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ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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1. Report of the Portfolio Committee on Tourism for Budget Vote No. 38: Tourism, dated 02 June 2020

The Portfolio Committee on Tourism, having considered Budget Vote No. 38: Tourism, together with the Strategic Plans and Annual Performance Plans of the Department of Tourism (Department) and the South African Tourism (SA Tourism) reports as follows:

1. Introduction

The tourism sector is increasingly becoming a major player in country economies around the world. The significance of the tourism sector emanates from the myriad of socio-economic benefits that accrue any host country. The attributes of tourism in being labour intensive and not having stringent barriers to entry make it an attractive sector for many aspiring business entrepreneurs. If properly supported by both the public and private sectors, the tourism value chain can become a sector that contributes to local economic development, improve a country's brand, and eradicate the triple challenge of poverty, unemployment and inequality. Tourism therefore goes beyond the country just being an attractive destination, but is a catalyst for economic growth. This is confirmed by a number of tourism dependent cross sectoral economic activities such as the provision of accommodation for visitors; food and beverage serving activities; air passenger transport services; railway passenger transport; road passenger transport; water passenger transport; transport rental; travel agencies and other reservation services activities; cultural activities; sports and recreational activities; retail trade of country-specific tourism characteristic goods; and many other associated economic activities. It is in these vast economic opportunities that the government of South Africa has identified tourism as one of the key economic sectors and set a target of 21 million additional arrivals by 2030.

This Vote 38: Tourism budget report is presented at a time when the weaker domestic growth and greater fiscal risks have resulted in a downgrade by Moody's credit rating agency and confirmation of a negative outlook by Fitch. Further to this sovereign credit rating downgrade, the corona virus pandemic (COVID-19) has caused the South African Reserve Bank to forecast that the GDP in 2020 will contract by 6.1 percent. At an international level, the United Nations World Tourism Organisation (UNWTO) has projected a decline of 290 to 440 million International Tourist Arrivals; 5 to 7 years lost in numbers of tourists; decline of 300 to 450

US$ billion in Tourism Exports (receipts); and 1/3 of 1.5 US$ trillion lost in Tourism Exports. For South Africa, this means a regression of tourist arrivals to 2013/14 figures. This presents additional economic challenges to South Africa, given the current unemployment rate of 29 percent, with more than 50 percent of that being youth unemployment.

As a result of the novel coronavirus disease 2019 (COVID-19) outbreak and its devastating impact on the travel and tourism sector, the Department of Tourism and South African Tourism had to revise their planning. While some programmes had to be stopped completely in this financial year, others will only commence in the third and fourth quarter. New projects that respond to the novel corona virus also had to be introduced to mitigate and track the impact to the sector. The budget allocations provided in this report are therefore based on the National Estimates of Expenditure, as published by the National Treasury in February 2020. The allocations have not been revised to align with the revised APP for 2020/21. Financial revisions from the Department are still outstanding.

The purpose of this document, therefore, is to table the Committee report after close scrutiny of the budget allocated to Vote 38: Tourism in the 2020 Estimates of National Expenditure. This report also shows changes that have been made to aligned the budget to national priorities in addressing the immediate challenges imposed by COVID-19. This Budget Report therefore, provides a comprehensive analysis of the Department’s allocated budget and also focuses on the alignment of the budget the 2020/21 – 2024/25 Medium Term Expenditure Framework (MTEF) government for the Department of Tourism (“the Department”), and its Entity, South African Tourism (SAT), and the 2020/21 Annual Performance Plan (APP).

2. The Committee Process

The Committee scrutinised the budget allocated to Vote 38: Tourism after the Minister of Finance tabled the National Expenditure (ENE) in Parliament in February 2020. The Department of Tourism tabled the 5-year Strategic Plan for 2020/21 -2024/25 and the Annual Performance Plan for the 2020/21 Financial year on the 18th March 2020. However, due to the impact of COVID-19 on the tourism sector, the Minister withdrew the Annual Performance Plans of both the Department and South African Tourism in the letter dated 8 May 2020 as published in the ATC No 51 – 2020. The Minister then tabled a revised Annual Performance

