUTCOME	MAIN APPRO- PRIATION	MTEF			TOTAL OVER MTEF R'000
	2017/18 R'000	2018/19 R'000	2019/20 R'000	2020/21 R'000	2021/22 R'000	
Administration	116,999	127,121	124,388	131,496	139,630	395,514
Sector Policy and Research	16,748	22,447	35,615	39,416	42,310	117,341
Integrated Co-operatives Development	99,204	115,017	127,628	135,080	142,269	404,977
Enterprise Development and Entrepreneurship	1,226,533	1,223,868	2,280 921	2,407 271	2,539 124	7,227,316
<b>TOTAL</b>	<b>1,459,484</b>	<b>1,488,453</b>	<b>2,568,552</b>	<b>2,713,263</b>	<b>2,863,333</b>	<b>8,145,148</b>

Source: DSBD Annual Performance Plan 2019/20

Austerity belt-tightening measures currently being carried out across all spheres of the state have really affected DSBD total budget allocation. Juxtaposed to the two previous financial years (R1.45 in 2017/18 and R1.48 in 2018/19), DSBD budget has recorded insignificant increase. For such an important sector of the economy, questions may be asked, if the sector is

strategically positioned to provide much needed impetus to our ailing economy and create jobs as directed in the National Development Plan. With regard to the programmes allocations, for the past five (5) consecutive years the Portfolio Committee has struggled to reconcile Programme one (administration) allocation of R124 million, a mere support function, vis-à-vis, other core programmes such as two (2) and four (4). It has only been during the current financial year, and for the first time, that Programme 3 (Integrated Co-operatives Development) got allocated a modest ration marginally larger than Programme one.

As with the previous financial years, the largest component of DSBD budget is constituted of transfers and subsidies, which account for R2.3 billion or 90% of the allocated budget. As specified hereinabove **sefa** will be apportioned R1 billion or roughly over 43% through vote 31, while Seda receives R868 million or 37% of the total budget. The Department will thus remain with R458 million of the allocated transfers and subsidies as illustrated in table 4 below.

**Table 4: Total Transfers**

Area of allocation	2019/20	2020/21	2021/22	TOTAL MTEF	Proportion to total Transfers
<b>sefa</b>	1 000 000	1 055 000	1 113 025	3 168 025	43%
Seda	867 763	908 960	958 160	2 734 883	37%
DSBD	458 584	490 731	517 721	1 467 036	20%
<b>Total Transfers</b>	<b>2 326 347</b>	<b>2 454 691</b>	<b>2 588 906</b>	<b>7 369 944</b>	<b>100%</b>

Source: DSBD Annual Performance Plan 2019/20

While table 5 below provides summary of specific transfers to **sefa**, Seda and DSBD. There are few areas for further contemplation by the Portfolio Committee. For instance, contrasting Seda Technology Programme (STP) and Enterprise Incubation Programme (EIP) allocations of R152 million and R57 million respectively, it is not consistency with the marching orders given by the President during the successive 2019 SONAs with regards to small enterprise incubation programme. The incubation programme has now been elevated as one of the government's flagship policy and its budget

allocation must find expression in the DSBD and Seda strategic planning and annual performance process.

In addition, during the fifth Parliament, the Portfolio Committee expressed an opinion with respect to national gazelles which was precipitated by National Treasury instruction to Seda “to classify amounts paid for the implementation of the national gazelles programme as irregular expenditure as they were approved by management without complying with procurement processes in inviting competitive bids”. The Portfolio Committee went further to make a recommendation to the Department and Seda to furnish it with a detailed plan of action in addressing National Treasury and Auditor General recommendations regarding irregular expenditure incurred in the implementation of national gazelles by 31 October 2018. It is clear that this problem is being carried forward and perpetuated to the sixth Parliament without it having been adequately resolved. During the budget vote presentations, there were legacy issues raised including this particular matter, but there was an arrangement that all outstanding issues will be deliberated upon shortly after the budget vote process.

**Table 5: Detailed Transfers**

Details		2019/20	2020/21	2021/22	TOTAL 2019 MTEF
Small Business and Innovation Fund	sefa	1 000 000	1 055 000	1 113 025	3 168 025
<b>Total to sefa</b>		<b>1 000 000</b>	<b>1 055 000</b>	<b>1 113 025</b>	<b>3 168 025</b>
Small Enterprise Development Agency	Seda	607 274	641 465	675 953	1 924 692
Small Enterprise Development Agency: Technology programme	Seda	152 281	160 261	169 075	481 617
Small Enterprise Development Agency: Capacity Building Programme	Seda	15 406	16 253	17 147	48 806
SEDA Gazelles Programmes	Seda	35 000	30 000	31 650	96 650
SEDA Enterprise Incubation Programme (EIP)	Seda	57 802	60 981	64 335	183 118
<b>Total to Seda</b>		<b>867 763</b>	<b>908 960</b>	<b>958 160</b>	<b>2 715 474</b>
BBSDP	DSBD	286 126	301 863	318 465	906 454
Co-operatives Incentive Scheme	DSBD	87 984	92 823	97 928	278 735

National Informal Business Upliftment Scheme (NIBUS)	DSBD	73 914	84 904	89 574	248 392
Craft Customised sector Programme	DSBD	10 560	11 141	11 754	33 455
<b>TOTAL DSBD</b>		<b>458 584</b>	<b>490 731</b>	<b>517 721</b>	<b>1 467 036</b>
<b>TOTAL</b>		<b>2 326 347</b>	<b>2 454 691</b>	<b>2 588 906</b>	<b>7 369 944</b>

Source: DSBD Annual Performance Plan 2019/20

### 5.1 Programme 1: Administration

The purpose of Programme 1 is to provide strategic leadership, management and support services to the Minister, Director-General, the Department and its entities. The programme is responsible, among others, for making certain that sound governance is in place, enhanced contribution to socioeconomic development outcomes, professional and capacitated small business development sector as well as guaranteeing that limited resources are utilised optimally. Programme 1 has been allocated R395 million over the MTEF period disaggregated amongst the following subprogrammes: Ministry (R85 million), Departmental Management (R57 million), Corporate Services (R172 million), Financial Management (R63 million) and Communications (R16 million).

**Table 6: Expenditure Estimates - Programme 1**

<b>Programme 1: Administration</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	
<b>Sub-programmes</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Total R'000</b>
Ministry	26,472	29,012	30,068	85,552
Departmental Management	18,500	18,615	20,733	57,848
Corporate Services	54,128	57,490	60,492	172,110
Financial Management	20,324	21,038	22,625	63,987
Communications	4,964	5,341	5,712	16,017
<b>Total</b>	<b>124,388</b>	<b>131,496</b>	<b>139,630</b>	<b>395,514</b>

Source: DSBD Annual Performance Plan 2019/20

## 5.2 Programme 2: Sector Policy and Research

The purpose of Programme 2 is to create an enabling environment for the development and growth of sustainable small businesses and co-operatives through, among others, commissioning of research, development and review of policies and legislation(s), coordination and promotion of sound intergovernmental relationships, promoting the sector interests in the regional and global arena, as well as effective monitoring and evaluation of programmes to ensure the desired impact is achieved in contributing toward the creation of employment and economic growth.

The budget allotted to this programme over the MTEF period is R117 million, revised upward from R70.9 million during 2018/19 budget consideration process. It has four (4) sub-programmes, namely, Research (R54 million), Policy and Legislation (R21 million), International Relations and Trade (R19 million), as well as Monitoring and Evaluation (R21 million). For the current financial year, the programme allocation increased from R22 to R35 million. Table 7 below is a brief indicative what each subprogram will receive.

**Table 7: Expenditure Estimates - Programme 2**

<b>Programme 2:</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	
<b>Sub-programmes</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Total R'000</b>
Research	17,330	18,169	19,091	54,590
Policy and Legislation	5,706	7,848	8,277	21,831
International Relations	6,026	6,380	6,745	19,151
Monitoring and Evaluation	6,553	7,019	8,197	21,769
<b>Total</b>	<b>35,615</b>	<b>39,416</b>	<b>42,310</b>	<b>117,341</b>

Source: DSBD Annual Performance Plan 2019/20

## 5.3 Programme 3: Integrated Co-operatives Development

The Programme is accountable for creation of a conducive environment that facilitates the establishment, growth and development of co-operative enterprises through the development and review of legislation and policy,

design, piloting and monitoring the impacts of support services and instruments, championing of functional partnerships and co-operation agreements, and the advocacy and thought leadership in advancing economic growth, job creation and social cohesion. The Programme has three subprograms, namely, Co-operatives Development (R28 million), Co-operatives Programme Design and Support (R334 million), as well as Supplier Development and Market Access Support (R41 million). During the MTEF period the Programme is allocated R405 million, of which R127 million has been earmarked for the current financial year.

**Table 8: Expenditure Estimates – Programme 3**

<b>Programme 3:</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	
<b>Sub-programmes</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Revised Baseline R'000</b>	<b>Total R'000</b>
Co-operatives Development	9,038	9,672	10,268	28,978
Co-operatives Programme Design and Support	105,511	111,722	117,515	334,748
Supplier Development and Market Access Support	13,079	13,686	14,486	41,251
<b>Total</b>	<b>127,628</b>	<b>135,080</b>	<b>142,269</b>	<b>404,977</b>

Source: DSBD Annual Performance Plan 2019/20

#### **5.4 Programme 4: Enterprise Development and Entrepreneurship**

Programme 4 has been allocated R7.2 billion over the MTEF with a sizeable portion of this amount going to Seda. The spending focus for the Enterprise Development and Entrepreneurship Programme over the medium term will be on the four (4) subprogrammes constituting the Programme, namely, Enterprises and Supplier Development Programme, SMME Programme Design and Support, SMME Competitiveness and Entrepreneurship. For the current financial year 2018/19 the Programme has been allocated R2.6 billion which as indicated consist of Seda allocation of R868 million and sefa provision of R1 billion.

## SMALL ENTERPRISE DEVELOPMENT AGENCY

### 6. MANDATE

Small Enterprise Development Agency (Seda) is an entity of the Department of Small Business Development whose mandate include, inter alia, developing, nurturing, supporting and promoting small business ventures throughout the country, whilst ensuring their growth and sustainability in a harmonised fashion with various stakeholders. The Minister of Small Business Development is the executive authority of the agency and as such exercise oversight role over the agency as prescribed by the Public Finance Management Act. Seda was conceptualised in 2004, through amendment of the National Small Enterprise Act, amendment Act 29 of 2004, which essentially made provision for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any other designated institutions into a single Small Enterprise Development Agency under the Department of Trade and Industry (**the dti**). It is a schedule 3A national public entity in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, and incorporated as a company in terms of the Companies Act, 2008.

#### 6.1 Seda Vision

To be the centre of excellence for small enterprise development in South Africa.

#### 6.2 Mission

To promote entrepreneurship and develop small enterprises by providing customised non-financial business support services that results in business growth and sustainability, in collaboration with other role players, including global partners who make international best practices available to local entrepreneurs.

#### 6.3 Values

- ❖ Nature;
- ❖ Innovation;

- ❖ Customer- centric;
- ❖ Responsible conduct.

#### **6.4 Goal**

Ensure that the small enterprise sector grows and increases its contribution to sustainable and equitable social and economic development, employment and wealth creation.

### **7. SEDA PROGRAMME SUMMARY**

#### **7.1 Administration**

The purpose of administration programme is to provide strategic leadership and support to core delivery to ensure successful implementation of the organisations strategy. This includes monitoring organisations performance, strategic alignment with the shareholder’s expectations and capacitating the organisation to achieve its set objectives. This programme is intended to support the achievement of all the perspectives of the balanced scorecard i.e. organisational capacity, internal processes, finance and customer and stakeholder perspectives.

By improving strategic alignment, stakeholder engagement, organisational performance increasing funding improving cost efficiencies including improving customer and stakeholder satisfaction the organisation seek to ensure that all non-core divisions are able to support, improve and optimise their functions to contribute effectively in the organisation performance. An estimated R177 million has been budgeted for this programme, while this is expected to increase steadily over the MTEF period to R198 million.

#### **7.1 Enterprise Development**

The purpose of the programme is to support small businesses and co-operatives by providing them with needs based and growth oriented non-financial business development support, to ensure that their businesses are sustainable and contribute to the countries developmental goals of decreasing unemployment and increasing economic contribution to GDP.

This programme is intended to support the achievement of the organisational capacity perspective of the balanced scorecard. By improving service access the organisation seek to ensure that supported enterprises and cooperatives are provided with business related information, advice, consultancy, training, coaching, mentoring and business development intervention to improve their business performance.

These services aimed at providing solutions related to various business functions from production to human resources, finance, marketing, quality improvement and export development. Rural and township enterprises including cooperatives are prioritised by ensuring that most of the support offered is directed towards them. For the current financial year, the programme is allocated R534 million.

## **7.2 Seda Technology Programme**

To provide technology and innovation oriented interventions, including quality and product improvement support to small enterprises and cooperatives. To enable incubated clients to improve their survival rate beyond first challenging two years of business start-up by providing support to improve their product offering and other business development support. Moreover, the programme is intended to support the achievement of the organisational capacity perspective of the balanced scorecard. By improving service access the organisation seek to ensure that supported enterprises and clients are provided with incubation support, technological equipment and innovation support to improve their capacity and productivity.

Another focus of the programme is to ensure that incubated clients are given tools to be self-sustainable post incubation period and are able to contribute meaningfully to the economy. The Quality and Standards interventions ensure that the products and services of the supported enterprises complies with the statutory and regulatory requirements and create market access. For the current financial the programme is budgeted R225 million.

**Table 9: Expenditure Estimates**

<b>Programmes</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Audited outcome R'000</b>	<b>Approved budget R'000</b>	<b>Estimated budgets R'000</b>				
<b>Administration</b>	155,650	181,556	177,362	188,832	198,117	210,004	222,604
<b>Enterprise Development</b>	426,229	471,656	535,949	534,094	566,230	564,646	597,265
<b>Seda Technology Programme</b>	187,980	229,928	225,489	237,495	247,169	261,999	277,719
<b>Total expenditure</b>	<b>769,859</b>	<b>883,140</b>	<b>938,800</b>	<b>960,421</b>	<b>1,011,516</b>	<b>1,036,650</b>	<b>1,097,589</b>

Source: Seda Annual Performance Plan 2019/20

## 8. SEDA BUDGET ALLOCATION AND ANALYSIS

During the budget vote process, Seda Accounting Officer informed the Portfolio Committee that the agency is anticipating a major reduction in its budget over the MTEF by approximately R123 million which is 5% from 2018/19 to 2020/21. Other areas of discontent flagged were -

- ✓ Budget pressures arising from Value Added Tax (VAT) increase and inflation increases on office infrastructure contracts at an escalation rate higher than annual budget increase percentage;
- ✓ Increasing costs of leased equipment and other outsourced services and;
- ✓ Some Partners who are no longer continuing to fund part of the running costs of branches that were jointly established –continuity risk for colocation service points.

This results in the budget available for programmes and projects being reduced accordingly as the total budget amount is limited. As a consequence, Seda is expecting a number of strategic initiatives had to be scaled down or postponed in previous financial years such as incubation expansion, the one municipality one product programme (OMOP), and promotion of Seda's interventions in the key growth sectors where technical interventions are needed. As alluded to earlier, other programmes for implementation during the current financial year and MTEF period include those that had been flagged by the Portfolio Committee during the fifth

Parliament e.g. enterprise incubation programme and national gazelles, these are subject to further examining by the Portfolio Committee.

**Table 10: Disaggregated Expenditure Estimates**

INCOME							
	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
	Audited figures	Budget	Draft				
	R'million						
Seda - DSBD from ENE budget	575.8	580.2	607.3	641.5	676.0	716.5	759.5
STP - DSBD from ENE budget	146.1	144.6	152.3	160.3	169.1	179.2	190.0
Seda - National Gazelle programme	-	15.0	35.0	30.0	31.7	33.5	35.6
Seda - IMEDP programme	-	31.9	30.0	34.5	36.4	-	-
STP - Capacity Building programme	30.4	30.5	15.4	16.3	17.1	18.2	19.3
STP - Enterprise Incubation programme	-	54.7	57.8	61.0	64.3	68.2	72.3
External earnings	39.0	20.8	29.7	12.0	12.0	15.0	15.0
Other income	9.2	5.3	11.3	5.0	5.0	6.0	6.0
<b>TOTAL INCOME</b>	<b>800.5</b>	<b>883.1</b>	<b>938.8</b>	<b>960.4</b>	<b>1,011.5</b>	<b>1,036.6</b>	<b>1,097.6</b>

Source: Seda Annual Performance Plan 2019/20

## SMALL ENTERPRISE FINANCE AGENCY

### 9. MANDATE

The Small Enterprise Finance Agency (**sefa**) was established in April 2012 through the amalgamation of South African Micro-Finance Apex Fund (SAMAF), Khula Enterprise Finance and Industrial Development Corporation's small business activities. It is corporatised as an entity in terms of the Companies Act of 2008 and Section 3(d) of the Industrial Development Corporation (IDC) Act, 1940, and thus a wholly owned subsidiary of the IDC. Section 3(d) of the IDC Act seeks "to foster the development of small and medium enterprises and co-operatives". The entity is ironically a schedule 2 (in line with the parent entity IDC) but not a

schedule 3A entity like Seda. There are no provisions within the body of the PFMA dealing with subsidiaries as a corporate form, separate from their parent entities. Therefore, the Minister of Small Business Development is not the Executive Authority and therefore her ability to exercise oversight responsibility over the agency as prescribed in the Public Finance Management Act is impaired.

## 10. LEGISLATIVE AND POLICY MANDATE

**sefa**'s operations are governed and guided by a wide range of legislative requirements and government policies. The following are the key legislative instruments and government policies that inform **sefa**'s strategy and operational plans:-

**Table 11: Applicable Legislations**

National Legislation	Government Policy/Strategies
Industrial Development Corporation Act	White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995)
National Small Business Act (1996) as amended in 2004	Integrated Small Enterprise Development Strategy (2004)
National Credit Act	2011 State Owned Enterprise (SOE) Presidential Review
Financial Intelligence Centre Act (FICA)	New Growth Path (NGP)
Public Finance Management Act (1999, as amended)	Industrial Policy Action Plan (IPAP)
Treasury Regulation 29.1.3 requirements	National Development Plan (NDP)
Companies Act of 2011	Government's Medium Term Strategic Framework (MTSF) - Outcome 4: Create Decent Employment Through Inclusive Growth
Co-operatives Amended Act	
Short Term Insurance Act	
Consumer Protection Act, 2008	
Promotion of Access to Information Act, 2000	

**Source: sefa APP 2018/19**

## 11. SEFA STRATEGIC PILLARS

### **Vision**

To be the leading catalyst for the development of sustainable small, micro, medium and co-operative enterprises through the provision of finance.

### **Mission**

To provide simple access to finance in an efficient and sustainable manner to small, micro, medium and co-operative enterprises throughout South Africa by: -

- Providing loan and credit facilities to SMMEs and co-operative enterprises;
- Providing credit guarantees to SMMEs and co-operatives;
- Creating strategic partnerships with a range of institutions for sustainable SMMEs and co-operative enterprise development and support;
- Developing, through partnerships, innovative finance products, tools and channels to catalyse increased market participation in the provision of affordable finance.

### **Values**

SEFAs values and guiding principles to deepen institutional culture and organisational cohesion are: -

- Kuyasheshwa: We act with speed and urgency;
- Passion for development: Solution-driven attitude, commitment to serve;
- Integrity: Dealing with clients and stakeholders in an honest and ethical manner;
- Transparency: Ensuring compliance with the best practice on the dissemination and sharing of information with all stakeholders;
- Innovation: Continuously looking for better ways to serve our customers.

## **Objectives**

- Increase access and provision of finance to SMMEs and co-operatives and contribute towards job creation;
- Build an effective and efficient SEFA that is sustainable and performance driven.

## **12. KEY FOCUS AREAS 2019/20**

- Scale up the development impact amongst SMMEs and Co-operatives using innovation and leverage while at the same time contributing to the sustainability of funded clients. To this extent **sefa** will introduce a blended financing model in partnership with government and the private sector;
- Introduce target lending programmes in economic sectors identified in the June 2019 State of Nation Address for youth owned enterprises and enterprises located in townships and rural communities/villages;
- Scale up and deepen the post-investment support by reducing impairments, improving collections and client sustainability;
- The repositioning of the Direct Lending program and the disposal of the Property portfolio;
- Reduce operating costs, improve efficiencies, build skills and capabilities;
- The development of agile business and management information systems for decision-making and improving customer interaction and;
- Deepening collaboration with Small Enterprise Development Agency, in particular by providing seamless online services to SMMEs and Co-operative Enterprises and pre-and post-investment support services.

## **13. SEFA PROGRAMME OVERVIEW**

In order to ensure effective implementation of the Corporate Plan, **sefa** will continue to implement the following programmes:-

**Table 12: Strategic Programmes**

Programme	Strategic Programmes	Strategic Initiatives
<ul style="list-style-type: none"> <li>• Access to finance for SMMEs and Co-operatives;</li> </ul>	<ul style="list-style-type: none"> <li>• Informal Sector and Micro-Enterprise Finance;</li> </ul>	<ul style="list-style-type: none"> <li>• Roll out Fresh Produce Market Project to two additional geographical areas;</li> <li>• Consolidate and strengthen strategic partnerships in under-served provinces &amp; roll out approved projects;</li> <li>• Support MFI growth and development, new product development and new partnerships;</li> <li>• Partner with private and public institutions to offer crucial business development services needed by informal business that <b>sefa</b> cannot provide directly;</li> <li>• Raise funds from external sources (Corporates and International Donors) and use those funds as equity/quasi equity in niche intermediaries with mandates closely aligned to <b>sefa</b> and donor funding partners to improve the sustainability of end users;</li> </ul>
	<ul style="list-style-type: none"> <li>• Direct Lending</li> </ul>	<ul style="list-style-type: none"> <li>• Increased Development Impact;</li> <li>• Improved Financial Sustainability;</li> <li>• Client-Centricity Towards Client-Sustainability;</li> <li>• Enhancing Operational Efficiencies and Effectiveness</li> <li>• Automation of front-end processes.</li> </ul>
	<ul style="list-style-type: none"> <li>• Wholesale SME Lending</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the sustainability of end users through the use of equity/quasi equity to fund niche intermediaries with mandates closely aligned to <b>sefa</b> and donor funding partners;</li> <li>• Expand the Structured Finance Solution (SFS) offering, in partnership with Direct Lending;</li> <li>• Build value adding partnerships to expand outreach to under-served Provinces;</li> <li>• Increase revenues through leveraging government, DFI, Donor, and ESD Resources;</li> </ul>

		<ul style="list-style-type: none"> <li>• Managing costs by maintaining a lean Wholesale Lending structure;</li> <li>• Preserve capital in Wholesale Lending business.</li> </ul>
	<ul style="list-style-type: none"> <li>• Co-operatives Lending</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage financial and non-financial resources of other role players into a holistic framework;</li> <li>• Develop a “Co-operative Growth Eco-system Plan”;</li> <li>•</li> </ul>
	<ul style="list-style-type: none"> <li>• Khula Credit Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Extend coverage to include a wider range of financial institutions and commercial suppliers of inputs to SMEs;</li> <li>• Introduce flexibility of terms and conditions to increase attractiveness of products and services to targeted SME financiers. The aim is to re-engineer the scheme to facilitate the attractiveness and ease of use by participating institutions (new agreements, enhanced business processes and systems);</li> <li>• Develop, pilot and market new products and services to facilitate increased uptake of the indemnity facility. The following products and services will be developed and implemented;</li> <li>• Introduce risk-based pricing – develop and use a risk based premium pricing model.</li> </ul>
<ul style="list-style-type: none"> <li>• Post Investment/ Workout and Restructuring Management;</li> </ul>	<ul style="list-style-type: none"> <li>• The primary objectives of the unit are to manage the loan portfolio by reducing the current high levels of impairments from 45% in 2017/2018 to 36% in the 2018/2019 financial year and reduce it further by 100 basis points over the MTEF period.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement a pro-active monitoring approach in the identification of early warning signals for portfolio investments;</li> <li>• Workout and Restructuring;</li> <li>• Mentorship and business support programme to develop client sustainability;</li> <li>• Collections;</li> <li>• Delinquent Loan accounts.</li> </ul>

<ul style="list-style-type: none"> <li>• Build an efficient and effective <b>sefa</b> that is performance driven and sustainable.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Management, Supply chain and Compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost Management;</li> <li>• Cash Preservation &amp; Cash Management;</li> <li>• Raise Additional Funding Through External Donors;</li> <li>• Improved Financial Integrity and Automation</li> </ul>
	<ul style="list-style-type: none"> <li>• Human Resource Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Impact;</li> <li>• Sustainability;</li> <li>• Productivity;</li> <li>• Effectiveness.</li> </ul>
	<ul style="list-style-type: none"> <li>• Information and communication technology (ICT).</li> </ul>	<ul style="list-style-type: none"> <li>• Improved ICT governance;</li> <li>• Network/Infrastructure management;</li> <li>• Application development.</li> </ul>
	<ul style="list-style-type: none"> <li>• Corporate Strategy and Reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate planning and reporting;</li> <li>• Research Management and Information Dissemination;</li> <li>• Project Management Office (PMO);</li> <li>• New Product Development.</li> </ul>
<ul style="list-style-type: none"> <li>• Build a strong and effective <b>sefa</b> brand emphasising accessibility to SMMEs.</li> </ul>	<ul style="list-style-type: none"> <li>• The role of Marketing and Communication is to position and market <b>sefa</b>, its products and services to SMMEs and Co-operatives and to facilitate strategic engagements with key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance the <b>sefa</b> brand emphasizing accessibility of its products and service to SMMEs and Co-operation Enterprises;</li> <li>• Customer Relationship Management;</li> <li>• Stakeholder Engagement;</li> <li>• Build an effective Internal Communication Platform.</li> </ul>
<ul style="list-style-type: none"> <li>• Compliance, Governance, Enterprise Risk Management and Internal Audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Operational Risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote sustainability of <b>sefa</b> operations;</li> <li>• Continued compliance with new regulations and legislation;</li> <li>• Effective Reporting.</li> </ul>
	<ul style="list-style-type: none"> <li>• Credit Risk Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Credit risk Appetite;</li> <li>• Greater Alignment between credit and business;</li> <li>• Optimise credit portfolio reporting;</li> <li>• Better segmentation or diversification of portfolio;</li> </ul>

		<ul style="list-style-type: none"> <li>• Revise Pricing Framework for Direct and Wholesale Lending;</li> <li>• Risk Quantification Develop and maintain credit risk models.</li> </ul>
	<ul style="list-style-type: none"> <li>• Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance on core <b>sefa</b> business processes;</li> <li>• Create a sound Control Environment and assist Management to achieve organisational goals;</li> <li>• Improve Internal Audit Productivity/Effectiveness;</li> <li>• Improve Risk Management and Governance processes;</li> </ul>
	<ul style="list-style-type: none"> <li>• Company Secretariat and DRM.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced governance practices;</li> <li>• Enhanced guidance and secretarial support to Board and Committees;</li> <li>• Compliance with applicable laws, policies and procedures;</li> <li>• Automation;</li> <li>• Strengthen DRM to effectively support business decisions.</li> </ul>
	<ul style="list-style-type: none"> <li>• Legal Services</li> </ul>	<ul style="list-style-type: none"> <li>• Contracting – Facilitate the drafting of loan agreement and amendments based on committee decisions;</li> <li>• Represent and facilitate the resolution of all sefa legal disputes;</li> <li>• Institute and facilitate the process of legal collection where funded clients has reneged on the contract agreements.</li> </ul>
<ul style="list-style-type: none"> <li>• Property Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Properties management programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Sale and transfer of Properties;</li> <li>• Effective and efficient administration of the property portfolio;</li> <li>• Ensure that the <b>sefa</b> property portfolio is preserved.</li> </ul>

**Source: SEFA Annual Corporate Plan 2019/20**

### **13.1 Small Business and Innovation Fund**

The February 2019 Appropriation Bill established and allocated R3.2 billion over the MTEF period to sefa as the implementer of the Small Business and Innovation Fund (SBIF). The Fund targets:-

- ❖ Underserved small, micro and medium enterprises in the early stages of the business development cycle and also;
- ❖ Provides a range of financial instruments beyond what **sefa** can offer, including grant and quasi-equity funding which is more suitable to the sector that carries a higher risk.

### **13.1.1 Strategic objectives of the fund**

- ❖ Increase access to finance to small, micro, medium and co-operative enterprises with specific emphasis on those in the early stage the business cycle;
- ❖ Increase the number and diversity of financial intermediaries that serve the SMMEs and co-operatives;
- ❖ Promote and facilitate funding of innovation in key industry sectors aligned to the government's industrial policy and science and technology innovation strategy;
- ❖ Enhance financial inclusion by increasing access to finance for enterprises owned by targeted groups (women, youth, township and rural communities); and
- ❖ Leverage private sector investment to small businesses

## **14. FINANCIAL CONSIDERATIONS**

**sefa** operations are funded by the following revenue streams: (a) interest and dividends from loans and advances, bank deposits and cash; (b) fee income; (c) property rental income; and (d) an annual government subsidy (the MTEF allocation). According to Estimates of National Expenditure the agency's total budget for 2019/20 is R461.4 million. **sefa** financial position remains grim. During 2018/19 budget vote process the Board had approved budget cycle over the years 2018/19 to 2022/23. The budget incorporated the drawdown from the IDC facility. The loan facility amounts to R921 million, at zero percent interest rate and no raising fees. The loan is subject to 60 (sixty) month capital moratorium thereafter the loan shall be paid over a 120-month period. First instalment shall be on the 61<sup>st</sup> month following the first drawdown. The loan will be used for on-lending purposes only.

Even though the facility amount to R921 million, **sefa** anticipates withdrawing only R640 million during the five (5) year period ending 2022/23. The IDC loan draw down is necessitated by the worsening cash status of **sefa** with the depletion of cash resources over the 5-year period because of high staff costs, high impairments rates and a worsened properties portfolio.

## 15. OBSERVATIONS

Having reflected on the Department, **sefa** and Seda annual performance plans and budgets for 2019/20, the Portfolio Committee hereby register the following observations and recommendations for consideration by the Department: -

- 15.1 The Portfolio Committee is pleased that following the national general elections and reconfiguration of the state departments, the Department of Small Business Development was spared in order to dispense its mandate of developing small enterprises. This could only reaffirm the prominence of the small business segment to South Africa's economy, and the hope that it can lead the way to a more thriving economy;
- 15.2 The budget vote(s) engagement on 3 July 2019 marked the beginning of a new era, first interaction between the Department of Small Business Development and the Portfolio Committee during the sixth Parliament. The Chairperson of the Portfolio Committee Honourable Violet Siwela applauded the outgoing Portfolio Committee for a sterling foundational job done during the fifth Parliament, welcomed the new members and the Department under the new leadership of Minister Khumbudzo Ntshavheni, and Deputy Minister Rosemary Capa;
- 15.3 It was observed that the current annual performance plans signify the conclusion of the first medium term strategic framework, 2014 - 2019. The 2019 - 2024 is still being finalised hence most departments and entities are in no position to present new strategic

plans that are in line with the philosophy of the new administration. Consequently, the DSBD annual performance plan presented is premised on the strategic plan approved by the former Minister Lindiwe Zulu in 2017;

- 15.4 During the presentation, the Department pointed out that “to deliver effectively on the new prioritise as state transition into the sixth administration, the operating model and organisational structure of the Department will require refinement. The latter process is aimed at streamlining process and strengthen support in the delivery of services and in particular closing gaps in critical areas such as Development Finance and Statistical Analysis in parallel. Furthermore, focus will also be at re skilling staff in other important roles such Monitoring and Evaluation amongst others”;
- 15.5 The Portfolio Committee notes that, due to the interconnectedness between the organisational structure and the strategy, the long outstanding issue of the organisational structure will only be attended to once the Department initiates its strategic planning activities. The Portfolio Committee further records and concur with the Department of Public Administration (DPSA) guidance to the DSBD in 2018 to the effect that “the changes to organisational structure of the Department of Small Business Development should be held in abeyance until the sixth administration is in place given the anticipated changes expected to the Machinery of Government. This will also afford the new Executive Authority an opportunity to apply his/her mind on the configuration of the Department”;
- 15.6 Likewise, the Portfolio Committee notes therefore that according to DPSA, the Department of Small Business Development is currently operating on a start-up organisational structure approved by the MPSA on the 16 April 2015;
- 15.7 The Portfolio Committee, having gone through 2018 budget vote report, notes how the Department, **sefa** and Seda have not implemented some of the recommendations of the fifth Parliament. The 2017 strategic plan made contentious propositions (49: Strategic Plan) e.g. transfer of Enterprise Incubation Programme and Shared

Economic Infrastructure Facility (SEIF) to Seda, Informal and Micro Enterprise Development Programme (IMEDP) and Black Business Supplier Development Programme to **sefa**, and Co-operatives Incentives Scheme to Co-operatives Development Agency (an entity that does not yet exist). The EIP and IMEDP have since been transferred to Seda without thorough discussion and engagement with the Portfolio Committee. As a result, the Portfolio Committee does not have full appreciation of the ramifications on the structure and budget of the Department except what was offered during budget vote 31 presentation;

- 15.8 The successive budget vote reports have made note of the uneven allocation of resources to Programme one and other core programmes of the Department. Again, during the current budget vote period this observation is made;
- 15.9 Also, the uneven apportionment of resources to Seda Technology Programme (STP) and Enterprise Incubation Programme (EIP) allocations of R152 million and R57 million respectively is not consistency with the marching orders given by the President during SONA with regards to small enterprise incubation programme;
- 15.10 The Committee notes that, beside Small Enterprise definition which has since been gazetted, and Alternative Dispute Resolution, all other planned policy initiatives have been deferred for implementation 2019/20 financial year e.g. review of the National Small Enterprise Act, Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises as well as review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022). While other interventions proposed by the fifth Parliament i.e. franchising industry regulations, review of the Business Act, Market Access Strategy as well as Wholesale and Retail charter does not form part of the DSBD service delivery area for 2019/20.

## 16. RECOMMENDATIONS

- 16.1 During the budget vote presentations it became apparent that there were a large number of legacy issues that remain unattended, some have budgetary implications while others are likely to hamper the speed with which the Department must execute its mandate. The Secretariat of the Portfolio Committee must outline all these and other matters for deliberations by the Portfolio Committee and the Department before 31 July 2019 so that they are implemented immediately;
- 16.2 The Portfolio Committee notes the Auditor general report with respect to allegations of fraud and corruption in the Department. The Portfolio Committee further observes the suspension of nine (9) officials and mindful of the fact that more still needs to be done. The fifth Parliament adjourned the matter for consideration by the Portfolio Committee during sixth Parliament. The Secretariat of the Portfolio Committee is for that reason directed to schedule an urgent meeting with the Office of the Auditor General before 31 July 2019 to table a formal report to the sixth Parliament and remedial action proposed. During the same session, the Department shall table or brief the Portfolio Committee with a detailed plan of action and disciplinary measures it shall adopt in applying the Auditor General recommendations;
- 16.3 It is envisaged that the 2019 - 2024 Medium Term Strategic Framework shall have been completed before 31 July 2019. The Portfolio Committee is urging the Department to immediately resume the crafting of the strategic plan, to comply with all the government prescripts pertaining to the strategic plans and organisational structure e.g. Public Finance Management Act,1999 and Public Service Act,1994 before the end of Q3 of the 2019/20 financial year;
- 16.4 In relation to 16.3 above, considering that other state departments i.e. Economic Development Department have been collapsed or reconfigured, this provides DSBD an opportunity to consolidate all

small enterprise functions and budgets scattered in various state Departments. The Department must guide the Portfolio Committee which of the functions, budget and personnel will be relocated or transferred to the DSBD, so that if required, the Portfolio Committee can start the process of interacting with other Portfolio Committees of Parliament before the finalisation of the strategic planning processes for both the Department and the Portfolio Committee;

- 16.5 The strategic plan of the Department must also pronounce on the institutional realignment of entities e.g. standing recommendation to transfer **sefa** to DSBD and/or amalgamate Seda and **sefa** into a single entity, Small Enterprise Advisory Body, Co-operatives Development Agency, Co-operatives Tribunal, Co-operatives Training Academy as well as Co-operative Development Fund;
- 16.6 Moreover, subsequent to the creation of the Prudential Authority (PA), an agency of the South African Reserve Bank (SARB), most functions, budget and personnel from Co-operative Banks Development Agency (CBDA) were transferred to PA, leaving Co-operative Financial Institutions in the balance. Pursuant to the fifth Parliament recommendation, the Department must develop a well-articulated framework for leveraging Co-operatives Financial Institution and Co-operative Banks to unlock access to capital for small enterprises. The current strategic plan is mute on this and other critical interventions necessary to deal with issues of access to finance for small businesses. The proposed framework or plan must be presented to the Portfolio Committee before the end of the strategic planning period or Q3 2019/20;
- 16.7 As noted in the Portfolio Committee legacy report that **sefa**, throughout its existence, has only funded one Disobotla Primary Saving and Co-operative Bank, while the use of dubious intermediaries was widespread. The proposed framework requested in 16.6 must incorporate plans or strategy on how Small Business and Innovation Fund will expedite utilisation of community based Co-operative Financial Institutions and Co-operative Banks particularly in light of the fact that their credibility is not in question

as they are now registered and regulated by the South African Reserve Bank;

- 16.8 Owing to the crosscutting nature of the small enterprise sector, it is unrealistic to anticipate that DSBD will distribute and deliver all the sector's necessities by itself. It is inevitable that the Department will distribute some of the service and products through memorandum of agreements, transversal agreements and partnership agreements to name the few. The Department is accordingly called upon to develop and present to the Portfolio Committee a credible stakeholder matrix outlining potential stakeholders and their projected roles, thematically and sectoral, indicating succinctly the role Inter-governmental Relations Framework Act, 2005 in streamlining government services;
- 16.9 One of the critical delivery area for the Department is the issue of market access. Without strong private sector partnerships, the Department is not likely to go further in terms of realising this objective hence the Portfolio Committee call to the Department to spearhead Wholesale and Retail charter, to develop Market Access Strategy clearly stating how small enterprises will benefit from a 30 percent procurement policy and R100 billion Infrastructure Fund recently announced by the President;
- 16.10 The review of the National Small Enterprise Act, 1996 has been on the agenda since 2015 hence this has been a standing recommendation since then. The revised act or new bill must be accelerated and tabled before the end of Q3 2019/20. Should this deadline be missed, for whatever reason, the Portfolio Committee must initiate the process of creating the new bill in terms of Rule 271 (1), bills initiated by Assembly Committee. The Portfolio Committee Secretariat must schedule a meeting wherein DSBD would come and present progress, including presenting the rationale of excluding the definition of a small enterprise and alternative dispute resolution mechanism from the entire process of reviewing the act. The proposal of the Portfolio Committee is that the revised act or a new bill must incorporate dispute resolution mechanism

e.g. Small Enterprise/Business Commission and Tribunal in a similar fashion to national credit act and competition act. In addition, DSBD position with respect to the review of the Co-operatives Act (as amended) must be clarified to the Portfolio Committee as these have implications on the programme and budget of the Committee. So are reviews of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and review of the Integrated Strategy on the Development and Promotion of Co-operatives (2012 - 2022). These have been under policy initiatives for three consecutive financial years without a hint of what their statuses are

Report to be considered.

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## **9. Report of The Portfolio Committee on Health on the Budget Vote No. 16: and Annual Performance Plan of the Department of Health, Dated 10 July 2019**

The Portfolio Committee on Health (the Committee), having considered Budget Vote 16: Health, together with the 2019/20-2020/21 Annual Performance Plan (APP) of the Department of Health () (the Department), reports as follows:

### **1. INTRODUCTION**

The Constitution of South Africa (Act No. 108 of 1996) recognizes that Parliament has an important role to play in overseeing the performance of government departments. Through the review of strategic plans, annual performance plans, annual budget and medium-term expenditure framework allocation and needs.

This report summarises a presentation received from the Department focusing on their 2019/20 – 2020/21 Annual Performance Plan and Budget as well as allocations over the MTEF. The report details the deliberations, observations and recommendations made by the Committee relating to Vote 16.

### **2. CONSIDERATION OF THE ANNUAL PERFORMANCE PLAN AND BUDGET OF THE DEPARTMENT**

On 4 July 2019, the Portfolio Committee engaged the Department on its Annual Performance Plan and budget for 2019/20 – 2020/21.

### **3. OVERVIEW OF THE DEPARTMENT OF HEALTH PLANNED POLICY INITIATIVES**

The Department aims to provide leadership and coordination of health services to promote the health of all people of South Africa through an accessible, caring and high quality health system based on primary health

care approach. The Department derives its annual performance plan for the 2019/20 – 2020/21 period from the 2019 State of the Nation Address (SoNA), National Development Plan (NDP) Vision 2030, Sustainable Development Goals (SDGs), Medium-Term Strategic Framework (2014-2019), Minister of Finance budget speech (2019), and the Department's planned policy initiatives and other relevant policies.

### **3.1 State of the Nation Address (SoNA)**

The key policy priorities of the Department include the following highlights from the February State of the Nation of Address:

- The first Presidential Health Summit, that was held in October 2018 brought together key stakeholders from a wide range of constituencies in the health sector. Participants engaged each other on the crisis in the health system and proposed immediate, short and medium term solutions to improve the effectiveness of the health system.
- The National Health Insurance (NHI) Bill will be ready for submission to Parliament in the immediate future. NHI is envisaged to reduce inequality in access to health public and private quality-accredited health facilities. An NHI and quality improvement War Room has been established in The Presidency, consisting of various key departments to address the crisis in the public health system, while preparing for the implementation of the NHI.
- A funded multi-pronged national quality health improvement plan for public health facilities to improve every clinic and hospital, will be contracted by the NHI.

The June 2019 SONA expanded on the February address, emphasising that health is critical to advancing the quality of life of South Africans, reducing the various dimension of poverty and improving the economy. During the June 2019 SONA, the President identified the following health-related plans:

- Address capacity at hospitals and clinics and long waiting times for medication.
- Highlight Human Resources for Health (HRH) issues and shortages of doctors and nurses.
- Improve ambulance services including obstetric care.
- Complete and use the Presidential Health Summit Compact to address the crisis in clinics and hospitals.
- Revise the NHI Implementation Plan including accelerating quality of care initiatives in public facilities; building human resource capacity, establishing the NHI fund structure and costing for the administration of the NHI Fund.
- Intensify the 90-90 Strategy to end HIV as a public threat and to stem the rising HIV infection rates amongst young women, and low rates of men testing and starting treatment for HIV. The goal is to have at least 2 million more people on treatment by December 2020.

### **3.2 National Development Plan (NDP)**

The National Development Plan (NDP) identifies demographics, burden of disease, health systems and the social and environmental determinants of health as the key areas for intervention required to improve the health system in the country. Nine goals for health have been identified in the NDP are as follows:

- Increase life expectancy at birth to 70 years.
- Improve evidence-based preventative and therapeutic interventions for HIV.
- Progressively Tuberculosis (TB) prevention and treatment.  
Reduce maternal, infant and child mortality.
- Reduce the prevalence of non-communicable/chronic diseases by 28%.
- Reduce injury, accidents and violence by 50% (from the 2010 levels).

- Strengthen the district health system.
- Provide care to families and communities through primary health care teams.
- Fill health posts with skilled, committed and competent individuals.

### **3.3 Sustainable Development Goals (SDGs)**

The Sustainable Development Goals (SDGs) recognise that the health system must ensure healthy lives and promote well-being for all, at all ages (by 2030). It is envisaged that this would be achieved through the following:

- Putting in place social protection systems and measures.
- Reducing maternal mortality to less than 70% per 100,000 live births.
- Ending preventable deaths of new-borns and children under 5 years of age; and epidemics such as AIDS, TB and malaria.
- Reducing one-third of premature mortality from non-communicable diseases.
- Strengthening the prevention and treatment of substance abuse, including the harmful use of alcohol.
- Improving road safety for all, and halve the number of deaths and injuries caused by road traffic accidents.
- Ensuring access to sexual and reproductive health care services, and rights.
- Attaining universal health coverage.
- Maintaining ecosystems, and reducing the number of death and illnesses caused by hazardous chemicals and pollution.

It is further noted that strong partnerships between sectors will be imperative to prevent disease, and improve the quality of life.

#### **4. ANNUAL PERFORMANCE INDICATORS FOR 2019/20**

Some of the key performance indicators under each programme are as follows:

##### ***Programme 1: Administration***

The purpose of the administration programme is to provide support services to the NDoH. These (services) include: human resources development and management, labour relations, information communication technology, property management, security services, legal services, supply chain management and financial management.

The Department plans for the current financial year (2019/20) are:

- To ensure that the NDoH receives unqualified a clean audit opinion for 2019/20.
- To ensure that six provincial DoH demonstrate improvements in audit outcomes with no significant matters.
- To reduce medico-legal claims.
- To review and align the organisational structure and budget programme with the institutional arrangements that will be necessitated by the implementation of the NHI.

##### ***Programme 2: National Health Insurance (NHI)***

The purpose of the NHI Programme is to improve access to quality health services through the development and implementation of policies to achieve universal health coverage and health financing reform. The Department will provide leadership to implement NHI and ensure quality health care. The Department will be structured to optimize functions in support of service delivery and release much needed resources for implementing NHI. The NHI Bill will be tabled in Parliament and enacted into law where after the NHI fund will be established.

Under Programme 2, the Department also plans to achieve the following:

- Proclaim the NHI Act.
- Ensure that the NHI office is established and key positions are filled.
- Ensure the comprehensive package of District Health Services is designed.
- Train 52 district health contracting teams for the accelerated implementation of NHI.
- Increase the number of health facilities implementing the health patient registration system (HPRS).
- Implement the early warning system for medicine stock outs in partnership with users and patient groups.
- Implement the automated *ePrescription* and *eDispensing* system at 25 health facilities.
- Develop an electronic medicine catalogue.
- Enrol 3,000,000 patients for receiving medicines through the centralised chronic medicine dispensing and distribution (CCMDD) programme.
- Ensure that the surveillance system for monitoring resistance is accessible to six provincial DoH.

### ***Programme 3: Communicable and Non-Communicable Diseases***

The purpose of the programme is to develop and support the implementation of national policies, guidelines, norms and standards and the achievement of targets for the national response needed to decrease morbidity and mortality associated with communicable diseases (HIV, TB, malaria, influenza and others) and non-communicable diseases (mental health, cancer, hypertension, diabetes and others). This programme is also responsible for developing strategies and implementing programmes that reduce maternal and child mortality. The targets under Programme 3 for the current financial year (2019/20) include the following:

- To ensure that 600,000 medical male circumcision procedures are performed.
- To ensure that 40,000 number of undiagnosed TB infected persons (new cases) are found.
- To conduct 14,000,000 tests for HIV during the National Health Screening and Testing Campaign.
- To ensure that the Expanded Programme on Immunization (EPI) coverage survey report is published and targeted interventions are identified to strengthen the programme.
- To ensure that six provincial training workshops are conducted to implement the external review recommendations of the EPI.
- To establish mental health teams for 20 (5 additional) districts.
- To contract psychiatrists and psychologists for 22,000 patients with mental health problems.
- To conduct 1,000 forensic mental health observations.
- To establish 5 districts with multi-disciplinary rehabilitation teams.
- To ensure that 7,000 patients receive radiation oncology.
- To implement the quality improvement programme for pregnant women and neonates at 11 regional hospitals.
- To retrain 20,000 Community Health Workers (CHWs) in the revised scope of work.

#### ***Programme 4: Primary Health Care Services (PHC)***

The purpose of the Primary Health Care (PHC) Service Programme is to develop and oversee the implementation of legislation, policies, systems, and norms and standards for a uniform well-functioning district health system, including emergency and environmental health services. The targets for Programme 4 for the 2019/20 financial year include the following:

- To develop plans for 30 district structures to meet the minimum requirements of the District Health Management Office (DHMO) guidelines.

- To draft the National Health Amendment Bill, so that it incorporates the functions of the DHMO.
- To train 970 PHC facility committees, to implement the handbook for governance structures.
- To train 80 District Hospital Boards, to implement the handbook for governance structures.
- To review the national guideline on conducting patient experience of care survey.
- To attain feedback on the quality of care through an electronic platform from 1,000,000 chronic patients.
- To submit the Traditional Health Practitioners Amendment Bill to Parliament.
- To have 1,800 PHC facilities qualify as Ideal Clinics.
- To conduct baseline self-assessments using the Ideal Hospital Framework, at 254 District Hospitals.
- To ensure that 45% (of 3400) PHC facilities are accessible to people with disabilities.
- To assess 78 Major Health Care Risk Waste (HCRW) generating public health facilities (hospitals and community health centres that generate more than 20kg per day) for adherence to HCRW norms and standards.
- To conduct an audit of 31 of the 52 municipalities that were not audited during 2018/19 against environmental health norms and standards.
- To ensure that 20 points of entry (11 airports and 9 high risk land borders) are compliant with core capacity requirements of International Health Regulations (IHR).
- To draft environmental health sections of the National Health Act and Environmental Health Bill.
- To monitor 9 provincial DoH for compliance with the Emergency Medical Services (EMS) regulations, using the approved checklist annually and; to revise 9 EMS improvement plans accordingly.

- To develop the Ideal EMS Framework to improve service delivery and compliance to EMS regulations.

### ***Programme 5: Hospital Systems***

The purpose of this programme is to develop national policy on hospital services and responsibilities by level of care; provide clear guidelines for referral and improved communication; develop detailed hospital plans; and facilitate quality improvement for hospitals.

The programme is further responsible for the management of the national tertiary services grant and ensures that planning of health infrastructure meets the health needs of the country.

The targets for 2019/20 under Programme 5 are:

- To conduct a baseline assessment of 61 hospitals (17 tertiary and 44 regional) by using the Ideal Hospital Framework.
- To cost implementation plans for improving 10 central hospitals' organisational structures.
- To ensure that 37 health facilities comply with infrastructure norms and standards.
- To construct 23 and revitalise 37 clinics and community health centres. To construct 1 and revitalise 36 hospitals.
- To maintain, repair and/or refurbish 46 health facilities.
- To maintain, repair and/or refurbish 100 district health facilities through equitable share and the Health Facility Revitalization Grant.

### ***Programme 6: Health System Governance and Human Resources***

The purpose of this programme is threefold:

- a) To achieve integrated health systems planning, monitoring and evaluation and research.

- b) To develop and monitor the implementation of health workforce policies and ensure effective health workforce planning, development and management in the national health system, as well as alignment of academic medical centres with health workforce programmes and training of health professionals. It assists the government to achieve the population health goals of the country through nursing and midwifery, through the provision of expert policy and technical advice and recommendations on the role of nurses in attainment of desired health outputs.
- c) To conduct oversight over public entities and statutory health professional councils, and ensure compliance through applicable legislative prescripts.

Targets under Programme 6 for the current financial year (2019/20) include the following:

- To establish the National Public Health Institute of South Africa (NAPHISA) will be established as a public entity and to subsequently appoint the NAPHISA board.
- To produce the biannual governance progress reports of all 5 health entities and 6 statutory health professional councils.
- To implement a handbook for departmental representatives serving on public health entities' boards and statutory professionals' councils.
- To publish the eHealth strategy 2020–2025.
- To disseminate the NHI evaluation findings/report (which focuses on Phase 1).
- To monitor the 2020-2030 national Human Resources for Health (HRH) Strategic Plan.
- To revise organisational structures of all PHC facilities as per the normative guidelines.
- To draft the human resources regulations for section 52 of the National Health Act of 2003.

- To review the policy for community service.
- To develop a user manual that contains standardised PERSAL data definitions.
- To place 650 Cuban trained medical students at South African universities for their final year training.
- To allocate all South African medical interns and community service personnel who studied at South African Universities for placement by October 2019.
- To ensure that all 10 nursing colleges are accredited to offer the new nursing curriculum for the three-year Diploma in general nursing ().
- To approve the nursing strategy for 2020-2025.
- To eliminate the backlog for blood alcohol tests.
- To eliminate 70% of the toxicology tests backlog.

## **5. BUDGET OVERVIEW**

### **5.1 Consolidated Health Budget**

The public health budget spans across the national department, its entities and the provincial departments of health. The consolidated budget totals R222.6 billion.

Economic classification:

- A significant portion of the consolidated health expenditure (63.3%) is dedicated to Compensation of Employees, which totals R140.8 billion.
- The consolidated health expenditure on Goods and Services totals R64.7 billion, which constitutes 29.1% of health expenditure.
- The consolidated health expenditure also makes provision for R11.1 billion (4.9%) for capital spending and transfers, and R6.1 billion for current transfers and subsidies. There is no allocation for interest payments.

## 5.2 NDoH Budget

The Department receives R51.5 billion for 2019/20 - an increase from R47.5 billion received in 2018/19. This represents a nominal 8.3% increase in the 2019/20 budget allocation (which translates to 2.9% in real terms).

**Table 1: NDoH Budget summary**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R million	2018/19				
Programme 1: Administration	605,6	661,3	55,7	23,0	9,20 per cent	3,80 per cent
Programme 2: National Health Insurance	1 687,1	2 111,7	424,6	320,2	25,17 per cent	18,98 per cent
Programme 3: Communicable and Non-Communicable Diseases	20 860,4	23 007,3	2 146,9	1 009,7	10,29 per cent	4,84 per cent
Programme 4: Primary Health Care	209,3	221,8	12,5	1,5	5,97 per cent	0,73 per cent
Programme 5: Hospital Systems	19 344,6	20 381,1	1 036,5	29,1	5,36 per cent	0,15 per cent
Programme 6: Health Systems Governance and Human Resources	4 801,3	5 077,6	276,3	25,3	5,75 per cent	0,53 per cent
<b>TOTAL</b>	<b>47 508,4</b>	<b>51 460,7</b>	<b>3 952,3</b>	<b>1 408,6</b>	<b>8,3 per cent</b>	<b>2,96 per cent</b>

The Department's budget structure has been changed to align with the new organisational structure developed in consultation with the Department of Public Service. The two largest programmes, namely Programme 3: Communicable and Non-Communicable Diseases (R23.1 billion) and Programme 5: Hospital Systems (R20.4 billion) jointly constitute 84.3% of the total budget allocation to the Department. Programme 4: Primary Health Care Services, received the smallest allocation (R221.8 million), which is less than 1% (0.4%) of the Department's budget.

In terms of the economic classification, the bulk of the NDoH budget (R46.99 billion or 91.3%) consists of transfers and subsidies to provinces and municipalities, and departmental agencies and accounts. This figure includes R44.99 billion to provinces and municipalities, R175.1 million to non-profit institutions, and R1.8 billion to departmental agencies and accounts.

### 5.3 Budget by Department Programme

#### *Programme 1: Administration*

**Table 2: Administration**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R thousand	2018/19				
Sub-programme 1: Ministry	31 217,0	34 483,0	3 266,0	1 561,5	10,46 per cent	5,00 per cent
Sub-programme 2: Management	11 235,0	13 615,0	2 380,0	1 707,0	21,18 per cent	15,19 per cent
Sub-programme 3: Corporate Services	294 786,0	298 630,0	3 844,0	- 10 917,2	1,30 per cent	-3,70 per cent
Sub-programme 4: Property Management	150 912,0	185 995,0	35 083,0	25 889,3	23,25 per cent	17,16 per cent
Sub-programme 5: Financial Management	117 422,0	128 554,0	11 132,0	4 777,6	9,48 per cent	4,07 per cent
<b>TOTAL</b>	<b>605 572,0</b>	<b>661 277,0</b>	<b>55 705,0</b>	<b>23 018,3</b>	<b>9,2 per cent</b>	<b>3,80 per cent</b>

Programme 1's budget increases by 9.2% in nominal terms (increasing by 3.8% in real terms) from R605.6 million previously to R661.3 million in 2019/20. The largest sub-programme is Corporate Services, of which the allocation increases by 1.3% in nominal terms, but decreases by 3.8% in real terms.

In terms of economic classification, 98.4 % of the budget is allocated to current payments. Compensation of employees amounts to R247.1 million, while R403.2 million is allocated to Goods and Services. This includes R174.7 million for operating leases and R51.4 million for Travel and Subsistence.

#### *Programme 2: National Health Insurance*

**Table 3: National Health Insurance**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R thousand	2018/19				
Sub-programme 1: Programme Management	4 649,0	5 136,0	487,0	233,1	10,48 per cent	5,01 per cent
Sub-programme 2: Affordable Medicine	49 508,0	47 395,0	- 2 113,0	- 4 455,7	-4,27 per cent	-9,00 per cent
Sub-programme 3: Health Financing and National Health Insurance	1 632 978,0	2 059 132,0	426 154,0	324 371,8	26,10 per cent	19,86 per cent
<b>TOTAL</b>	<b>1 687 135,0</b>	<b>2 111 663,0</b>	<b>424 528,0</b>	<b>320 149,2</b>	<b>25,2 per cent</b>	<b>18,98 per cent</b>

This programme was previously known as NHI, Health Planning and System Enablement but has since been changed to National Health Insurance Programme. The programme's budget increases significantly by 25.2% in nominal terms (19% in real terms), due to largely increased funding for the Health Financing and NHI sub-programme which increases by 26.1% in nominal terms (18.9% in real terms).

**Programme 3: Communicable and Non-Communicable Diseases**

**Table 4: Communicable and Non-Communicable Diseases**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R thousand	2018/19				
Sub-programme 1: Programme Management	5 409,0	5 250,0	- 159,0	- 418,5	-2,94 per cent	-7,74 per cent
Sub-programme 2: HIV, AIDS and STIs	20 411 530,0	22 572 408,0	2 160 878,0	1 045 131,6	10,59 per cent	5,12 per cent
Sub-programme 3: Tuberculosis Management	25 240,0	27 748,0	2 508,0	1 136,4	9,94 per cent	4,50 per cent
Sub-programme 4: Women's Maternal and Reproductive Health	17 907,0	20 299,0	2 392,0	1 388,6	13,36 per cent	7,75 per cent
Sub-programme 5: Child, Youth and School Health	253 971,0	237 608,0	- 16 363,0	- 28 107,9	-6,44 per cent	-11,07 per cent
Sub-programme 6: Communicable Diseases	22 487,0	24 058,0	1 571,0	381,8	6,99 per cent	1,70 per cent
Sub-programme 7: Non-communicable Diseases	74 046,0	65 702,0	- 8 344,0	- 11 591,6	-11,27 per cent	-15,65 per cent
Sub-programme 8: Health Promotion and Nutrition	49 800,0	54 196,0	4 396,0	1 717,1	8,83 per cent	3,45 per cent
TOTAL	20 860 390,0	23 007 269,0	2 146 879,0	1 009 637,6	10,3 per cent	4,84 per cent

The bulk of this programme's budget which is 98.1% is allocated to the HIV, AIDS and STIs sub-programme amounting to R22.5 billion in 2019/20. This represents a nominal increase of 10.6% (51% in real terms). The remaining seven sub-programmes (combined) receive less than 1.9% of the programme's budget.

The Tuberculosis Management sub-programme increases by 9.9% in nominal terms and by 4.5% in real terms.

The Women's Maternal and Reproductive Health sub-programme is responsible amongst other things, reducing maternal mortality and improving access to sexual and reproductive health services. This sub-programme received less than 0.1% of the programme budget. It receives R2.4 million more, compared to the previous year, which represents a 7.8% in real terms increase.

The Child, Youth and School Health sub-programme decreases with 6.4% in nominal terms (declining by 11.1% in real terms). A significant portion of the allocated budget funds the roll-out of the Human Papilloma Virus (HPV) Vaccine. This in-kind grant has been converted to a direct conditional grant. This sub-programme develops and monitors policies and guidelines and sets norms and standards for child health.

The Non-Communicable Diseases sub-programme is responsible for amongst other things, chronic non-communicable diseases, mental health and substance abuse. This sub-programme's budget decreases by R8.3 million or 11.3% in nominal terms and by 15.7% in real terms.

#### *Programme 4: Primary Health Care*

**Table 5: Primary Health Care**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20
	R thousand	2018/19				
Sub-programme 1: Programme Management	3 017,0	3 940,0	923,0	728,2	30,59 per cent	24,14 per cent
Sub-programme 2: District Health Services	21 740,0	21 413,0	- 327,0	- 1 385,4	-1,50 per cent	-6,37 per cent
Sub-programme 3: Environmental and Port Health Services	176 068,0	187 501,0	11 433,0	2 164,9	6,49 per cent	1,23 per cent
Sub-programme 4: Emergency Medical Services and Trauma	8 497,0	8 897,0	400,0	- 39,8	4,71 per cent	-0,47 per cent
TOTAL	209 322,0	221 751,0	12 429,0	1 467,9	5,9 per cent	0,70 per cent

This Programme's budget increases by 5.9% in nominal terms and 0.7% in real terms – managing to keep its allocation above inflation. The Non-Communicable Diseases sub-programme has been shifted to Programme 3, since the previous year.

The District Health Services sub-programme declines by 1.5% nominally (6.4% in real terms) from R21.7 million to R21.4 million. It is also one of the only sub-programmes that experience real decreases and the other being Emergency Medical Services and Trauma which increases by 4.7% in nominal terms (but declining by 0.5% in real terms) from R8.5 million in 2018/19 to R8.9 million in 2018/19.

**Programme 5: Hospital Systems****Table 6: Hospital Systems**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20	
	R thousand	2018/19					2019/20
Sub-programme 1: Programme Management		3 304,0	3 418,0	114,0	- 55,0	3,45 per cent	-1,66 per cent
Sub-programme 2: Health Facilities Infrastructure Management		6 927 093,0	7 178 830,0	251 737,0	- 103 110,1	3,63 per cent	-1,49 per cent
Sub-programme 3: Hospital Systems		12 414 241,0	13 198 893,0	784 652,0	132 235,2	6,32 per cent	1,07 per cent
TOTAL		19 344 638,0	20 381 141,0	1 036 503,0	29 070,2	5,4 per cent	0,15 per cent

The total budget for Programme 5 grows from R19.3 billion in the 2018/19 financial year to R20.4 billion in 2019/20. The budget for this programme increases by 5.4% in nominal terms and 0.2% in real terms.

The 2019/20 allocation to Health Facilities Infrastructure Management sub-programme increases by 3.7% in nominal terms from R6.9 billion in 2018/19 to R7.2 billion in 2019/20 declining by 1.5% in real terms. The Hospital System sub-programme increases from R12.4 billion in 2018/19 to R13.2 billion in 2019/20 representing nominal growth of 6.3% and 1.1% real growth.

**Programme 6: Health Systems Governance and Human Resources****Table 7: Health Systems Governance and Human Resources**

Programme	Budget		Nominal Increase / Decrease in 2019/20	Real Increase / Decrease in 2019/20	Nominal Percent change in 2019/20	Real Percent change in 2019/20	
	R thousand	2018/19					2019/20
Sub-programme 1: Programme Management		6 021,0	6 220,0	199,0	- 108,5	3,31 per cent	-1,80 per cent
Sub-programme 2: Policy and Planning		6 818,0	7 713,0	895,0	513,7	13,13 per cent	7,54 per cent
Sub-programme 3: Public Entities Management and Laboratories		1 930 927,0	2 037 390,0	106 463,0	5 755,5	5,51 per cent	0,30 per cent
Sub-programme 4: Nursing Services		9 344,0	9 438,0	94,0	- 372,5	1,01 per cent	-3,99 per cent
Sub-programme 5: Health Information, Monitoring and Evaluation		39 404,0	45 318,0	5 914,0	3 673,9	15,01 per cent	9,32 per cent
Sub-programme 6: Human Resources for Health		2 808 803,0	2 971 510,0	162 707,0	15 826,3	5,79 per cent	0,56 per cent
TOTAL		4 801 317,0	5 077 589,0	276 272,0	25 288,5	5,8 per cent	0,53 per cent

This programme was previously known as the Health Regulation and Compliance Management. It previously hosted the Food Control, Radiation Control and Health Technology sub-programmes. Programme six grows by 5.8% in nominal terms and 0.5% in real terms, from R4.8 billion to R5.1 billion.

Two sub-programmes dominate expenditure under programme 6 which are Human Resources for Health sub-programme which receives nearly R3 billion (R2.9 billion) and increases by 5.8% in nominal terms from the previous financial year's total of R2.8 billion. The Public Entities Management sub-programme, receives R21.1 billion increasing by 5.5% in nominal terms (0.3% in real increase) from the previous year's allocation of R1.9 billion. About 93.4% of this sub-programme consists of transfers to entities and statutory councils falling within the mandate of health legislation.

## **6. COMMITTEE OBSERVATIONS, FINDINGS AND RECOMMENDATIONS**

Having considered the APP and the budget of the Department this section summarizes the Committee's findings, observations and recommendations.

### **6.1 Findings and Observations**

- The Committee was concerned about the delay in tabling the report on the evaluation of the NHI pilot districts. Further, the Committee indicated that although it supports the realization of universal health coverage, it is critical to take into account the challenges experienced with the NHI pilot.
- The Committee raised the issue of medical stock outs in provinces, and a lack of proper monitoring thereof.
- The Committee raised the issue of oncology backlogs.

- The Committee was of the view that the APP of the Department is not addressing the decline in condom use as this also affects negatively on teenage pregnancy.
- The Committee was interested to know the status of mental health.
- The Committee expressed concern around the integration of CHWs to the health system. It highlighted that it is critical for the Department to assess pros and cons of integrating CHWs with home-based care, and to the Department.
- The Committee observed that provincial departments were faced with rising accruals. Further, the Committee noted with concern the level of monitoring done by the Department with reference to the grants that are transferred to provinces.
- The Committee was interested to know the provision of EMS services in provinces.
- The Committee noted with concern the decline of the PHC budget whereas there are challenges at PHC level.
- The Committee wanted clarity about the relationship between the Department and civil society as there seems to be no mechanism to monitor how government supported non-profit organizations spend their budgets.
- The Committee noted with concern the lack of set timeframes in the amendment of the compensation legislation.
- The Committee was of the view that the APP was not clear on issues related to the health needs of the lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) community.

## 6.2 Recommendations

The Committee recommends the following to the Department:

- *PHC services*: The Department should review provincial budget allocations for PHC services in ensuring that this line function is adequately funded. Further, continue to support provincial departments in implementing the PHC re-engineering programme.
- *Mental health*: The Department should provide a mental health monitoring policy to monitor and evaluate implementation of the Mental Health Policy. Further, the Department should consider a broader approach to address this issue as it is cannot be addressed only by the Department.
- *Financial management in provinces*: The Department should assist provincial departments to strengthen financial planning and management. Further, the Department should develop mechanisms to monitor provincial budget expenditure against approved plans; minimize budget pressures and reduce/eliminate accruals.
- *EMS*: The Department should provide a strategy to address challenges relating to the provision of EMS services. Further, the Department should provide a comprehensive plan and progress report.
- *Legislation and human resource matters*: The Department should engage the Departments of Labour and Employment and, Energy and Mineral Resources; to assist in the fast-tracking of the Compensation Legislation.

- *Community Health Workers:* The Department should expedite the implementation of the National Community Health Care Workers Policy to provide clarity on the management of CHWs.
- *Health services for the LGBTIQ community:* The Department should take into account the specific health needs of the LGBTIQ community. Further, the Department should look into offering gender-affirming treatment.
- *Implementation of the NHI:* The Department should expedite the implementation the NHI as it will help to improve access to universal health services.
- *Sexual and reproductive health:* The Department should strengthen its interventions on sexual and reproductive health, whilst taking into account the nature of transactional relationships. Further, the Department should promote consistent condom use, and promote condoms as a dual protection method.
- *E-governance on health:* In line with the Fourth Industrial Revolution, the Department should have an urgent inter-ministerial engagement with the Minister of Communications to secure telecommunications/dedicated spectrum for e-governance on the health care sector. This will enable applications of face recognition technology scan platforms towards smart, safe and secure health facilities; for patients and health care workers. Further, this will reduce long queues and pharmaceutical dispensing costs.
- *Changing the quality of health care in the public sector:* The Department should continue to work towards improving the quality of health care in the public sector.

- *State-owned pharmaceutical company:* The Department of Health should fast track the establishment of a state-owned pharmaceutical company to ensure medical availability and to curb the costs thereof.
- *Intergovernmental Relations:* The Department should engage with the Committee and relevant stakeholders on the role that Municipalities can play in the public health sector.
- *Human Resources for Health:* The Department should work closely with the Department of Higher Education and Training to facilitate the training of nurses as they are the cornerstone of health. In addition, the Department should strengthen its technical administration capacity to ensure the realization of their mandate.

The Committee welcomes the regulation of Traditional Practitioners and the proposed introduction of the Traditional Health Practitioners Amendment Bill.

Unless otherwise indicated, the Department should respond to the recommendations in three months from the day the report is adopted by the House.

**Report to be considered.**

## **10 Report of the Portfolio Committee on Trade and Industry on Budget Vote 25: Economic Development and on Budget Vote 34: Trade and Industry, dated 10 July 2019**

The Portfolio Committee having considered Budget Vote 25: Economic Development and Budget Vote 34: Trade and Industry, reports as follows:

### **1. Introduction**

In the State of Nation Address (SONA) in 20 June 2019, President M C Ramaphosa recognised the challenges facing the economy, and that to address these challenges would require a significant structural change with a clear focus on the productive sectors of the economy. He outlined seven priorities, with the key focus area aligned to the Department of Trade and Industry's (DTI) mandate being "economic transformation and job creation" and "a better Africa and world"<sup>1</sup>.

The government recognised the manufacturing sector as a key catalyst in addressing the triple challenge of poverty, income inequality and unemployment given its multiplier effect on jobs and its ability to integrate domestic upstream and downstream industries. This value chain integration is expected to also contribute to economic transformation. A re-imagined industrial strategy, underpinned by a strong social compact between government, the private sector and labour, would provide the foundation for increased productivity and private and foreign direct investment. In this regard, the DTI is developing sectoral masterplans, in consultation with the social partners, based on the lessons learnt from the implementation of the Industrial Policy Action Plan (IPAP) and its incentive programmes.

The strengthening of intra-African trade and economic integration forms a key part of the government's growth strategy. The conclusion

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<sup>1</sup> Ramaphosa (2019)

of the African Continental and Tripartite Free Trade Areas provides the foundation for African economic integration and increased intra-African trade that would benefit the South African economy. Furthermore, other bilateral and multilateral trade relations remain important for South Africa and these relationships should be consolidated. However, there is a need to diversify its exports to include higher value-added manufactured products and for South African components and products to form part of global value chains.

In addition, the President announced the reconfiguration of government to promote coherence, better coordination and improve efficiency. This included a merger between the Ministries of Trade and Industry and of Economic Development. This merger can assist in reducing policy uncertainty, and enhancing capabilities between the two, while leading to a more efficient use of financial and other resources in this constrained fiscal climate.

### **1.1. Constitutional Mandate of the Committee**

Portfolio Committees exercise oversight over their respective departments and agencies in line with their Constitutional mandate set out in section 55(2) of the Constitution of the Republic of South Africa, 1996 and section 27(4) of the Public Finance Management Act (No. 1 of 1999). In addition, the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009) also requires committees to consider and report on their department and entities' strategic and annual performance plans. Portfolio committees may also advise the Standing Committee on Appropriations in the National Assembly regarding possible amendments, within a budget vote, for its consideration.

### **1.2. Purpose**

The purpose of this report is for the Portfolio Committee on Trade and Industry to report on its deliberations and consideration of the

Economic Development Department (EDD) and DTI's annual performance plans and their associated budget votes (Budget Votes 25 and 34 respectively). Furthermore, to make recommendations regarding the approval, amendment or rejection of Budget Votes 25 and 34, as well as any other recommendation regarding the implementation of the annual performance plans of the EDD and the DTI.

### **1.3. Process**

The Committee's consideration of Votes 25 and 34 respectively involved an engagement with Mr E Patel, the Minister of Trade and Industry, Mr L October, the Director-General of Trade and Industry, and Dr M Tom, the Acting Director-General of Economic Development, on 4 July 2019. Mr Patel provided an overview of the merger between the EDD and the DTI and the economic context within which the EDD and DTI's Annual Performance Plans had been developed. The two Director-Generals then presented their department's respective Annual Performance Plans and an overview of their budgets. The DTI's plans were discussed in relation to its mandate, which covers five key intervention areas, namely<sup>2</sup>:

- Industrial development,
- Trade, investment and exports,
- Broadening participation,
- Regulation, and
- Administration.

While the EDD's plans were discussed in relation to its mandate, which covers six key intervention areas, namely<sup>3</sup>:

- Administration,
- Implementation of the New Growth Path,
- Social dialogue,
- Infrastructure development,

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<sup>2</sup> Department of Trade and Industry (2019a)

<sup>3</sup> Ibid

- Industrial financing, and
- Economic regulators.

## **2. Policy priorities for 2019/20**

### **2.1. State of the Nation Address**

The SONA delivered by President Ramaphosa outlined seven priorities for Government. These priorities included (i) economic transformation and job creation; (ii) education, skills and health; (iii) consolidating the social wage through reliable and quality basic services; (iv) spatial integration, human settlements and local government; (v) social cohesion and safe communities; (vi) a capable, ethical and developmental state; and (vii) a better Africa and world<sup>4</sup>. These priorities will inform the implementation of mandates of each of the Government departments in the sixth administration. The priorities that are linked to the work of the Departments of Trade and Industry and of Economic Development are “economic transformation and job creation”, “a capable, ethical and developmental state” and “a better Africa and world”.

In terms of the trade and industry and economic development mandates, the President reiterated the need to increase efforts to grow the South African economy and create jobs in line with the National Development Plan (NDP). These priorities are in line with Outcome 4 (decent employment through inclusive growth) and Outcome 11 (creating a better South Africa and contribute to a better Africa and a better world) of the 2014-19 Medium Term Strategic Framework (MTSF), as well as the NDP outcomes. The table below provides further detail in this regard.

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<sup>4</sup> Ramaphosa (2019)  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

**Table 1: DTI policy priorities in relation to the MTSF and the SONA**

MTSF Priorities <sup>5</sup>	June 2019 SONA <sup>6</sup>
<b>Outcome 4: Decent employment through inclusive growth</b>	
<b>Sub-outcome 1:</b> Productive investment is effectively crowded in through the infrastructure build programme	Increased private investment in the South African economy by attracting both foreign and domestic investors.
<b>Sub-outcome 2:</b> The productive sectors account for a growing share of production and employment	Channelling investment and support to the manufacturing sector, in particular clothing and textiles; automotive sector; gas; chemicals and plastics; renewables; and steel and metals fabrication sectors.
<b>Sub-outcome 3:</b> The productive sectors account for a growing share of production and employment	Buying locally manufactured goods in order to stimulate local demand and build competitiveness South African products so they can compete in global value chains, consequently creating employment.
<b>Outcome 11: Creating a better South Africa and contribute to a better Africa and a better world</b>	
<b>Sub-outcome 2:</b> An economically integrated South Africa	Promoting industrial parks and supporting special economic zones; therefore, spreading economic opportunities to township economies and to various provinces and towns of the country.
<b>Sub-outcome 5:</b> A sustainable developed and economically integrated Africa.	Strengthening trade and investment relations with the rest of the African continent hence using opportunities brought by the African Continental Free Trade Area to improve intra-Africa movement of goods and services, capital and means of production.
<b>Sub-outcome 7:</b> Strong, mutually beneficial South-South cooperation	Developing cross-border value chains in sectors such as energy, mining and mineral beneficiation, manufacturing, infrastructure and agro-processing within Southern African Development Community region.

<sup>5</sup> The Presidency (2014)<sup>6</sup> Ramaphosa (2019)

## 2.2. Sustainable Development Goals (SDGs)

The DTI would be primarily responsible for the second target of SDG 9 (build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation), namely to “promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries”<sup>7</sup>. In this regard, one of the DTI’s core strategic objectives is to “facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation”<sup>8</sup>. It develops industrial strategies and provides incentives to improve the competitiveness of the manufacturing sector and increase market access and demands for locally manufactured goods. The EDD also plays a critical role in coordinating and monitoring industrial development, as well as industrial financing through the Industrial Development Corporation (IDC).

Furthermore, the EDD can contribute to the first target of SDG 9, namely to “develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all”<sup>9</sup>. It would play a role by providing secretariat services to the Presidential Infrastructure Coordinating Commission (PICC), monitoring progress of the implementation of 18 strategic infrastructure projects, and unblocking applications or facilitating applications for permits and licences to accelerate the implementation of these projects.

Through its work on the PICC and its coordinating role for economic development policy formulation and planning, the EDD contributes indirectly to a number of SDGs including:

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<sup>7</sup> United National Development Programme (n.d.)

<sup>8</sup> Department of Trade and Industry (2019b: 14)

<sup>9</sup> United National Development Programme (n.d.)

- SDG 4 – “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all”<sup>10</sup> through access to and quality of education services/infrastructure.<sup>11</sup>
- SDG 7 – “Ensure access to affordable, reliable, sustainable and modern energy for all”<sup>12</sup> through investment and upgrade of infrastructure for sustainable energy supply and use, and an increase of renewable energy in South Africa’s energy mix.
- SDG 8 – “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”<sup>13</sup> by improving access of black women and youth to employment and entrepreneurship opportunities, as well as the coordination of social accords.
- SDG 10 – “Reduce inequality within and among countries”<sup>14</sup> through its promotion and facilitation of investment and the role of the International Trade Administration Commission of South Africa’s (ITAC) tariff line investigations and determinations. Furthermore, the DTI also plays a critical role in these aspects through its trade negotiations and work by its Investment South Africa Programme.

### 2.3. Agenda 2063

The work of the DTI and the EDD is aligned to aspiration 1 of Agenda 2063: “A prosperous Africa based on inclusive growth and sustainable development”<sup>15</sup>. In line with this aspiration, the African continent committed to “eradicating poverty in one generation and build shared prosperity through social and economic transformation...”<sup>16</sup>. Strategic objectives of the DTI include: “Facilitating broad-based economic participation through targeted interventions to achieve more inclusive growth”<sup>17</sup>.

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<sup>10</sup> Ibid

<sup>11</sup> South Africa Millenium Development Goals country report (2015)

<sup>12</sup> United National Development Programme (n.d.)

<sup>13</sup> Ibid

<sup>14</sup> Ibid

<sup>15</sup> African Union Commission (2015)

<sup>16</sup> Ibid

<sup>17</sup> Department of Trade and Industry (2019b:14)

Implementing these strategic objectives through Programme 3: Special Economic Zones and Economic Transformation in the 2019/20 financial year should contribute to the achievement of the Agenda 2063 aspirations. This programme had been allocated a budget of R171,5 million.

The EDD has two strategic objectives that would contribute to this Agenda 2063 aspiration, namely: to “coordinate jobs drivers and implementation of the economic strategy in support of the National Development Plan”<sup>18</sup> and to “promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth”<sup>19</sup>.

#### **2.4. Industrial Development Action Plan (IPAP) and Southern African Development Community (SADC) Industrialisation Strategy**

The SADC Regional Infrastructure Development Master Plan (RIDMP) aims to “catalyze industrial development and reduce current high costs of doing business, including those related to Non-Tariff Barriers (NTBs) and local procurement of inputs for infrastructure development”<sup>20</sup>. As a Member of SADC, South Africa has to align its national policies and strategies to complement that of the regional community. The NDP 2030 and the IPAP therefore are broadly complementary policies to the SADC industrialisation strategy. IPAP is the country’s industrialisation plan which sets out detailed actions to deepen industrialisation in the country. Similar to the SADC-RIDMP, IPAP aims to ensure industrialisation through its interventions, one of which is the developmental tariff reform. In the current budget, the DTI continues to provide for the implementation of IPAP, which will be replaced by a re-imagined industrial strategy.

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<sup>18</sup> EDD (2019: 14)

<sup>19</sup> Ibid

<sup>20</sup> Southern African Development Community (2015)  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

### **3. Economic Development Department's Annual Performance Plan and Budget Vote**

The EDD is responsible for legislation, as well as the policies for all the sub-sectors directed to contribute inclusive growth and job creation. It is therefore entrusted with conducting sectoral research, and formulating legislation and policy to set the strategic direction of sub-sectors. In addition, it is mandated with assigning responsibilities to public entities and other tiers of government, regulating through setting norms and standards, and monitoring implementation.

The EDD's strategic goals are to<sup>21</sup>:

- Ensure good governance in its administration.
- Coordinate jobs drivers and implement the New Growth Path Economic Strategy to support the NDP.
- Facilitate social dialogue and implement social accords.
- Coordinate infrastructure development and strengthen its positive impact on the economy and citizens.
- Promote productive investment, industrial financing and entrepreneurship for jobs and inclusive growth.
- Promote competition, trade and economic regulation to support job creation, industrialisation and economic inclusion.

The EDD is structured into three programmes to achieve these targets, namely<sup>22</sup>:

- *Programme 1: Administration* – Provides strategic leadership, management and support services to the Department.
- *Programme 2: Growth Path and Social Dialogue* – Strengthens the economic development capacity of government and is responsible for aligning economic development policies aimed at broadening participation in the economy to create decent work opportunities.
- *Programme 3: Investment, Competition and Trade* – Coordinates infrastructure development by providing regular reports on each strategic infrastructure project, unblocking specific projects, and providing secretariat support to the Presidential Infrastructure

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<sup>21</sup> EDD (2019: 14)

<sup>22</sup> EDD (2019: 26, 30 and 40)

Coordinating Commission (PICC); provides oversight, and coordinates policy regarding identified development finance institutions and economic regulatory bodies in the areas of trade administration and competition.

It should be noted that, as announced by the President, the fourth strategic objective and the relevant programme functions related to infrastructure development are being transferred to the Department of Public Works and Infrastructure. This process is aligned to the Department of Public Service and Administration's schedule for the Macro Organisation of the State. However, these form part of the budget vote until it is officially allocated to the Ministry of Public Works and Infrastructure.

### 3.1. Budget Vote 25: Analysis of the 2019/20 – 2021/22 financial period

For the 2019/20 financial year, the EDD has been allocated a budget of R1.05 billion<sup>23</sup>. While this is similar to the adjusted appropriation for the 2018/19 financial year, the 2019/20 budget allocation decreased by 7 percent in real terms<sup>24</sup>. Given the expenditure estimates, the budget is expected to increase to R1,095 billion and R1,19 billion in the 2020/21 and 2021/22 financial years respectively.

**Table 2: Budget allocation by programme for the 2018/19 and 2019/20 financial years**

Programme (R million)	Adjusted appropriation 2018/19	Budget 2019/20	Nominal Percentage change in 2019/20	Real Percentage change <sup>25</sup> in 2019/20
Programme 1: Administration	86,4	90,3	4,51%	- 0,65%
Programme 2: Growth Path and Social Dialogue	34,5	37,0	7,25%	1,95%
Programme 3: Investment, Competition and Trade	951,8	918,1	- 3,53%	- 8,30%
<b>TOTAL</b>	<b>1 072,6</b>	<b>1 045,4</b>	<b>8,23 %</b>	<b>- 7,0%</b>

Source: National Treasury (2019b: 524)

<sup>23</sup> National Treasury (2019b)

<sup>24</sup> 'Real terms' means that the inflationary effect has been taken into account.

<sup>25</sup> The real percentage change calculation was based on the estimated consumer price index for the 2019/20 financial year of 5,2% (National Treasury (2019a: 26)).  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

### **3.1.1. Programme Analysis**

The budget is divided among the three programmes, with the largest allocation for the Investment, Competition and Trade Programme (R918,1 million or 87,8 percent of the total budget). This allocation declined by 8,3 percent in real terms since the 2018/19 financial year and mainly consists of transfers to five entities (97,8 percent of the programme's budget) (see the economic classification below).

The second largest budget allocation is to the Administration Programme (R90,3 million or 8,6 percent of the total budget). While the nominal budget increased from R86,4 million in the 2018/19 financial year, it decreased slightly in real terms by 0,65 percent.

The Growth Path and Social Dialogue Programme received the smallest allocation of R37 million for the 2019/20 financial year. However, this was also the only programme that received a real increase from the previous financial year (a 1,95 percent increase).

### **3.1.2. Economic classification**

Of the total budget of R1,05 billion, R142,7 million (13,6 percent of the total budget allocation) is for current payments, R4,7 million (0,5 percent of the total budget allocation) is allocated to payments for capital assets and R898 million (85,9 percent of the total budget allocation) is allocated to transfers and subsidies for government entities.<sup>26</sup> A large proportion of the current payments are for compensation of employees (R97,7 million or 68,5 percent of the allocation to current payments). The remainder of this allocation is for goods and services (R45 million).

In terms of goods and services, the largest allocations for the 2019/20 financial year are to: operating leases (R11,1 million or 24,7 percent);

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<sup>26</sup> National Treasury (2019b: 524)

legal services (R11,07 million or 24,6 percent); travel and subsistence (R6,3 million or 14,1 percent); external audit costs (R3,6 million or 8,1 percent) and consultants for business and advisory services (R3,06 million or 6,8 percent). The EDD reported that the legal fees were in relation to applications for significant mergers and acquisitions being processed and concluded by the Competition Authorities under the Competition Act (No. 89 of 1989)<sup>27</sup>.

Transfers to government entities are outlined in Table 3. It should be noted that while five entities receive transfers, only four report to the EDD. The Small Enterprise Finance Agency (SEFA) is a subsidiary of the IDC but is administered by the Department of Small Business Development. However, a decision was taken that because SEFA is a subsidiary to the IDC, which reports to the EDD, the EDD should facilitate the transfer to SEFA.

**Table 3: Transfers to the Department's entities**

Entity (R million)	Adjusted appropriation	Medium-term expenditure estimate		
	2018/19	2019/20	2020/21	2021/22
<i>Regulatory institutions</i>				
Competition Commission	281,8	295,4	311,6	328,7
Competition Tribunal	35,1	36,2	38,2	40,3
International Trade Administration Commission	102,2	106,9	112,8	119,0
<i>Developmental finance institutions</i>				
Industrial Development Corporation	285,0	218,0	220,8	262,5
Small Enterprise Finance Agency	228,8	241,5	254,7	268,7

Source: National Treasury (2019b: 530)

While the IDC is a self-funding developmental finance institution that is able to raise funds from equity markets, it has been receiving transfers from the EDD since the 2017/18 financial year. In the 2019/20

<sup>27</sup> EDD (2019: 29)

financial year, the R218,8 million was for the administration of the following:

- *Steel Development Fund*: R35 million was allocated to finance a number of initiatives to address competitiveness issues. These include the modernisation of plant machinery and equipment; upgrading of plant machinery and equipment to meet quality assurance requirements; capacity expansion of existing plants; process improvements for cost efficiencies and productivity and assist with plant optimization; working capital requirements or revolving facility; assistance with the achievement of industry quality certification and standards; development and testing of prototypes, as well as the testing and certification of new products.
- *Tirisano Trust Fund*: The IDC is the administrator for this Trust Fund, which has been allocated R123 million this financial year. The Fund seeks to contribute to the transformation of the construction industry by developing and promoting black-owned and managed construction firms; funding engineering, building science and quantity surveying studies, and artisan training for previously disadvantaged people; supporting and enhancing mathematics and science education at public schools; and funding social infrastructure build programmes.
- *Presidential Infrastructure Coordinating Commission*: R60 million was allocated for the 2019/20 financial year, of which R15 million is for the IDC's role in supporting the PICC secretariat and R45 million to support the PICC's Technical Project Management Unit.

#### **4. Department of Trade and Industry's Annual Performance Plan and Budget**

The DTI is mandated to create a diverse and globally competitive economy through industrialisation which is characterised by inclusive growth and development, decent employment and equity for all South Africans. To implement its mandate, the DTI provides financial support in the form of incentives to promote the development of industries and the participation of black people in economic activities; it develops

legislation; attracts and facilitates private investments; and promotes international and regional trade.

The DTI's strategic goals aim to<sup>28</sup>:

- Facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation;
- Build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy and economic development objectives;
- Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth;
- Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner; and
- Promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

Its work and budget is divided among its eight programmes, namely<sup>29</sup>:

- *Programme 1: Administration* – Provides strategic leadership, management and support services to the department.
- *Programme 2: International Trade and Economic Development* – Provides direction on national trade policy to promote economic development; builds an equitable multilateral trading system; strengthens trade and investment relationships; and promote African development.
- *Programme 3: Special Economic Zones and Economic Transformation* – Responsible for the implementation of the Department's main priorities and one of the strategic objectives, which is facilitating broad-based economic participation through inclusive growth. This is also done through developing Special Economic Zones and revitalising industrial parks.

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<sup>28</sup> Department of Trade and Industry (2019b: 14)

<sup>29</sup> Department of Trade and Industry (2019b: 49, 54, 59, 65, 70, 75, 80 and 84)  
ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS NO 23—2019

- *Programme 4: Industrial Development: Policy Development* – Responsible for the development and implementation of policies, strategies and programmes to develop the manufacturing and related sectors of the economy to contribute to decent job creation, value-added manufactured products and enhanced competitiveness of South African products.
- *Programme 5: Consumer and Corporate Regulation* – Responsible for the development, implementation, and monitoring of regulation that facilitates redress for South Africans by reducing the regulatory burden on small businesses, creating economic opportunities for previously disadvantaged South Africans, and creating competitive and fair markets. Furthermore, to attract domestic and foreign investment by increasing investor confidence through developing world class regulatory frameworks for monitoring compliance and enforcement; and creating competitive, fair and efficient markets by having effective financial, economic, governance and related regulatory institutions.
- *Programme 6: Incentive Development and Incentive Administration* – Responsible for improving the DTI's incentive administration through developing and implementing incentives and programmes that support investment, competitiveness, employment creation and equity.
- *Programme 7: Trade and Investment South Africa* – Aims to increase the quality and quantity of exports by promoting South African products in high growth markets; facilitates access to markets for South African manufactured products and services; and enhances the ongoing promotion of exports and investment.
- *Programme 8: Investment South Africa* – Facilitates investment in the country by supporting both domestic and foreign investors and promotes domestic investment through one-stop shops for investment promotion, investor facilitation and aftercare support for investors.

#### 4.1. Budget Vote 34: Analysis of the 2019/20 – 2021/22 financial period

The DTI's budget has increased from R9,53 billion in 2018/19 to R10,06 billion in the 2019/20 financial year in nominal terms, while the budget has increased by 5,5 percent in nominal terms, it has decreased by 0,32 percent in real terms. Given the expenditure estimates, the budget is expected to increase to R10,6 billion in 2020/21, and decrease to R9,5 billion in 2021/22 in nominal terms.<sup>30</sup>

##### 4.1.1. Programme Analysis

For the 2019/20 financial year, the DTI's budget allocation per programme is as follows:

**Table 4: Budget allocation by programme for the 2018/19 and 2019/20 Financial Year**

Programme (R million)	Adjusted appropriation 2018/19	Budget 2019/20	Nominal Percentage change in 2019/20	Real Percentage change in 2019/20
Administration	837,3	803,5	-4,04%	-8,78%
International Trade and Economic Development	124,8	130,4	4,51%	-0,65%
Special Economic Zones and Economic Transformation	146,3	171,5	17,22%	11,42%
Industrial Development	2 029,8	2 100,8	3,50%	-1,62%
Consumer and Corporate Regulation	330,3	328,3	-0,61%	-5,53%
Incentive Development and Administration	5 567,9	6 026,1	8,23%	2,88%
Trade and Investment South Africa	411,6	440,5	7,01%	1,72%
Investment South Africa	83,8	58,0	-30,78%	-34,20%
<b>TOTAL</b>	<b>9 531,8</b>	<b>10 059,0</b>	<b>5,53%</b>	<b>0,32%</b>

Source: National Treasury (2019c: 713)

<sup>30</sup> Inflation estimates are 5.2%, 5.5% and 5.4% respectively for the next three years from 2019/20 to 2021/22 (National Treasury (2019a: 26))  
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In line with the DTI's mandate and strategic objective of "*Facilitating transformation of the economy to promote industrial development, investment, competitiveness and employment creation*"<sup>31</sup>, the two largest programmes in terms of the share of the budget are for the Incentive Administration Programme, at approximately 60 percent and the Industrial Development Programme with a 21 percent share of the 2019/20 budget. The rest of the budget is allocated to the other six programmes as follows: Administration (8 percent); the Trade and Investment South Africa Programme (4 percent); the Consumer and Corporate Regulation Programme (3 percent); the Special Economic Zones and Economic Transformation Programme (2 percent); and the International Trade and Economic Development Programme, and Investment South Africa Programme (1 percent each). The table above depicts changes in budget allocations per programme between the 2018/19 and 2019/20 financial years.

The DTI's overall budget increased by 0,32 percent in real terms for the 2019/20 financial year, approximately R527 million. At a programme level, the budget of three of the eight programmes' allocation increased in real terms. These are the Special Economic Zones and Economic Transformation, Incentive Development and Administration, and Trade and Investment South Africa Programmes which increased by 11,4 percent, 2,7 percent and 1,7 percent in real terms respectively. The other programmes show a decrease in allocation, these are the Administration, and the International Trade and Economic Development programme which decreased by 2 percent. In addition, the Industrial Development, Consumer and Corporate Regulation, and Investment South Africa Programmes decreased by 8,8 percent, 0,6 percent, 1,6 percent, and 5,5 percent respectively and the largest decrease was that of the Investment South Africa Programme with a 34,2 percent decrease in real terms.

#### **4.1.2. Economic classification**

Of the total budget of R10,06 billion, R1,7 billion (16,9 percent of the total budget allocation) is for current payments, R26,5 million (0,26 percent of the total budget allocation) is allocated to payments for

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<sup>31</sup> Department of Trade and Industry (2019b: 14)

capital assets and R8,3 billion (82,8 percent of the total budget allocation) is allocated to transfers and subsidies for government entities. A large proportion of the current payments are for compensation of employees (R1,05 billion or 61,5 percent of the allocation to current payments). The remainder of this allocation is for goods and services (R655 million).<sup>32</sup>

In terms of goods and services, the largest allocations for the 2019/20 financial year are to: operating leases (R249,7 million or 38,1 percent); travel and subsistence (R110,1 million or 16,8 percent); consultants for business and advisory services (R61,02 million or 9,3 percent); operating payments (R30,4 million or 4,63 percent); and contractors (R30,3 million or 4,62 percent).

The DTI's transfers and subsidies are mainly distributed to public corporations and private enterprises (88,8 percent of transfers and subsidies or R7,4 billion). In addition, it will distribute R730,3 million to departmental agencies and accounts (8,8 percent of transfers and subsidies); R163,1 million (or 1,96 percent of transfers and subsidies) to non-profit institutions; R40,6 million (or 0,49 percent of transfers and subsidies) to international institutions for membership fees; and R0,9 million (or 0,01 percent of transfers and subsidies) to households for employee social benefits. Transfers to the DTI entities are discussed in further detail below.

#### **4.1.2.1. Transfers to Entities**

In terms of its functions, the Department is responsible for overseeing 14 entities and the Broad-Based Black Economic Empowerment (B-BBEE) Commission. Of the 14 entities, three are self-funded, these are the Companies and Intellectual Property Commission (CIPC), the National Empowerment Fund (NEF) and the National Lotteries

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<sup>32</sup> National Treasury (2019b: 713)  
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Commission (NLC)<sup>33</sup>. The other entities receive a portion of their budgets as transfers from the DTI.

The B-BBEE Commission is a trading entity under the DTI<sup>34</sup>. The DTI has however, in the past year indicated that for the Commission to be effective and independent it needs to be a separate entity. By the end of the 2018/19 financial year, the DTI, the B-BBEE Commission and the National Treasury were reported to be in negotiations around listing the Commission. Transfers to the DTI's entities are illustrated in the table below.

One of the critical technical infrastructure institutions is the NMISA, which is responsible for maintaining the equivalence of the base units of the International System of Units, namely the metre (length), the kilogram (mass), the second (time), the ampere (electric current), the kelvin (thermodynamic temperature), the candela (luminous intensity<sup>35</sup>), and the mole (amount of substance in relation to molecules, atoms, ions, etc.)<sup>36</sup>, for South Africa. In addition to these operational transfers, for the current financial year, the NMISA will receive funding of R130 million for capital expenditure. In the previous financial year, NMISA received R123 million. Furthermore, it will be allocated funds for capital expenditure over the medium-term for its recapitalisation project. This project is to address the threat of ageing infrastructure to NMISA's ability to develop new National Measurement Standards (NMS) and to maintain and/or improve the existing NMS to levels required by industry. The ageing infrastructure includes the building infrastructure, laboratories and equipment/instrumentation. This is critical as the accuracy required of NMS doubles every ten years; thus, rendering existing instrumentation redundant and building conditions unworkable over time.

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<sup>33</sup> Previously known as the National Lotteries Board.

<sup>34</sup> See section 13B(1) of the B-BBEE Act (No. 53 of 2003), as amended.

<sup>35</sup> Luminance is a measure of brightness or the amount of light per unit area (ScienceDirect (2019)).

<sup>36</sup> Bureau International des Poids et Mesures (n.d.)

**Table 5: Transfers to the DTI's entities**

Entity (R thousand)	Responsible Programme	Adjusted appropriation	Medium-term expenditure estimate		
		2018/19	2019/20	2020/21	2021/22
<i>Regulatory institutions</i>					
Broad-Based Black Economic Empowerment Commission	Special Economic Zones and Economic Transformation	34 500	61 700	65 093	68 673
Companies and Intellectual Property Commission	Consumer and Corporate Regulation	N/A	N/A	N/A	N/A
Companies Tribunal		16 740	17 352	18 305	19 312
National Consumer Commission		69 674	58 304	61 508	64 890
National Consumer Tribunal		52 688	52 239	55 113	58 145
National Credit Regulator		75 361	79 580	83 957	88 575
National Gambling Board		32 624	33 797	35 639	37 599
National Lotteries Commission		N/A	N/A	N/A	N/A
<i>Developmental finance institutions</i>					
Export Credit Insurance Corporation	International Trade and Economic Development	183 248	193 511	204 153	215 381
National Empowerment Fund	Special Economic Zones and Economic Transformation	N/A	N/A	N/A	N/A
<i>Technical infrastructure institutions</i>					
National Metrology Institute of South Africa (NMISA): Capital	Industrial Development	123 086	129 979	137 128	144 670
NMISA: Operations		109 698	115 057	121 385	128 061
National Regulator for Compulsory Specifications		146 104	139 501	147 173	155 268
South African Bureau of Standards		375 931	420 384	307 411	324 319
South African National Accreditation System		31 032	31 669	33 399	35 237
<b>Total</b>		<b>1 250 686</b>	<b>1 333 073</b>	<b>1 270 264</b>	<b>1 340 130</b>

Source: National Treasury (2019c: 714-716)

## 5. Key issues raised by the Committee during its deliberations

The Committee raised a number of concerns during its deliberations, including:

### 5.1 *The role of the private sector with respect to reindustrialisation:*

Recent data showed the increased investment by the private sector in the economy. The Committee enquired, given a re-imagined industrial strategy, how government is going to address the impediments to industrialisation and whether it should significantly reduce its role in the process. The Minister informed the Committee that there are significant structural challenges facing the South African economy. One of the main features of the South African economy is its high level of concentration of ownership and a concentrated market that keeps out new entrants, young people and small business. Competition policy seeks to address this anomaly and it should change the structural dimension of the South African economy. The Minister acknowledged the importance of partnerships with the private sector in order for them to be generators of growth in the economy, but the role of the state cannot be undervalued. The Minister was of the view that an absent state does not facilitate growth and that the state should find the right balance at the core of a re-imagined industrial strategy. The state should be an enabler that provides the critical infrastructure, an equitable regulatory regime that would contribute to economic growth, and be a force to redress inequalities still prevalent in our society.

5.2 *Ease of doing business:* The 2018 World Bank's Ease of Doing Business Index ranked South Africa 82 out of 190 countries. This is a concern for the Committee as it may undermine the country's attractiveness to business and investors. It was of the view that government should regularly review processes that could impede investment to ensure that the economy can be stimulated to create

jobs. The Committee enquired whether the DTI is considering any mechanisms to improve the ease of doing business in South Africa. The DTI informed the Committee that one of its key focus areas is to improve the “ease of doing business”. Investment South Africa created the One-Stop Shop initiative to provide investors with services to fast track projects and reduce red tape when establishing businesses. As outlined in the SONA, the President highlighted government’s drive to become investor-friendly by improving the business environment by lowering the cost of doing business as well as making the process easier. Challenges still remain as the systems are not yet fully integrated. However, in the next phase, the DTI would like to implement a seamless process with the South African Revenue Service, the Department of Labour and other stakeholders.

- 5.3 ***Evidence-based approach to industrial policy and strategy development:*** The Committee welcomed the Minister’s approach with respect to industrialisation with policies shaped by evidence rather than responses to short-term pressures. The Minister welcomed the support expressed by the Committee to this approach.
- 5.4 ***The impact of state capture on industrialisation:*** The Committee enquired what measures were being considered to increase the oversight over departments to ensure that reindustrialisation is not compromised. The Minister acknowledged the negative effect of statute capture on economic performance. He informed the Committee about a recent study EDD had conducted based on a modelling exercise to estimate the socio-economic impact of corruption. The study found that there was a loss of R27 billion and a loss of 76 000 jobs per year based on the assumption of a 10 percent over-payment on infrastructure bills. In this process of ensuring accountability and oversight, transparency becomes critical. In this regard, the IDC is now publishing the names of all recipients of IDC loans on its website. This is in response to the

challenges caused by state capture and corruption. Effective oversight remains critical and government must ensure that perpetrators of corruption face the full might of the law.

**5.5 *Developments within the sugar industry:*** Notwithstanding the increase in the tariff rate on imported sugar, the sugar industry is still facing a number of challenges which may lead to further job losses and closures of mills. This is purported to be as a result of the impact of the Health Promotion Levy on sugary beverages on the demand for sugar, as an input, as companies may be using sugar substitutes or purchasing cheaper, imported sugar. The Committee enquired whether the Departments are considering measures to alleviate the plight of the sugar industry. The Minister informed the Committee that it is government's responsibility to support both parts of the sugar value chain and that the Departments intend to develop an appropriate long-term strategy to ensure a sustainable sugar industry.

**5.6 *Challenges facing technical infrastructure institutions such as the South African Bureau of Standards (SABS) and the National Regulator of Compulsory Specifications (NRCS):*** The Committee welcomed the clean audit achieved by the DTI and most of its entities but expressed concerns that both the SABS and the NRCS had received qualified audits, with the SABS receiving a disclaimer for its consolidated financial statements. The Committee enquired how the DTI was addressing the challenges facing the SABS and the NRCS given the vital importance of these entities in contributing to achieving the goals of a re-imagined industrial strategy. The DTI informed the Committee that the NRCS was placed on a clear audit path to address the audit findings and recommendations made by the Auditor-General. The finding related to NRCS's inability to show sufficient, appropriate evidence of its revenue from non-exchange levies for compulsory specifications. The DTI reported that significant progress had been made in addressing the concerns raised by the

Auditor-General with only a technical adjustment required for revenue collection. However, a proper Information and Communication Technology system must be implemented to fully address the audit findings.

The SABS, on the other hand, had been placed under administration in 2018. Three co-administrators were appointed to produce a diagnostic report and a turnaround strategy. The DTI informed the Committee that significant progress had been made in addressing the challenges facing the SABS and that the co-administrators would be managing the SABS until October 2019.

- 5.7 ***The Automotive Production and Development Programme:*** The Committee welcomed the announcement last year of the extension of the Automotive Production and Development Programme and the Automotive Masterplan 2035. The Committee enquired to the status of implementation of the Automotive Masterplan. The Minister informed the Committee that currently the DTI is working on the implementation of the modalities of the next phase of the masterplan.
- 5.8 ***Decline in allocation for Service Investment Incentives:*** The Committee enquired what the reasons were for the significant decline in service investment incentives for the 2019/20 financial year and in the outer years. The DTI informed the Committee that the Services Investment Incentives budget allocation has not been reduced, but that funds were reprioritized to meet the increased demand of support required by the market for financial years 2016/17, 2017/18 and 2018/19.
- 5.9 ***Decline in the allocation for the Investment South Africa Programme:*** In the President's SONA on 20 June 2019, he highlighted the importance of the need to increase and facilitate investment into South Africa. Notwithstanding this undertaking, the allocated funding for the Investment South Africa Programme had

decreased from R83,8 million in the previous financial year to R58 million in the 2019/20 financial year. The Committee enquired about the rationale for this decrease given the critical role of the programme in facilitating and promoting both local and foreign direct investment to stimulate the domestic economic recovery. The DTI informed the Committee that the initial allocation for the programme in the 2018/19 financial year had been R53,8 million. In October 2018, an additional amount of R30 million had been shifted from the Incentive Development and Administration Programme to the Investment South Africa Programme for the roll-out of one-stop shops in the Eastern Cape, Free State and Mpumalanga for investment promotion, investor facilitation and aftercare support, as part of the Adjusted Estimates of National Expenditure<sup>37</sup>.

**5.10 Budget allocation to the National Credit Regulator (NCR):** The Committee in the Fifth Parliament highlighted that given the additional mandate of the NCR and its limited office space, its budget allocation should be increased. The Committee enquired whether consideration had been given to increasing the budget of the NCR given the importance of its mandate in the broader economy. With regard to the NCR, the DTI was of the view that currently there was no funding pressure. When the National Credit Amendment Bill is enacted and promulgated, the DTI would make provision for additional debt officers through the Adjustments Appropriation process.

**5.11 Budget allocation to the B-BBEE Commission:** The allocation of R61,7 million for the B-BBEE Commission was welcomed by the Committee. However, the Committee was concerned that the allocation would be insufficient for the Commission to achieve its mandate given the challenges it experienced in the previous financial year. The DTI informed the Committee that it was of the view that the allocation to the B-BBEE Commission was sufficient as it was not a listed entity. The DTI is currently providing the necessary

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<sup>37</sup> National Treasury (2018: 302)

administrative and other systems support to it. If the Commission becomes a listed entity, it would require additional funding to establish and operate its own administrative systems and functions.

**5.12 *The impact of the B-BBEE policy in broadening the economic base:***

While the Committee acknowledged the broad tenets of B-BBEE as a policy instrument aimed at broadening the economic base of the country to stimulate further economic growth and creating employment, it was of the view that the impact of the policy was not broad enough. This was based on the premise that the majority of the population were still excluded from the mainstream economy. The Minister acknowledged that there are some challenges in the implementation of the B-BBEE strategy. The initial implementation phase of the strategy had not been sufficiently inclusive and had focused on distributing wealth/ownership through share schemes. However, this created passive shareholders and had not fostered and developed an entrepreneurial base. The second phase of the strategy was more broad-based and had some level of success with the inclusion of more women, youth and black South Africans. With regard to the third phase, there was the recognition that black South Africans should be supported and assisted to build, own, and control companies to achieve real economic transformation. The investment in the Black Industrialist Programme (BIP) enabled a new generation of black industrialist to contribute to job creation, economic transformation and growth, and reduce income inequality. The Minister alluded that the next phase of economic transformation would focus on the empowerment of workers as they are co-wealth creators. The Competition Amendment Act (No. 18 of 2008), which would come into effect in 2019, has a provision that encourages worker-ownership arrangements with regard to mergers and acquisitions. The Competition authorities must, among others, check whether the employee share ownership and participation levels are increasing or not.

5.13 ***Income inequality:*** Given that South Africa's Gini-coefficient is among the highest in the world, the Committee was of the view that an urgent review of the impact of black economic empowerment is required to address this challenge. The Committee enquired what strategies the DTI was considering to address this anomaly to ensure an inclusive economy that would contribute to job creation and reduce income inequality. The Minister informed the Committee that one of the key objectives of government in the new administration is to develop a long-term strategy to deal with poverty and income inequality. The key measures to address this includes creating decent jobs, fostering entrepreneurship and maintaining a social safety net. The Minister undertook to provide the Committee with regular updates on progress made in this regard.

5.14 ***Black Industrialist Programme:*** The Committee considered the BIP as a key policy tool within the overall industrial strategy to achieve economic transformation. The BIP also seeks to address low levels of empowerment within the manufacturing sector through the inclusion of the previously disadvantaged black population into the mainstream economy. The Committee welcomed this investment as it would contribute to job creation, reduced income inequality, economic transformation and growth. The Committee queried what the level of support provided was post transfer of funds and how many of the 100 industrialists are still in operation. The DTI informed the Committee that although the Black Industrialists supported by government were facing economic challenges, they are all still in business and growing. All approved Black Industrialists are monitored to assess their contribution to the strategic objectives of the policy. The DTI also informed the Committee that qualifying Black Industrialists had been subjected to a rigorous approval process to ensure their financial viability and that the DTI conducted site inspections at each claim stage before disbursement. A Black Industrialist forum was recently established to serve as a vehicle for collaboration and empowerment for these black industrial enterprises to grow to their full potential.

5.15 ***Relevance of Key Performance Indicators (KPIs):*** Given that the KPIs are meant to measure whether a strategic objective is being met, the Committee enquired why the EDD KPIs focus on reports rather than the number of jobs created and the value of productive capital investment aligned to the strategic objectives. The Minister acknowledged that the current KPIs were not ideal. However, he explained that government departments were confined by the guidelines set out by the Office of the Auditor-General in that KPIs must be measurable and should be within the direct control of the department to be achieved. Therefore, a measure such as jobs created is not within EDD's direct control and its contribution to this cannot be effectively determined due to the number of factors influencing this. However, he agreed that this system of measuring should be reviewed to determine whether there was a smarter way of measuring what matters.

5.16 ***Legislative programme of the DTI and the EDD:*** In the Fifth Parliament, a number of Bills were introduced at the tail-end which placed enormous pressure on Parliament to process these Bills. Some of these Bills were complex and required thorough engagement with experts as well as the public. The Bills still outstanding from the Fifth Parliament are the amendments to the National Credit Act, the National Gambling Act, and the Liquor Act. The Committee expressed its concern that it would appear that only one piece of legislation would be tabled in this financial year. The Minister informed the Committee that he noted the concern but that they are in the process of assessing which Bills are necessary and appropriate to complete in the new administration. The Departments do not intend to bring poorly conceived legislation for consideration by Parliament and would endeavour to provide adequate time to develop and process these within the five-year period. Parliament would be informed about upcoming legislation at the end of this process.

5.17 ***Suspensions within the DTI:*** In the DTI's Annual Performance Plan, it highlighted that three staff members were suspended. The Committee enquired about the reasons for the suspensions, and the roles and functions performed by those suspended. The DTI informed the Committee that it has a zero tolerance policy around fraud and corruption and is committed to acting swiftly on any allegations in this regard. The position of a Director for the Export, Marketing and Investment Assistance (EMIA), of a Trade and Industry Advisor for the EMIA, and of the Chief Information Officer were affected.

## **6. Conclusions**

Having considered the information shared and reports from the Departments of Trade and Industry and of Economic Development and its entities with respect to their annual performance plans, the Committee has reached the following conclusions:

- 6.1 While the Committee acknowledged the uncertainty regarding the merger between the two departments, it is of the view that these share a number of synergies and can strengthen each other's mandates to improve economic policy certainty, particularly in terms of economic transformation, investment promotion and facilitation and job creation. The Committee looks forward to a reviewed organisational structure and annual performance plan to improve alignment with government's objectives.
- 6.2 The Committee welcomed government's initiatives to regenerate the domestic economy, with priority productive sectors through the new envisaged industrial strategy and focused allocations to support industrial competitiveness. It also supported that the Departments adopt a more evidence-based approach in developing this strategy.
- 6.3 There is a recognition that industrial policy is cross-cutting and that coordination across departments is critical for its successful

implementation. In this regard, efforts to ensure policy coherence and certainty is necessary to attract domestic and foreign direct investment to achieve inclusive economic growth and decent job creation.

- 6.4 A strong social compact between the government, the private sector and labour cannot be underestimated in terms of creating a sustainable economy. Each party must contribute by providing an enabling regulatory environment, investment and increased productivity respectively.
- 6.5 While the Committee acknowledged the Departments' initiatives to facilitate the ease of doing business, such as the establishment and roll-out of One-Stop Shops, it was of the view that the Ministry should review initiatives to ensure their efficacy.
- 6.6 Although the tariff for sugar has been increased, the Committee remains concerned about the sustainability of the sugar industry and its impact on small-scale cane growers. The Committee welcomed the Minister's endeavours to develop an appropriate long-term strategy to ensure a sustainable sugar industry.
- 6.7 The Committee was encouraged by the reported progress in addressing audit challenges facing the National Regulator for Compulsory Specifications and the South African Bureau of Standards, as these entities play a critical role in enabling industrialisation and trade as well as ensuring consumer and environmental protection. The DTI should report on the outcome of the interventions to address the Auditor-General's findings on a quarterly basis to ensure that these entities are on a path to a clean audit.
- 6.8 The Committee recognised all efforts to strengthen intra-African trade and integration through the conclusion of the African Continental and Tripartite Free Trade Areas. This provides the foundation for African economic integration and increase intra-African trade that would benefit the South African economy. The Committee awaits the

finalisation of the relevant annexes that would underpin these arrangements, such as the rules of origins and the schedules for tariff concessions.

6.9 The Committee is encouraged to see ongoing negotiations with the United Kingdom, as it finalises its exit from the European Union, that would ensure a bilateral agreement beneficial for South Africa and members of Southern African Customs Union.

6.10 Deepening economic transformation is imperative to alleviate income inequality among previously disadvantaged black people. The Committee welcomed the phased approach being taken with the B-BBEE policy and was especially encouraged by the progress that had been made with the first 100 black industrialists thus far.

## **7. Acknowledgements**

The Committee would like to thank Mr E Patel, the Minister of Trade and Industry, Mr L October, the Director-General of Trade and Industry, and Dr M Tom, the acting Director-General of the Economic Development Department, for their cooperation and transparency during this process. The Chairperson wishes to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report. The Committee also wishes to thank its support staff, in particular Mr A Hermans and Mr T Madima, the Committee Secretaries, Ms M Sheldon, the Content Advisor, Ms Z Madalane, the Researcher, Ms Y Manakaza, the Committee Assistant, and Ms T Macanda, the Executive Secretary, for their professional support.

## **8. Recommendations**

The Portfolio Committee on Trade and Industry, having considered the 2019 proposed Budget Vote 25: Economic Development and Budget Vote 34: Trade and Industry, recommends that the House adopts

Budget Vote 25: Economic Development and Budget Vote 34: Trade and Industry.

The Committee further recommends that the House request that the Minister of Trade and Industry should consider:

- 8.1 Engaging with the Ministers of Finance and of Health to review the impact of the Health Promotion Levy on Sugary Beverages on the sugar industry and sugar cane growers.
- 8.2 Tabling a Sugar Amendment Bill to address a lack of market diversification thus allowing for alternative products and the slow economic transformation in the industry.
- 8.3 Supporting measures to protect the sugar industry from imports that may be allegedly dumped into the South African market and to improve the industry's competitiveness.
- 8.4 Engaging the Minister of Finance with regards to the long-term budget allocation for the Manufacturing Competitiveness Enhancement Programme.
- 8.5 Amending the Broad-based Black Economic Empowerment (B-BBEE) legislation to allow the B-BBEE Commission to be a listed entity in terms of the Public Finance Management Act (No. 1 of 1999) to enable it to operate autonomously. In addition, enhancing the economic empowerment of workers through ownership share schemes.
- 8.6 Requesting the International Trade Administration Commission of South Africa to investigate the appropriateness of the applied tariff rate for sugarcane products.

The Democratic Alliance, Economic Freedom Fighters and the African Christian Democratic Party abstained.

Report to be considered.

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## **11. Report of the Portfolio Committee on Police on the 2019/20 Budget, Annual Performance Plan and 2017 – 2021 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA), Dated 09 July 2019**

The Committee examined the Budget, Annual Performance Plan for the 2019/20 financial year and the 2017-2021 Strategic Plan of the Private Security Industry Regulatory Authority (PSIRA).

The Committee reports as follows:

### **1. INTRODUCTION**

The Private Security Industry Regulatory Authority (PSIRA) was established in terms of section 2 of the Private Security Industry Regulation Act (2001). The entity is mandated to regulate the private security industry and to exercise effective control over the practice of the occupation of security service providers in the public and national interest, and in the interest of the private security industry itself.

#### **1.1 Structure of the report**

The Report provides an overview of the 2018/19 Budget Hearings of the PSIRA and is divided into the following sections:

- Section 1: Introduction. This section provides an introduction to this Report as well as a summary of meetings held during the hearings.
- Section 2: Strategic Priorities of the PSIRA for the 2019/20 financial year. This section provides a summary of the strategic focus areas for the Authority for the year under review.
- Section 3: PSIRA Budget and Performance targets for 2019/20. This section provides an overall analysis of the operating expenditure and revenue of the PSIRA for the 2018/19 financial year. This section also provides a programme analysis of the Authority.
- Section 4: Committee observations. This section highlights selected observations made by the Portfolio Committee on Police on the annual performance targets and programme specific issues during the 2019/20 budget hearings and subsequent responses by the Authority.
- Section 5: Recommendations and additional information. This section summarises the recommendations made by the Portfolio Committee on Police, as well as the additional information requested from the Authority.
- Section 6: Conclusion. This section provides a conclusion to this Report.

## **2. STRATEGIC PRIORITIES OF PSIRA FOR 2019/20**

### **2.1. Legislative mandate**

The primary objectives of PSIRA are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and in the interest of the private security industry itself.

In terms of the Private Security Industry Regulation Act, 2001 (Act No. 56 of 2001), the Authority must:

- a) Promote a legitimate private security industry which acts in terms of the principles contained in the Constitution and other applicable law;
- b) Ensure that all security service providers act in the public and national interest in the rendering of security services;
- c) Promote a private security industry that is characterized by professionalism, transparency, accountability, equity and accessibility;
- d) Promote stability of the private security industry;
- e) Promote and encourage trustworthiness of security service providers;
- f) Determine and enforce minimum standards of occupational conduct in respect of security service providers;
- g) Encourage and promote efficiency in and responsibility with regard to the rendering of security services;
- h) Promote, maintain and protect the status and interests of the occupation of security service provider;
- i) Ensure that the process of registration of security service providers is transparent, fair, objective and concluded timeously;
- j) Promote high standards in the training of security service providers and prospective security service providers;
- k) Encourage ownership and control of security businesses by persons historically disadvantaged through unfair discrimination;
- l) Encourage equal opportunity employment practices in the private security industry;
- m) Promote the protection and enforcement of the rights of security officers and other employees in the private security industry;
- n) Ensure that compliance with existing legislation by security service providers is being promoted and controlled through a process of active monitoring and investigation of the affairs of security service providers;
- o) Protect the interests of the users of security services;
- p) Promote the development of security services which are responsive to the needs of users of such services and of the community; and

- q) Promote the empowerment and advancement of persons who were historically disadvantaged through unfair discrimination in the private security industry.

## 2.2. Strategic Goals and Objectives

The Authority identified three Strategic Goals for the 2019/20 financial year, which extends over the medium-term. These are:

- **Goal 1:** To ensure excellent service delivery (effective regulation) in the private security industry;
- **Goal 2:** Ensure effective training, registration and regulation within the private security industry; and
- **Goal 3:** Ensure good governance across the organisation.

The Authority identified seven strategic objectives for the 2019/20 financial year. These are:

- 1) Ensure effective financial management;
- 2) Ensure efficient and effective processes and systems;
- 3) To improve performance of the organisation;
- 4) Increased investigation and prosecution to enforce compliance with applicable legislation;
- 5) Increased awareness on the functions and role of PSIRA and its stakeholders;
- 6) Improve the integrity and the turnaround time of registration; and
- 7) Conduct research to inform development of policy and legislative direction of the private security industry.

## 2.3. Main policy focus areas

The main policy focus areas for the 2019/20 financial year include:

- Review funding model (Guarantee fund and Levies Act).
- Implementation of Organisational Redesign to ensure adequate capacity to support mandate.
- Continuous review of Training Standards for the Private Security Industry.
- Capacitating the Law Enforcement Programme: to reduce inspector/security business ratio of 1:120.
- Strengthening Corporate Governance: Industry Sector Committees.
- Transformation of the Private Security Industry.
- Continuous awareness of PSIRA brand.
- Development and Implementation of regulations.

## **2.4. Institutional Governance and Management**

The Council of PSIRA consists of five members, of whom one is the Chairperson, another the Deputy Chairperson and the remaining three are ordinary members. Together the Council forms the accounting authority of PSIRA and thus takes ultimate responsibility for the Authority. According to section 51 of the PFMA, 1999, the accounting authority for a public entity must ensure that the public entity has and maintains the following (amongst others):

- Effective, efficient and transparent systems of financial risk management and internal control;
- A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77; and
- An appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive and cost-effective.

## **3. PSIRA BUDGET AND PERFORMANCE TARGETS FOR 2019/20**

### **3.1 Overall analysis**

In 2018/19, the Authority lifted a moratorium on the provision of training by private companies that had been in place for several years due to the high costs of obtaining security training accreditation. As a result, the Authority's revenue is expected to increase at an average annual rate of 7.4%, from R267 million in 2018/19 to R331.2 million in 2021/22. The growth is mainly driven by the sale of training material and accreditation rights to private companies. The Authority's expenditure over the period is expected to increase in line with its revenue.

The financial position of the Authority has been in flux during the 5th Parliament. At the end of the 2014/15 financial year, a deficit of R16.7 million was recorded. At the end of the 2015/16 financial year, performance improved and a surplus of R31.1 million was stated. Following this, the financial position deteriorated again to a R12.4 million deficit at the end of the 2017/18 financial year.

The instability of the financial position resulted from the outdated Annual Fee Funding Model of the Authority and needs to be reviewed through the introduction of the Private Security Industry Levies Act, 2002. The Act is not in operation and awaits proclamation by the President. It is believed that the Act will commence during the 2019/20 financial year.

### 3.2 Expenditure estimates per programme

The Authority is composed of three budget programmes, namely: Administration, Law Enforcement, and Communication, training and registration. The Programmes carry out the objectives and activities of the Authority. The expected revenue increases with R24.4 million in 2019/20 from R267.03 million in 2018/19 to R291.48 million in 2018/19.

The Administration Programme received an allocation of R122.9 million in 2019/20 against an allocation of R112.67 million in 2018/19, which is an increase of 9.09%. The Programme received 42.17% of the total budget for 2019/20. Over the medium-term, the allocation is expected to show an average annual growth rate of 8.1% and will receive an allocation of R142.15 million in 2021/22.

The Law Enforcement Programme received 42.84% of the total budget in 2019/20. The allocation increased from R112.2 million to R124.88 million in 2019/20, which is an increase of 11.25%. Over the medium-term, the average annual growth rate of the Programme is expected to 8.4% and will increase to R142.8 million in 2021/22.

**Table 1: PSIRA Expenditure Estimates 2018/19**

Programme	Budget		Nominal Increase/Decrease 2019/20	Real Increase/Decrease 2019/20	Nominal Percent change 2019/20	Real % change 2019/20	
	R'000	2018/19					2019/20
<b>Programme 1: Administration</b>		112 675.0	122 915.0	10 244.0	4 168.2	9.09 %	3.70 %
<b>Programme 2: Law Enforcement</b>		112 251.0	124 884.0	12 633.0	6 460.0	11.25 %	5.75 %
<b>Programme 3: Communication, Training and Registration</b>		42 104.0	43 678.0	1 574.0	- 585.0	3.74 %	-1.39 %
<b>TOTAL</b>		<b>267 030.0</b>	<b>291 477.0</b>	<b>24 451.0</b>	<b>10 043.2</b>	<b>9.2 %</b>	<b>3.76 %</b>

Source: PSIRA 2019/20 APP

The Authority's geographic footprint will be improved in 2019/20, as new offices were opened in Bloemfontein (Free State) and Empangeni (KwaZulu-Natal) in 2018/19 at a total rental cost of R3.2 million per year. A total of 6 inspectors were deployed to these offices. As a result, the Authority intends to increase the number of inspections conducted on security businesses over the medium term from 6 100 in 2018/19 to 7 398 in 2021/22, and inspections on security officers from 32 600 in 2018/19 to 39 534 in 2021/22.

### **3.3 Statements of financial performance**

The Authority projects a nominal increase of 9.2% in revenue. In 2018/19, the Authority stated a total revenue of R267.03 million, which is expected to increase to R291.48 million in 2019/20. It is further expected that revenue will increase at an average annual rate of 7.4% over the medium-term to R331.2 million in 2021/22. The expected increase is mainly driven by the lifting of the training moratorium, which will result in an increase in the sale of training material and accreditation rights to private companies. It is expected that revenue from the sale of market establishment will increase from R41.95 million in 2018/19 to R68.65 million in 2019/20, which is an increase of 63.6% (R26.7 million) when compared to the previous financial year. Over the medium-term, revenue from sales will continue to increase to R84.19 million in 2021/22, which is an average annual growth rate of 26.1%.

Because the statement of financial performance should read as a balance statement, the total expenses will balance the total revenue of R291.48 million expected in 2019/20 (9.2% increase). Compensation of employees is expected to increase from R158.43 million in 2018/19 to R163.59 million in 2019/20, which is a nominal increase of 3.26%. Expenditure on Goods and services is expected to increase by 14.39% in 2019/20 (from R104.54 million to R119.58 million). Expenses as a result of Depreciation<sup>3</sup> is expected to increase significantly from R4.05 million in 2018/19 to R8.30 million in 2019/20 (104.66% increase). This item is expected to further increase over the medium-term to R12.54 million in 2021/22, which is an average annual growth rate of 45.7%.

### **3.4 Statements of financial position**

The Authority projects a decrease in Total equity and liabilities from R96.9 million to R57.1 million in 2019/20. This represents a decrease of R39.7 million or 40.9% in 2019/20 when compared to the previous financial year. Over the medium-term the amount will increase to R86.3 million, but still represents an average annual growth rate of -3.8% (decrease).

In 2017/18, the AG raised a material uncertainty in regards to the financial position of the Authority. PSIRA incurred a net loss of R12 378 463 at year-end (31 March 2018) and, as of that date the Authority's current liabilities exceeded its current assets by R13 863 393, which indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. This is largely due to debt (annual fees) not collected by

PSIRA. This is not due to a lack of trying, but some small businesses are unable to pay the fees. As such, it is important for PSIRA to review its Funding Model to enable the Authority to determine annual fees on the size of business. During the 2017/18 budget hearings with the Portfolio Committee, the Authority indicated that a Going Concern Turnaround Strategy was developed to enable it to build reserves. This strategy was implemented and has resulted in building a reserves amounting to R67 million. The Authority has also employed debt collectors to help with collecting money due to it.

#### 4. PERFORMANCE INDICATORS AND TARGETS

The 2019/20 APP does not include new performance indicators, but most of the targets were increased.

##### 4.1. Programme 1: Administration

The Administration Programme is responsible for the overall strategic management and service for the Authority. The Programme has three (3) Strategic Outcome Orientated Goals, namely:

- Effective financial management;
- Ensure efficient and effective processes and systems; and
- To improve performance of the organisation.

The table below summarises the performance indicators and targets for the Administration Programme, together with some comments and questions on the indicators.

Table 3: Programme Performance Indicators and Targets:  
Administration Programme

Performance Indicator	2019/20 Target
<b>Sub programme: Finance and Administration</b>	
Unqualified audit opinion with no significant findings	Unqualified audit opinion
% Revenue collected	72% revenue collected on billed annual fees <sup>5</sup>
Establish and Implementation of the Guarantee Fund	Implementation and monitor the Guarantee Fund
<b>Sub programme: Business Information System</b>	
Critical IT infrastructure restored within the set timeline	Average of 8 hours
Implementation of business continuity and disaster recovery plan	Implementation and monitoring
<b>Sub programme: Human Capital</b>	
% of implementation of the performance management system (PMS)	100%
% of employee training interventions implemented as per Annual Training Plan	85%

The Authority had a 2018/19 performance indicator to establish an internal training academy for employees, as this was removed from the 2019/20 APP. As such, the academy was presumably established and is operational.

### **Programme 2: Law Enforcement**

The *Law Enforcement* Programme is responsible for enforcing compliance with minimum standards of occupational conduct by security service providers and legal services to ensure efficiency in the prosecution of contraventions of the PSIRA Act, 2001. The Strategic Outcome Orientated Goal of the Programme is to increase the monitoring and investigation of security service providers to enforce compliance with existing legislation.

<b>Table 4: Programme Performance Indicators and Targets: Law Enforcement Programme Performance Indicator</b>	<b>2019/20 Target</b>
Number of security businesses inspected to enforce compliance with applicable legislation	6 405
Number of security officers inspected to enforce compliance with applicable legislation	34 230
% of investigations finalised against non-compliant Security Service Providers (SSPs)	88%
% of criminal cases opened against non-compliant Security Service Providers (SSPs)	95%
Number of security businesses licensed to possess firearms inspected	1 425
Number of security businesses inspected that are using dogs	70
% of cases of non-compliant Security Service Providers (SSPs) prosecuted per year	90%
Number of new draft regulations compiled on approved research topics	3
% of debt collection files referred for litigation	50%

### **Programme 3: Communication, Registration (CRM) and Training**

The *Communications, Registration and Training* Programme is responsible for stakeholder management, core business and communication, registration and customer relation management, industry training, research and marketing. The Programme has four (4) Strategic Outcome Orientated Goals, namely:

- Increased awareness on the functions and role of PSIRA and its stakeholders within the security industry;
- Improve the integrity and turnaround time of registration;
- Promote and ensure compliance with minimum professional standards by security service providers; and
- Conduct research and development of policy direction for the private security industry.

<b>Table 5: Programme Performance Indicators and Targets: Communication, Registration (CRM) and Training Programme Performance Indicator</b>	<b>2019/20 Target</b>
<b>Sub programme: Communication and Stakeholder Management</b>	
Number of public awareness campaigns	160
<b>Sub programme: Registration</b>	
Average turnaround time of applications for registration meeting all the requirements for security businesses (working days)	Average 10 days
Average turnaround time of applications for registration meeting all the requirements for security officers (working days)	Average 15 days
<b>Sub programme: Industry Training</b>	
Number of capacity building activities for SSP training institutions	14
Increased number of training security service provided currently registered and accredited with PSIRA	200 more accredited training SSPs
<b>Sub programme: Industry Research and Development</b>	
Number of completed research topics	3 research topics
Number of completed surveys per year	4 surveys
Number of policy documents completed	3 policy documents
Number of research studies published	2 publications

## 5. COMMITTEE OBSERVATIONS

The Committee made the following observations during the 2019/20 budget hearings:

**Presentation:** The Committee welcomed the quality of the presentation of PSIRA and thanked them for their professionalism in interacting with the Committee. The Chief Financial Officer (CFO) in particular was commended for her presentation and plans for the Authority.

**Training Academy:** The Committee asked the Authority what progress has been made with respect to the PSIRA Internal Training Academy. The Committee has noted that it did not receive any information on the training courses and the accreditation thereof, despite requesting it from the Authority in the last Budget Report. Members in particular were concerned about the 360 training centre service providers which is used by PSIRA. The standards could not be the same and the question of PSIRA establishing its own training academy was noted.

**Training Plan:** The Committee noted that the PSIRA Training Plan should be reviewed annually and has to date not received a copy of the plan and the review of the plan. The Committee raised the issue of security guards at universities being trained in crowd control and the consequences of employing untrained security guards in crowd control situations.

**Fraudulent Training Certificates:** The Committee questioned if the PSIRA did not pick up the use of fraudulent training certificates being used by security officers. Members of the Committee were concerned that if the PSIRA ICT system could detect fraudulent and forged certificates.

**Guarantee Fund:** The Committee has noted that PSIRA Guarantee Fund will cover limited liability of Security Service Providers (SSPs) towards consumers in negligent cases that are not covered by the SSP insurance. The Committee required the location and other details of the Fund.

**Foreign owned security companies:** Members questioned the role of foreign owned security companies and whether they have been able to comply with the local regulations. The other concern was the use of foreigners as security guards and whether they have been adequately trained, and whether they could be relied on in terms of their patriotism to South Africa. Members also questioned the role and use of labour-broking companies that are used by the PSIRA that routinely engage in corrupt practices.

**Exploitation of security guards:** The Committee expressed concern about the exploitation of security guards by security companies and often the rights of security guards are abused by security companies. Security guards have to work long hours, risk their lives and get paid very little way of remuneration. Members also raise the issue of security guards having to work on national roads and arterial roads such as the R21 without toilets. This impaired the dignity of the security guards and the Members called in the industry to respect the dignity and human rights of security guards.

**SASSETA:** The Committee wanted to know if the PSIRA has negotiated with SASSETA with respect to approval of its training plan including the training for security officers who are involved in the management of crowd control, especially those responsible for managing security at universities. Members wanted to know if the Authority was satisfied with SASSETA

**Relationship with the South African Police Service (SAPS):** The Committee asked whether the Authority offers any training to security guards on crowd management. The Authority indicated that there is no accredited training offered to security guards on crowd management, as crowd management falls within the purview of the SAPS in terms of the Regulation of Gatherings Act, 1993 (Act 205 of 1993).

**PSIRA Capacity:** Members questioned whether the PSIRA had sufficient capacity in view of the demands placed on the Authority and the depth of their mandate. Given that the ratio of security inspector to security officers are 1:120, Members wanted to know if the PSIRA was sufficiently resourced. The Committee wanted to know if the PSIRA has considered the effectiveness and impact of the PSIRA on the security industry.

**Relationship with SAPS:** The Committee asked whether the Authority has a good relationship with the SAPS and whether it was satisfied with the quality of the investigations by SAPS. The Committee noted an increasing challenge in the SAPS interface and questioned whether the Authority is experiencing similar challenges. In particular, the Committee wanted to know how the PSIRA was going to contribute to the President's call for a 50% reduction of violent crime.

**Private Security Industry Regulation Amendment Bill (2012):** The Committee noted the amendments proposed with respect to ownership in the private security sector industry and resolved to ask the PSIRA to follow up on the 2012 Amendment Bill which is with the President for assent.

**Firearms in the Private Security Industry:** Members expressed concerns about the management of firearms in the private security industry and wanted to know how it was being handled by the PSIRA, especially of the problems at the Central Firearms Registry.

## 6. RECOMMENDATIONS AND ADDITIONAL INFORMATION

### 6.1. Recommendations

The Committee made the following recommendations during the 2019/20 budget hearings:

- a) The Committee recommends that the Authority should continue its engagements with the Minister of Police to ensure progress on the enactment of the Private Security Industry Regulation Amendment Bill, 2012.
- b) The Committee recommends that the Authority makes clear its plans to develop its own Training Academy and accredit all training courses. The unit standards for training courses should be uniform and the training manual should be standardised across all training centres.

- c) The Committee recommends that the Authority puts Information Communication and Technology (ICT) measures in place that will allow its ICT systems to detect fraudulent and forged training certificates.
- d) The Committee recommends that the Authority must provide it with details of plans to implement the Guarantee Fund and the conditions attached to it, implementation date, and whether the Fund will cover limited liability of the Security Service Providers.
- e) The Committee recommends that the Authority should ascertain how many foreign owned security companies are complying with the private security legislation and regulations.
- f) The Committee recommends that the Authority must investigate instances of abuse of security guards and put measures in place to look after the welfare of security guards exploited by security companies.
- g) The Committee recommends that the Authority must take proactive steps to negotiate with SASSETA on the approval of its training plan and unit standards applicable for the training of policing crowds.
- h) The Committee recommends that the Authority work closely with the SAPS on training, operations and investigations into errant companies involved in crime and especially those where firearms have been lost or stolen.
- i) The Committee recommends that the Authority should continue its focus on the use and training of security dogs and handlers in the private security industry.

## **7. CONCLUSION**

The Committee thanked the PSIRA for their professional interaction and noted that the Budget and APP hearings provided the Committee with the necessary information to support its vision and plans. The Committee further noted that while private security is providing safety for middle class areas, it is the poor areas around the country where crime is rife and that PSIRA should consider developing plans for safety in poor working class communities. The Committee welcomed the sharing of the performance information and targets set by the authority and noted that while it had a small establishment, it had a strong impact with respect to regulation of the

Industry. The Committee further encouraged the Authority to focus specifically on the exploitation of security guards within this sector and bring non-compliant employers to book.

The Democratic Alliance reserved its rights on whether to accept the report or not. The Economic Freedom Fighters rejected the report. The majority of Members supported the report.

**REPORT TO BE CONSIDERED.**

## **12. Report of the Portfolio Committee on Environment, Forestry and Fisheries on the Strategic Plan 2019/20—2023/24, Annual Performance Plans (APPs) 2019/20 and the Budget Vote 27 of the Department of Environmental Affairs (DEA), dated 10 July 2019.**

### **1. Background**

The Portfolio Committee on Environment, Forestry and Fisheries (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly to consider and report on the Strategic Plan, Annual Performance Plans and Budget allocations of the Department of Environmental Affairs (hereinafter the Department) and having been presented the high-level strategic goals of the *four* entities reporting to it, tabled by the Minister of Environment, Forestry and Fisheries and in terms of the Public Finance Management Act (Act No 32 of 2003), reports as follows:

### **2. Introduction**

The Portfolio Committee invited the Department to present the overview of their medium term strategic plans, annual performance plans and the budget allocation for the 2019/20 financial year as well as medium term expenditure framework allocations for 2020/21 and 2021/22, respectively.

#### **2.1 Overview of the Department of Environment Affairs and its Entities**

The mandate of the Department of Environmental Affairs (DEA) is to ensure the protection of the environment and conservation of natural resources, balanced with sustainable development and the equitable distribution of the benefits derived from natural resources for current and future generations. This is to be achieved while giving effect to the right of the nation to an environment that is not harmful to their health and wellbeing as stated in *Chapter Two, section 24* of the Constitution of the Republic of South Africa, which stipulates specifically that “all South Africans have the right to an environment that is not harmful to their health or wellbeing, and to have the environment protected for the benefit of the present and future generations” through relevant legislation. It is in this context that the Department embraces the value of being proactive in

fostering innovative thinking and solutions to environmental management, premised on a sustainable development approach that recognises the centrality of people in all the facets of environmental management.<sup>1</sup> Moreover, placing people at the centre of environmental management is critical for sustainable management and for ensuring the integrity of measures that are put in place to secure the protection and sustainability of the nation's environmental assets.

The Department maintains that it is a high performing organisation and serves with integrity, as the custodian and ambassador for South Africa's environment that should be bequeathed to future generations in a manner that encourages its sustainability indefinitely.<sup>2</sup> As a result, the Department had established a very good record of *unqualified audit opinions* ever since it came into existence as a separate Department in the 2010/11 financial year. However, the Department started experiencing challenges in meeting audit requirement as it relates to Modified Cash Standards (MCS) when the Department failed to table its 2015/16 Annual Report in Parliament at an opportune time for consideration by the Portfolio Committee on Environmental Affairs (PCEA). Nevertheless, the Department resolved the dispute that it had with the Auditor-General and succeeded to obtain an *unqualified audit opinion*, although the 2015/16 Annual Report was presented in Parliament only after the adoption of the Committee's *Budgetary Review and Recommendation Report* (BRRR). Of concern though was the retrogression of the Department in its audit outcomes in the subsequent 2016/17 and 2017/18 financial years where the Department attained *adverse audit findings*. Those findings were due to disputes between the Office of the Auditor-General South Africa (AGSA) and DEA, regarding the different interpretations with regard to the application of Modified Cash Standards, insofar as transfer payments for the Expanded Public Works Programme (EPWP) projects were concerned.

### 2.1.1 Legislative mandate

The core business of the Department is underpinned by the Constitution of the Republic of South Africa and all other relevant pieces of legislation that derived from it. The constitutional directive "*to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures*" gave rise to the formulation and adoption of notably the National Environmental Management Act (NEMA) (Act No 107 of 1998). NEMA has undergone several amendments and has provided the bedrock for enacting the following "*specific environmental*

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<sup>1</sup> Department of Environmental Affairs (2019) Department of Environmental Affairs Strategic Plan 2019/20 — 2023/24. Department of Environmental Affairs, Pretoria.

<sup>2</sup> Ibid

*management acts*” (SEMAs), or issue-specific legislation on biodiversity and heritage resources; oceans and coasts; climate change and air quality management; and waste and chemicals management. Those applicable SEMAs comprise National Environmental Management: Biodiversity Act No 10 of 2004; National Environmental Management: Protected Areas Act No 57 of 2003; National Environmental Management: Air Quality Act No 39 of 2004; and National Environmental Management: Integrated Coastal Management Act No 24 of 2008; National Environmental Management: Waste Act No 59 2008; and National Environmental Management: Waste Amendment Act No 26 of 2014, *inter alia*. Furthermore, there are many other government policies and legislation, which affect the South African environmental sector both directly and indirectly.

The Department fulfils its mandate through formulating, coordinating and monitoring the implementation of national environmental policies, programmes and legislation with the additional support from its entities, such as the iSimangaliso Wetland Park Authority (iSimangaliso), the South African National Biodiversity Institute (SANBI), South African National Parks (SANParks), and the South African Weather Service (SAWS). The Department is structured into *seven* Programmes to ensure the effective achievement of its constitutional mandate. The *seven* different programmes and their purposes are reflective of the different focus areas and subsectors of environment management. The objective of the current programme structure is to ensure that specific attention is given to each focus area of the Department’s constitutional mandate, while acknowledging the interrelationship and ensuring an integrated approach. Notwithstanding, the current structure of the Department described below is expected to change in light of the most recent reconfiguration in the National Government that led to the integration of Forestry and Fisheries branches into the Department, giving it the new name of the Department of Environment, Forestry and Fisheries (DEFF).

**Programme 1: Administration** provides leadership, strategic centralised administration and executive support, corporate services and facilitates effective cooperative governance, international relations and environmental education and awareness.

**Programme 2: Legal, Authorisations, Compliance and Enforcement (LACE)** promotes the development of an enabling legal regime, licensing and authorisation system that ensures enforcement and compliance.

**Programme 3: Oceans and Coasts** promotes, manages and provides strategic leadership on oceans and coastal conservation, including relevant research and specialist services, as they pertain to the costal and oceans environment.

**Programme 4: Climate Change, Air Quality and Sustainable Development**

The purpose of the Programme is to improve air and atmospheric quality, lead and support, inform, monitor and report efficient and effective international, national and significant provincial and local responses to climate change, and promote sustainable development..

**Programme 5: Biodiversity and Conservation** ensures the regulation and management of all biodiversity, natural heritage and conservation matters in a manner that facilitates sustainable economic growth and development.

**Programme 6: Environmental Programmes** is the largest departmental programme (in terms of budget allocation) and deals with the implementation of expanded public works programme and green economy projects in the environmental sector.

**Programme 7: Chemicals and Waste Management** manages and ensures that chemicals and waste management policies and legislation are implemented and enforced in compliance with chemicals and waste management authorisations, directives and agreements.

**3. linkages between the Departmental Priorities and the National Development Plan Vision 2030**

The National Development Plan (NDP) Vision is that by 2030, South Africa's transition to an environmentally sustainable, climate-change resilient, low-carbon economy and just society will be well underway. To achieve this requires, first and foremost, attaining of the NDP outcomes relating to the transformation of society and an economy, which is internationally competitive, equitable, job-creating and sustainable (resilient, green and low-carbon), *inter alia*. Thus, the NDP explicitly acknowledges that the transition to an environmentally sustainable future, which is carbon constrained would require the decoupling of economic growth from natural resource degradation and depletion. There is therefore a need to build human capital and technological base for implementation of programmes that will grow the economy without increasing South Africa's emissions profile.

The strategic priorities of the NDP that directly bear on the work of the Department are as follows:

- Ecosystems are sustained and natural resource are used efficiently;
- An effective climate change mitigation and adaptation response;
- An environmentally sustainable, low-carbon economy, resulting from a well-managed just transition;
- Enhanced governance systems and capacity; and
- Sustainable human communities.

Consequently, the Department's key outcomes in respect to the NDP include the following:

- **Environmental Economic Contribution Optimised:** This entails facilitating sustainable socio-economic growth and development by catalysing, optimising and scaling up the contribution of the environmental sector to economic prosperity;
- **Ecological Integrity Safeguarded and Enhanced:** To realise this key outcome requires the Department to provide leadership in promoting and ensuring environmental sustainability through the management, utilisation, conservation, protection and valuing of the Republic's natural resources;
- **Socially Transformed and Transitioned Communities:** The Department envisages driving socio-economic transformation and transition by optimising the fair and equitable sharing of benefits and enabling social development; and
- **Global Agenda Influenced and Global and Local Obligations Met:** The Department would play a significant role in ensuring that international cooperation that it engages in is supportive of South Africa's environmental and/or sustainable development priorities. This is indeed a noble objective, considering that the impacts of environmental disturbances do not recognise political boundaries or environmental improvements in a country do not only benefit the country where the improvements are made, particularly in terms of climate change mitigation as well as air and water pollution reduction. The ongoing biodiversity diplomacy in the southern African region and beyond, in minimising wildlife loss due to poaching, is a case in point.

### **3.1 Medium Term Strategic Plans and Annual Performance Plans (APPs) of the Department and its Entities for 2019/20**

As the national partner to provinces in a concurrent function, the Department leads the environmental sector by setting the policy and legislative framework and the norms and standards required for environmental protection and environmentally sustainable development in the country. This role is evident through the large numbers of policy and legislative instruments initiated, processed and administered by the Department.

To account for the Department's strategic role, including the above, the Portfolio Committee was briefed by the Department on 3<sup>rd</sup> July 2019, on the Department's Strategic Plan (2019/20–2023/24), Annual Performance Plan and Budget for the 2019/20 financial year. In addition, the Department presented the high-level strategic goals of the *four* departmental entities, but not the APPs of the entities, as they were not invited to appear before the Committee due to time constraints. The Committee was of the view that the APPs and the budget of the *four* entities would be better addressed during the engagements that lead to the compilation of quarterly reports. The purpose of the Committee's most recent meeting with the Department was to ascertain whether the allocated budget to the Department (and hence its entities) was aligned to achieve the Department's strategic goals and APPs, and also to determine whether the budget is aligned with the Government's strategic priorities for the current 2019/20 financial year, which are underpinned by the NDP.

This report, therefore, captures the key findings and recommendations of the Portfolio Committee after its engagement with the Department.

### **3.2 Department of Environmental Affairs**

The Department provides leadership in environmental management, conservation and protection to ensure the sustainability of the South African environment for the benefit of South Africans and the global community in perpetuity.

#### **3.2.1 Departmental Strategic Goals**

The Department's strategic goals over the medium term are to:

- Ensure Environmental Economic Contribution is optimised to facilitate sustainable socio-economic growth and development by catalysing, optimising and scaling up contribution of the environmental sector to economic prosperity, thereby contributing to an environmental sustainable, low-carbon economy as a result of a well-managed just transition;

- Ensure Environmental/Ecological Integrity is safeguarded and enhanced by providing leadership in promoting and ensuring environmental sustainability through effective management, utilisation, conservation, protection and valuing of our natural resources, including management of threats to environmental integrity (climate change, waste and chemicals, atmospheric pollution and alien invasive species);
- Socially transform and transition communities to enable sustainable socio-economic growth and development by catalysing, optimising and scaling up the contribution of the environmental sector to economic prosperity contributing to an environmentally sustainable, low-carbon economy as a result of a well-managed just transition;
- Ensure Global Agenda is influenced and obligations are met by enhancing regional and international cooperation supportive of South Africa's environmental/sustainable development priorities and influence the global environmental agenda; and
- Build a capable and efficient Department to improve departmental service delivery capacity and capabilities through creation of a harmonious and conducive working environment and provision of delivery platforms such as ICT infrastructure and services, development and implementation of an effective Human Resource Strategy to attract, develop and retain a skilled, transformed and diverse workforce that performs in line with the Department's culture and values, aligning and transforming business processes and systems to support strategy execution and sound corporate governance, thereby optimising efficiencies and strategic agility.

### **3.2.2 Budget allocation to the Department and its Entities**

Public spending on ensuring environmental sustainability, as indicated by the budget allocation to the Department of Environmental Affairs, that is, Vote 27: Environmental Affairs in the current 2019/20 financial year is about 0.4 per cent of the overall government expenditure of R1.83 trillion. This level of funding for Environmental Affairs at about 0.4 per cent has been running since 2015/16, from where there has not been a significant deviation upwards despite mounting environmental challenges. Thus, the Department of Environmental Affairs' budget essentially remained unchanged between 2015/2016 and 2019/20, as the budget assigned to the Department hovered around 0.4 per cent of the total government expenditure, as per the consolidated fiscal framework.<sup>3</sup> This comparatively low funding of environmental protection was also observed by the *Statistics South Africa*, which stated that the South African Government spent 0.7 per cent of its total budget in 2014/15 on environmental protection. However, in

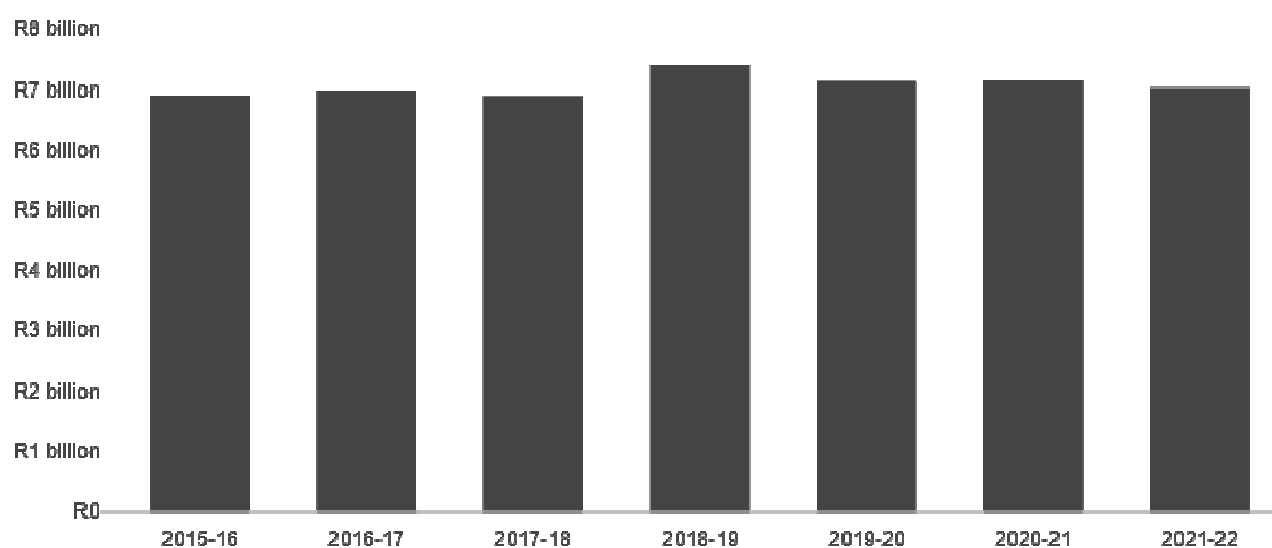
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<sup>3</sup> National Treasury (2015) *Estimates of National Expenditure*. National Treasury, Pretoria.  
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comparing this figure with other countries, the proportion spent on environmental protection across 35 countries belonging to the Organisation for Economic Co-operation and Development (OECD) was 1.3 per cent. Those topping the OECD list were the Netherlands (3.2 per cent) and Japan (2.9 per cent).<sup>4</sup> Australia's government spent 2.4 per cent of its total budget on environmental protection, while the United Kingdom devoted 1.8 per cent. Interestingly, the two Latin American countries on the list, Columbia and Costa Rica, which are both developing countries like South Africa, spent 1.4 per cent, respectively.<sup>5</sup>

The following *Figure 1* depicts spending on Environmental Affairs from 2015/2016 to 2019/20 as well as projections for the two outlier years (2020/21 & 2021/22). The values in the Figure are adjusted for inflation (meaning they are real rand values), whereas *Figure 2* below shows nominal values, without adjustment for inflation.

**Figure 1: Spending on Environmental Affairs from 2015/2016 to 2019/20 in real terms**



*Source:* National Treasury (2019) Department Budgets for 2019-20.

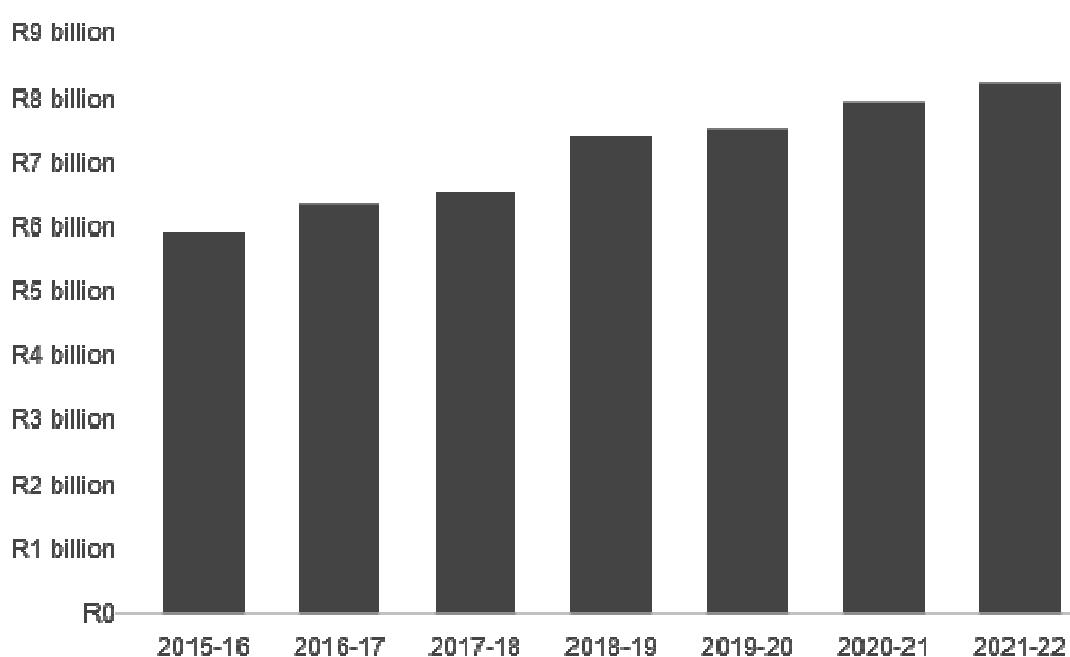
Unlike the above graph (*Figure 1*), which shows no significant deviation in budget allocation between 2015/16 and 2019/20 as well as the proposed allocations for the two outlier years, the graph below in *Figure 2* shows a growing trend from 2015/16 to 2021/22, including the outlying years. This growing trend in the budget of Environmental Affairs is merely based on the

<sup>4</sup> OECD (2017) *Government at a Glance 2017*. Structure of general government expenditures by function 2015 Excel file. OECD, Paris.

<sup>5</sup> Statistics South Africa (2016) *Government spending: how much goes to environmental protection?* Statistics South Africa, Pretoria.

amount of allocations, without due consideration of the true ‘worth’ of these allocations. The assumption in these nominal increases is that the value of, for example, R10 in 2018/19 is the same in 2019/20, which is false and hence the need to correct this by adjusting for inflation, which may vary from year to year. The graph in *Figure 2* flattens out as in *Figure 1* when the ‘seemingly’ increasing allocations are adjusted for inflation. This point is further illustrated in *Table 1*, which shows the Department’s total allocation in 2019/20 relative to the past 2018/19 financial year.

**Figure 2: Spending on Environmental Affairs from 2015/2016 to 2019/20 in nominal terms**



*Source:* National Treasury (2019) Department Budgets for 2019-20.

The Department’s total budget showed a significant nominal increase from R6.6 billion in 2018/19 to R7.5 billion in 2019/20. This explicitly shows an increase of about 0.9 billion, translating into approximately 14 *per cent* nominal growth. However, this significant nominal increase collapses to only 0.5 billion or 8.3 *per cent* increase in the Department’s overall budget during the period under review despite the ever-increasing challenges in South Africa’s environmental sector, as shown by high incidents of poaching, land degradation and air pollution in Air Quality Priority Areas (air pollution hotspots). *Five* of the Department’s programmes (*Administration; Legal, Authorisations, Compliance and Enforcement; Climate Change, Air Quality & Sustainable Development; Environmental Programmes; and Chemicals and Waste Management*) achieved positive budget increases in real rand terms, whereas *two* of the Department’s

programmes (*Oceans and Coasts & Biodiversity and Conservation*) realised budget reductions of R9.9 million and R15.5 million in real terms in the current (2019/20) financial year, respectively. The reduction of about R10 million in the budget of the *Oceans and Coasts Programme* relative to the past (2018/19) financial year is indeed significant, considering the scope of work that is to be undertaken across this Programme's five sub-programmes (*Oceans and Coasts Management, Integrated Coastal Management and Coastal Conservation, Oceans and Coastal Research, Oceans Economy and Project & Specialist Monitoring Services*).<sup>6</sup> These dynamics in budget allocation in nominal and real rand terms are presented in the following *Table 1* that captures the Environmental Affairs budget in the current 2019/20 financial year.

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % change
	2018/19	2019/20	2020/21	2021/22	2018/19-2019/20		2018/19-2019/20	
R million								
Administration	822.0	891.9	951.7	1 011.6	69.9	25.8	8.50	3.14
Legal, Authorisations, Compliance and Enforcement	189.3	207.5	219.9	233.5	18.2	7.9	9.61	4.20
Oceans and Coasts	492.0	507.2	537.7	568.8	15.2	-9.9	3.09	-2.01
Climate Change, Air Quality & Sustainable Development	414.3	445.9	470.8	498.3	31.6	9.6	7.63	2.31
Biodiversity and Conservation	773.4	797.3	852.9	907.8	23.9	-15.5	3.09	-2.01
Environmental Programmes	3 364.3	4 085.5	4 299.6	4 359.7	721.2	519.3	21.44	15.43
Chemicals and Waste Management	550.3	594.3	628.5	663.8	44.0	14.6	8.00	2.66
<b>TOTAL</b>	<b>6 605.6</b>	<b>7 529.6</b>	<b>7 961.1</b>	<b>8 243.5</b>	<b>924.0</b>	<b>551.8</b>	<b>13.99</b>	<b>8.35</b>

Source: National Treasury (2019) *Estimates of National Expenditure*. National Treasury, Pretoria.

Contrary to the preceding concern (in the above section), the Department plans to continue supporting research voyages to Antarctica, Marion Island and Gough Island. These expeditions support long-term biological, environmental and meteorological research.<sup>7</sup> However, this year's (2019/20)

<sup>6</sup> National Treasury (2019) *Estimates of National Expenditure*. National Treasury, Pretoria.

<sup>7</sup> Ibid.

budget allocation to the *Oceans and Coastal Research sub-programme* surprisingly shows a reduction of R3.0 million, which is certainly expected to weaken the nation's ocean research initiatives despite the recognition that ocean and coasts ecosystem services are important as they directly and indirectly impact on human livelihoods, food security and agriculture, trade and industry. Oceans provide critical, multi-dimensional support for life on Earth and play a critical role in Earth sustainability and hence will play a central role in society's shift toward a more sustainable future. Notwithstanding, oceans face serious threats on multiple fronts due to over-exploitation of marine life, changes in upstream land use, hydrological cycles and pollution, climate change and its associated effects on sea level rise, ocean temperature redistribution and acidification, and other emerging challenges. In addition, ocean governance has special challenges associated with political and legal arrangements within and beyond areas of national jurisdiction. Monitoring marine environmental and ecological conditions, limited knowledge regarding the links between ocean environmental conditions and ecological structure, function and services, and understanding how various governance interventions affect goods and services that oceans provide to humans, could pose a huge challenge to a resource-constrained country like South Africa. These issues may strongly influence food security and livelihood viability for hundreds of millions of people who depend on ocean resources.<sup>8</sup> The hidden nature of vast ocean resources means that countries which have the financial wherewithal are the ones, which exploit their ocean and coastal resources better or more optimally.

The *Legal, Authorisations, Compliance and Enforcement (LACE) Programme* is the least funded departmental programme despite the enormity of the responsibility for compliance enforcement, which lies in this small, yet critical Programme. Although there is nothing unusual about the budget allocated to the *LACE Programme* in the current final year relative to the past, as the Programme actually realised about an R8-million rand increase in budget in real terms, the demand on the Department to stem the relentless tide of environmental crimes in the country, raises a legitimate concern when the budget of the Programme is taken into account. For example, the *LACE Programme* is responsible for inspecting "environmental authorisations"<sup>9</sup> to ensure that those activities, which were authorised or permitted to be undertaken by developers are being implemented as required. However, tracking the inspection targets that the Department had set for itself yields some interesting results: 158 inspections

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<sup>8</sup> Rudd, M.A., (2014) Scientists' perspectives on global ocean research priorities. *Frontiers in Marine Science*, 1(36): 1-20.

<sup>9</sup> In terms of section 1 of NEMA, an environmental authorisation is defined as "the authorisation by a competent authority of a listed activity or specified activity in terms of this Act, and includes a similar authorisation contemplated in a Specific Environmental Management Act".

were conducted in 2015/16, that rose to 190 in 2016/17, dropped to 183 in 2017/18, declining further to 155 in 2018/19 and rising sluggishly to 160 in the current 2019/20 financial year, which is the new target in the Department's APP. It would be appropriate to determine the reason for these fluctuations, whether they are not budget-related. Secondly, it would also suffice to determine the relationship between the annual number of "environmental authorisations" issued and the proposed number of targets, for instance: What proportion of "environmental authorisations" are actually being targeted for inspection by the Department annually?

Rhino poaching, which is part of environmental crimes, which amass between \$70 billion and \$213 billion per year, is of a major concern to South Africa. Illegal trading in protected wildlife and plants operate parallel to a wide range of legitimate industries. In some instances, such as within China and other Asian countries, the demand for rhino horn or animal parts is cultural, making it difficult to stop. "Many criminal networks are making phenomenal profits from environmental crime. It is a financing machine."<sup>10</sup> Thus, South Africa needs a well-resourced monitoring and law enforcement capacity to limit the activities of those highly organised criminal syndicates from continuing to pillage the country's natural heritage resources, especially in terms of rhinos, abalone, cycads and now elephants. It was reported that elephant poaching was on the increase, with 58 elephants poached in the Kruger National Park from 1<sup>st</sup> January to 31<sup>st</sup> August 2018.<sup>11</sup>

At 769-recorded rhino fatalities due to poaching in South Africa in 2018, poaching numbers are still high, as per the South African Department of Environmental Affairs' release of the 2018 poaching numbers this past February. The number shows a decrease of 259, considering that 1 028 rhinos were poached in 2017. However, this positive sign does not mean rhinos are now thriving in the wild. It shows at least *two* rhinos were killed each day in 2018, and if the 2018 trend were to continue for 2019, then a significant number of rhinos could have already been killed this year. Furthermore, the decline in the number of poached rhinos could demonstrate that the ongoing anti-poaching work is having an effect, or it may also demonstrate that with significantly fewer rhinos surviving in the wild, it is getting harder for poachers to locate their prey. Thus, more action is needed to stop the illegal trade and ensure that rhinos have a positive future. This means supporting anti-poaching work as well as good overall management of rhino populations by ensuring high-quality biological

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<sup>10</sup> United Nations Environment Programme (2014) UN Report: Environmental Crime a Multi-Billion Dollar Industry [Internet]. Available from <<http://www.planetexperts.com/un-report-environmental-crime-multi-billion-dollar-industry/>> (Accessed on 30<sup>th</sup> June 2019).

<sup>11</sup> Department of Environmental Affairs (2018) Department of Environmental Affairs highlights progress on the implementation of the Integrated Strategic Management of Rhinoceros

management, are paramount.<sup>12</sup> The *Chemicals and Waste Management Programme* is still not in full control of waste management in South Africa as shown by the high number of illegal dumping sites of both general and hazardous waste. This requires Environmental Management Inspectors (Green Scorpions) to effectively monitor and enforce compliance, and hence the need for more budget to be allocated to the *Legal, Authorisation, Compliance and Enforcement Programme*.

### 3.2.3 Strategic Priorities per Programme for 2019/20

The Department spent 96 per cent of its allocated budget for the 2017/18 financial year, below the baseline of 99.97 per cent due to delay in clarifying the 2016/17 audit outcome, which in turn hindered transfer payments for Expanded Public Works Programme projects. Improper classification of these transfer payments earned the Department *adverse audit outcomes* in the past two consecutive years (2016/17 & 2017/18). The Department also failed to submit its annual reports for 2015/16 and 2016/17 on time for consideration for the Committee's BRRRs. Consequently, the Portfolio Committee in the *Fifth Parliament* became increasingly concerned about the Department's audit comes and intervened by facilitating meetings between the Office of the Accountant-General, National Treasury and the Department with the aim of resolving this matter of poor departmental audit outcomes. It was hoped that the thorough engagements with all concerned parties, especially during the processing of the Department's last 2017/18 Annual Report had successfully concluded this protracted matter, and the Department is now on a good footing to regain the lost ground and start earning clean audit reports.

#### Programme 1: Administration

The purpose of the *Administration Programme* is to provide leadership, strategic centralised administration and executive support, corporate services and facilitate effective cooperative governance, international relations and environmental education and awareness.

The strategic objectives of this *Programme* for the 2019/20 – 2023/24 period include:

- Enhanced environmental sector performance and profile;
- Facilitate intergovernmental planning, implementation and monitoring with the aim to improve sector performance (local government support);

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<sup>12</sup> Save the Rhino (2019) Rhino info [Internet]. Available from <<https://www.savetherhino.org/rhino-info/poaching-stats/>> (Accessed on 30<sup>th</sup> June 2019).

- Improved stakeholder engagement/participation, education and awareness initiatives (environmental behavioural change);
- A capable and efficient Department by improving departmental service delivery capacity and capabilities through the creation of:
  - Secure, harmonious and conducive working environment;
  - Adequate, appropriately skilled workforce acutely aware of employment equity requirements needed;
  - Equitable and sound corporate governance;
  - Efficient and effective information technology systems; and
- Enhanced international cooperation supportive of South Africa's environmental and sustainable development priorities and resource mobilisation.

The Committee was satisfied with the Department's APPs presented under the *Administration Programme* as well as by the responses given to the questions raised, especially on what the Departmental was doing to prevent poor audit outcomes from recurring in the 2018/19 financial year. Another question related to whether the *two* per cent target for people living with disabilities could not be increased to ensure that more of the people living with disabilities were employed in the Department. The Department responded that a roadmap was presented to the Portfolio Committee on Environmental Affairs in the *Fifth Parliament* for obtaining and maintaining clean audits, and that the same could be presented to the current Committee. The Minister noted that this matter of clean audit was receiving her personal attention. The Department further stated that the *two* per cent target for people living with disabilities was given to it by the Department of Public Service and Administration.

### **Programme 2: Legal, Authorisations, Compliance and Enforcement (LACE)**

The purpose of this *Programme* is to promote the development of an enabling legal regime, licensing and/or authorisation system that promotes enforcement and compliance with relevant environmental legislation. The strategic objectives for this *Programme* are to:

- Improve compliance with environmental legislation by ensuring effective compliance and enforcement;
- Coherent and aligned multi-sector regulatory system and decision support across government;

- Manage threats to environmental quality and integrity; and
- Strengthen knowledge, science and policy interface.

The Portfolio Committee raised a question on how did the Department dealt with the mercury recycling company, the Thor Chemicals, which was importing mercury to Durban where there was mercury spillage, affecting a nearby river and community. The second question related to the Durban Harbour where plastic bags and plastic bottles were floating in the harbour, threatening marine life, according to recent media. The Committee requested the Department to assist in reducing the backlog of Environmental Health Practitioners who needed a year of community service to qualify to be Environmental Health Practitioners and register with the HPCSA. The Committee further requested the Department to look at the EHPs Scope of Practice, which would qualify them to be EMIs (Environmental Management Inspectors) in order for them to assist the Department. The Department responded that they were using the Basel Convention to prohibit the importation of mercury waste from other countries. The Department requested the Thor Chemicals to clean the spillage and ensure that mercury gas was kept safe and trapped underground and was being monitored. The Durban Harbour matter was referred to the local municipality to enforce its by-laws. Conversely, the Department promised to look into the issue of the Community Environmental Health Practitioners in consultation with the National Department of Health and the HPCSA in order to reduce that backlog.

The Committee also raised a clarity question on whether the Department had been able to establish links between the number of dockets that the Department successfully processed and handed over to the National Prosecuting Authority (NPA) and the success rate of convictions. The Department responded that there were indeed linkages between the number of dockets handed over to the NPA and the success rates of convictions. However, the Department was not only interested in determining those connections, but that the Department was working with the Department of Justice and Correctional Services to determine those success factors, which led to successful convictions. The Department further indicated budgetary constraints as the reason that led to the reduction in the number of dockets successfully processed and handed over to the NPA from the baseline of 50 to 46 in the current period under review.

The final question concerned what the Department was doing in South Durban Petrochemical Industrial Complex where resident and surrounding communities experience severe pollution. The Committee heard that air pollution is a local government competence and as a result, the Department works with the local authorities in eThekweni Metropolitan Municipality to assist them to fully execute their mandate, in terms of local air pollution control in South Durban.

### **Programme 3: Oceans and Coasts**

The purpose of the *Oceans and Coasts Programme* is to promote, manage and provide strategic leadership on oceans and coastal conservation. The strategic objectives of this *Programme* for the 2019/20 financial year include:

- Threats to environmental quality and integrity managed;
- Strengthening knowledge, science and policy interface; and
- Ecosystems conserved, managed and sustainably used.

Members of the Committee raised two questions under the *Oceans and Coasts Programme*, especially around the *Ocean Economy (Operation Phakisa)*, whether there had been sufficient awareness, particularly in rural areas where traditional chiefs hold the view that they own the coastal land and the adjacent sea. The Department responded that there are many state agencies working in concert on the realisation of the Ocean Economy due to the crosscutting nature of this work, and that the Department was working through the South African Maritime Safety Authority (SAMSA) in raising public awareness. The second question relates to the reduction in the number of peer-reviewed articles from 24 publications in the baseline year to 16 in the 2019/20 financial year. The Department attributed this to the high number of ageing senior researchers who were exiting the system and the slow pace of emerging or novice researchers who take longer to publish a peer-reviewed article relative to well-established researchers. This appears to be a national phenomenon, affecting academic research productivity – it is not limited to the Department.

### **Programme 4: Climate Change and Air Quality Management**

The purpose of this *Programme* is to improve air and atmospheric quality, lead and support, inform, monitor and report efficient and effective international, national and significant provincial and local responses to climate change. The South African Weather Service's mandate contributes to this *Programme*. The strategic objectives of this *Programme* for the 2019/20 financial year include:

- Coherent and aligned multi-sector regulatory system and decision support across government;
- Threats to environmental quality and integrity managed; and
- Minimising negative impacts on health and/or well-being.

Three questions were raised in this *Programme*, with the first question seeking clarity on the status of the Chief Executive Officer (CEO) of the South African Weather Service (SAWS), who was on suspension for almost a year now. The Committee was informed of the cumbersome disciplinary processes governing the matter in terms of the SAWS Act. The Committee would like the matter of suspension of the CEO to be concluded to provide certainty in the organisation for all concerned parties, considering the crucial role that SAWS plays both nationally and internationally, especially on the African Continent in terms of safety of international aviation. The second question related to the reasons for the reduction in the number of government-owned air quality monitoring stations that report data to the South African Air Quality Information System (SAAQIS), from the baseline of 120 to 110. The response was that the reduction was to realistically ensure that those 110 air quality monitoring stations would indeed transmit data live to SAAQIS. In fact, the functionality of air quality monitoring stations had been a matter of public concern in air quality priority areas (or the so-called air pollution hotspots). The previous Portfolio Committee on Environmental heard during one of its oversight visits to the Gauteng and Mpumalanga provinces that, of the approximately 145 national monitoring stations, only about 50 per cent were functional and only about 20 per cent consistently produced data of acceptable quality. For example, in the Highveld Priority Area, of the 31 monitoring stations, only *five* consistently produced data of acceptable quality according to the draft mid-term review of the HPA Air Quality Monitoring Plan released for comment in February 2017.

### **Programme 5: Biodiversity and Conservation**

The purpose of this *Programme* is to ensure the regulation and management of all biodiversity, heritage and conservation matters in a manner that facilitates sustainable economic growth and development. The South African National Parks, South African National Biodiversity Institute and the iSimangaliso Wetland Park Authority also contribute to this *Programme*. The strategic objectives of this *Programme* include:

- Coherent and aligned multi sector regulatory system and decision support across government;
- Ecosystems conserved, managed and sustainably used;
- Improved access, fair and equitable sharing of benefits; and
- Strengthened knowledge, science and policy interface.

The Committee did not raise any major concern about the APPs presented under the *Biodiversity and Conservation Programme*, except some clarificatory questions, pertaining to how the Department secured the 500-hectare land for planting indigenous trees in the baseline year (2018/19),

and how the Department intended obtaining similar size of land for planting indigenous species in the 2019/20 financial year. The Department indicated that communities made the land available for planting indigenous species of economic value and the Department merely assisted them with the planting of relevant indigenous species that could be of bioprospecting value. They expected to do the same in the year under review. Another question related to the type of training that the Department would offer to the 400 biodiversity beneficiaries. The Department stated that it provided training in bioprospecting, business development and how to run biodiversity-based SMME. Those trainings were often long, running for at least two weeks and were offered throughout the country. A suggestion was made to the Department to assist communities in planting marijuana to assist them in deriving economic value out of the use of this valuable resource, considering the legalised use of the *Cannabis species* in South Africa.

Furthermore, the Committee raised a clarity question on whether the Department included Traditional Health Practitioners as they harvested their herbs from the veld, and the possibility that this might affect protected indigenous plants. The Department indicated that they had already considered the matter of traditional use in access to local biodiversity, and fair and equitable sharing of benefits arising from their use.

### **Programme 6: Environmental Programmes**

The purpose of this *Programme* is to ensure the implementation of the Expanded Public Works Programme (EPWP) that has important implications for the environment and to conceptualise and implement green economy projects in the environmental sector. The strategic objectives of this *Programme* for the 2019/20 financial year are to:

- Improve socio-economic benefits;
- To ensure that ecosystems are conserved, managed and sustainably used;
- Threats to environmental quality and integrity managed; and
- Enhancement of sector monitoring and evaluation.

Discussion points raised in this *Programme* related to operational matters, such as whether some of the 165 wetlands that the Department intended rehabilitating in 2019/20 were damaged by mining operations; adherence to minimum wage conditions; what the Department was doing in terms of borer beetles; and the reference to ‘full time equivalents’ (FTEs) or ‘work opportunities’, rather than ‘jobs’. The Committee heard that none of the wetlands was damaged by mining nor the Department met the requirements

of minimum wage; and that the Department was working with the universities of Rhodes and Pretoria to sign an agreement for them to develop a biological control agent for the borer beetles. The Committee further heard that *Working on Land* and *Working on Ecosystems* would be combined into a single programme, and that the usage of ‘FTEs’ and ‘work opportunities’ was dictated upon by the nature of the programme, i.e., the Expanded Public Works Programme that the Department implements. It is a reporting criterion. The Committee raised a clarity question on ensuring the safety of rural communities from veld fires as they are the most affected. The Department indicated that they train communities on veld fire prevention.

The Committee commended the Department on the Occupational Health Safety Act compliance as it cuts across all their programmes.

### **Programme 7: Chemicals and Waste Management**

The purpose of the *Chemicals and Waste Management Programme* is to manage and ensure that chemicals and waste management policies and legislation are implemented and enforced in compliance with the chemicals and waste management authorisations, directives and agreements. The strategic objectives of this *Programme* for the 2019/20 financial year are to:

- Manage threats to environmental quality and integrity;
- Minimise negative impacts on health and wellbeing;
- Coherent and aligned multi-sector regulatory system and decision support across government;
- Enhanced sector monitoring and evaluation; and
- Growth in industries that depend on environmental services.

The Committee raised the issue of waste as a resource as it contributes to the economy, noting that waste separation at source is not implemented in South Africa. Consequently, the country is running out of landfill sites and those available are a health hazard, especially to the waste pickers who are found at landfill sites or collect contaminated waste from household waste bins. The Committee drew attention to Japan’s waste management as one of the best practices, as the Japanese Government subsidised waste recycling companies to collect, separate and recycle waste. Japan has few labelled waste separation bins, but their cities are very clean. As a result, the Committee advised the Department to learn from Japan, which managed to change the behaviour of communities, considering that behavioural change is a huge task. The Department further indicated that there is a “*Draft Guidelines on Separation of Waste at Source*”, and pointed out that some municipalities tried to implement the separation at source, but they have

failed because many municipalities do not have the infrastructure to support separation at source. The Department further talked about the serious incident of pollution caused by the Thor Chemicals in the Durban area due to the inability of the company to recycle mercury waste, as it claimed.

The Committee also indicated that government departments are the major producers of waste, particularly e-waste and suggested that the Department should interact with the Department of Public Works and Infrastructure, as they are the custodian of government buildings in order to separate waste at source and recover resources for energy and thus protect the environment. This should include all government departments that are major producers of all types of waste. The Committee raised the issue of e-waste policy that is lacking although it is covered partially in the National Environmental Management: Waste Amendment Act No 26 of 2014. The Committee would also like the resourcing of behavioural change activities/campaigns through health education and awareness programmes. Finally, the Committee indicated that waste management hierarchy should be used to evaluate the implementation of waste minimisation at source through waste separation at source, including the implementation of the 3Rs (Reuse, Recycle & Recover).

#### **4 Entities reporting to the Department**

The Department presented the high-level strategic goals of the *four* departmental entities (South African Weather Service [saws], iSimangaliso Wetland Park Authority [IWPA], South African National Biodiversity Institute [SANBI] & South African National Parks [SANParks]), but not the APPs of the entities, as they were not invited to appear before the Committee due to time constraints. The Committee was of the view that the APPs and the budget of the *four* entities would be better addressed during the engagements that lead to the compilation of quarterly reports, commencing in the second term of Parliament.

#### **5 Committee Observations**

Having considered the inputs by the Department, the Committee has made the following observations:

- The Committee notes that the South African environment is a vehicle for agriculture and tourism, which are a core part of our national economic engine. The way in which we respond to the challenges of climate change would influence whether we can continue to export our

agricultural produce to our traditional markets up-north without being subjected to *carbon border tax adjustment*. Similarly, the way how we manage our biodiversity and maintain our status as an iconic biodiversity conservation-destination country would define whether we continue to receive increasing numbers of international tourists or not. Therefore, we can no longer afford to allocate only about 0.4 *per cent* of our overall budget to Environmental Affairs, considering the supportive nature of this sector to other economically viable sectors and also the positive impact the environment has on our well-being or health, which is succinctly stated in *Chapter Two, section 24(a)* of our Constitution that “*Everyone has the right to an environment that is not harmful to their health or wellbeing.*” The need to protect the environment is further amplified by *section 42(b)*, from where the Department of environment, Forestry and Fisheries drew its mandate. The need to appropriate more funds to the environmental sector than the 0.4 *per cent* has already been supported by our Constitution.

- The Committee appreciated the information presented by the Department on its budget allocations and annual performance plans, particularly the linkages between its strategic goals with our development blue-print, the National Development Plan Vision 2030;
- The Committee noted the *adverse audit opinion* for the 2017/18 financial year and what was being done to improve the audit outcome to an unqualified one. The Committee appreciated the turn-around strategy currently formulated by the Department to comply with the required Modified Cash Standards;
- The Committee expressed concern regarding the delays in the transfer of Forestry and Fisheries functions to the Department that would only occur in October 2019. This meant that the Committee could not interface with forestry and fisheries matters, but further noted that this responsibility falls outside the scope of the work of the Minister and hence the Department;
- The Committee appreciated the work that the Department is doing with the Local Government sphere, in terms of capacity development to effectively execute their environmental mandate;
- The Committee also noted the *two per cent* target of employment of people living with disabilities, which the Committee felt should be increased;
- The Committee noted that the Department is unable to holistically tackle the multidisciplinary and intersectoral nature of sustainable development on its own and considers it imperative for DEFF to submit a request to Cabinet for the establishment of a Presidential Council on Sustainable Development;

- The Committee also noted the backlog of the Community Environmental Health Practitioners and wanted to know how the Department could assist these young graduates with internship programmes;
- The Committee noted the lack of awareness campaigns regarding the *Oceans Economy*, particularly for rural communities and lack of relevant information around who was in charge of the coast; and
- The Committee expressed concerns about why communities around the Tsitsikamma MPA were still being denied the fishing rights and access to the sea via the Eesterivier.

## 6 Committee Recommendations

Having considered the strategic plan of DEA, its annual performance plans and budget allocations, the Committee considered them realistic and achievable despite budgetary constraints. The Committee was also acutely aware of the capability of the Department to prudently use the allocations made to it to fully implement its strategic plan, annual performance plans, indicators and targets that it set for itself, as shown by the Department's ability to consistently spend at least 96 per cent of its budget in the past successive financial years. Notwithstanding, the Committee recommends as follows:

- The current state of the South African environment shows a need to increase funding to at least 1.0 *per cent* of the overall government expenditure annually for the obvious reasons that climate change is altering the structure and function of our natural ecosystems; environmental crimes threaten to undermine South Africa's conservation gains; land degradation is damaging soil, waterways and biodiversity; coal mining putting increasing pressure on nature; invasive species continue to pose a significant threat to biodiversity, *inter alia*.
- The Department should present its *turn-around strategy* on the implementation of the Modified Cash Standards in order to obtain a clean audit by the end of the 2018/19 financial year in the next quarter;
- The Department should make a detailed presentation on the status of air quality in South Africa in the next quarter;
- The Department is encouraged to look at Japan's waste model, which focuses primarily at waste separation at source. Where possible, the Department should facilitate interaction between our government departments, municipalities and their Japanese counterparts in the area of waste management to gain useful insight and perspectives.

- The Department is encouraged to set achievable indicator to implement *Operation Phakisa on Waste* to reduce waste landfill sites through waste management hierarchy and National Waste Management Strategy.
- The Department should present a roadmap for effectively dealing with the Asbestos Waste Disposal, with realistic timetables.
- The Department, in collaboration with the departments of Health and Cooperative Governance and Traditional Affairs, is encouraged to look into the scope of the work Environmental Health Practitioners to reduce the backlog of Environmental Health Practitioners and create employment for these young graduates.
- The Committee would like to be briefed on the progress of the suspension and disciplinary action against the CEO of SAWS, as the Committee would like this issue to be concluded within three months.
- The Committee would like a comprehensive presentation on the state of air quality in Air Quality Priority Areas, including the efficacy of air quality monitoring stations.
- The Department should prioritise the *Ocean and Coasts Programme* in terms of funding, considering the proven and potential value of our seascape and embedded resources.
- The Annual Performance Plans and the Budget of the entities should be presented to the Committee in the second quarter to enable the Committee to undertake proactive oversight of these entities.

The Portfolio Committee on Environmental Affairs recommends to the House to adopt the Department of Environmental Affairs' Budget Vote 27 allocation for the 2019/20 financial year, with the allocation of ***R7.529 billion***.

### **Report to be considered**