Plan on the 20th May 2020. The Speaker of Parliament referred the 2020/21 – 2024/25 Strategic Plan and the 2020/21 Annual Performance Plans of the Department and SA Tourism to the Committee in line with Rule 338 of the National Assembly. The Committee then carefully examined the Strategic Plan and the Annual Performance Plans with associated budgets in terms of Rule 339 of the National Assembly. Given the prevailing COVID-19 pandemic, the Committee initially held a Joint Committee Meeting with the Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, and Employment and Labour on the 4th May 2020 where the Minister of Tourism briefed the Committee on the impact of the pandemic on the tourism sector in South Africa and the mitigating measures developed and implemented by the Department and SA Tourism. This was meant to ascertain to what extent has the allocated budget been impacted and what should be considered when the Department and SA Tourism presented their budget for the Medium Term Expenditure Framework (MTEF) and the Medium Term Strategic Framework (MTSF). The Committee then held a budget Joint Meeting with the Select Committee on Trade and Industry, Economic Development, Small Business development, Tourism, and Employment and Labour for budget hearings with the Department on the 26th May 2020 and SA Tourism on the 27th May 2020 in terms of Rule 340 of the National Assembly. The Committee adopted the report on the 2nd June 2020.

3. Tourism impact on South Africa's economy

It is important for the Committee to reflect on the impact of the tourism sector on the economy of South Africa as a whole. The World Travel & Tourism Council's (WTTC) annual review of the economic impact and social importance of the sector released on the 18th March 2019 revealed that tourism in South Africa contributed 1.5 million jobs and R425.8 billion to the economy in 2018. This makes South Africa the largest tourism economy in Africa. The WTTC compared the Travel & Tourism sector across 185 countries, and South Africa occupied the top spot in Africa. The important economic indicators revealed that tourism contributed R425.8 billion to the country's economy, which represents 8.6 percent of all economic activity in South Africa. The employment spin offs were the total of 1.5 million direct and indirect tourism jobs, which account for 9.2 percent of total employment in the country. A total of 44 percent of the tourism spend was generated from international travellers whilst 56 percent came from domestic tourism. This presents interesting facts, particularly now with the COVID-19 ravishing the sector. Albeit all the positive contribution of international tourism, the Committee will work closely with the Department, SA Tourism, and the Tourism Business Council of South Africa (TBCSA) to maximise the contribution of domestic tourism to the economy.

4. Legislative and policy mandate

The Department and SA Tourism pursue the tourism mandate under the following legislative, policy, and strategic frameworks as set by government and the Constitution of the Republic of South Africa:

4.1 Constitutional mandate

Tourism is listed in Part A of Schedule 4 of the Constitution of the Republic of South Africa (Act 108 of 1996) as a functional area of concurrent national and provincial legislative competence, whilst Part B of Schedule 4 lists local tourism as a local government competency. This classifies tourism as a concurrent function, and the Constitution enjoins the three spheres of government to perform specific functions to ensure tourism growth and development.

4.2 Legislative mandate

The Tourism Act of 2014 (Act No. 3 of 2014) is the current legislation governing tourism in South Africa. The Act enjoins the Minister of Tourism to perform specific tasks to drive tourism policy and strategic direction. The Act seeks to:

- promote the practising of responsible tourism for the benefit of the Republic and for the enjoyment of all its residents and foreign visitors;
- provide for the effective domestic and international marketing of South Africa as a tourist destination;
- promote quality tourism products and services;
- promote growth in and development of the tourism sector; and
- enhance cooperation and coordination between all spheres of government in developing and managing tourism.

4.3 Policy mandate

The Department derives is mandate from a myriad of policies set by the government at a national level. Below are some of the policies used by the Committee to conduct the oversight work over the Department:

4.3.1 The National Development Plan

The National Development Plan (NDP) serves as the blueprint of government, and recognises tourism as one of the main drivers of employment and economic growth. The target of the NDP is to create an additional 11 million jobs by 2030, and tourism is expected to contribute towards attaining that goal. The NDP envisions:

- tourism as a major source of revenue and employment for the country through investment in infrastructure, product and service development;
- rising employment, productivity and income as a way to ensure a long-term solution to achieving a reduction in inequality, an improvement in living standards, and ensuring a dignified existence for all South Africans.

4.3.2 The New Growth Path

The New Growth Path (NGP) recognises tourism as one of the six economic pillars of South Africa. Tourism is acknowledged as a labour-intensive sector, with a wide value chain that cuts across various economic sectors. The NGP intends to address unemployment, inequality and poverty in a strategy that is principally reliant on creating a significant increase in the number of new jobs in the economy. The NGP thus envisages tourism as a vehicle to expedite transformation and inclusive tourism growth that nurtures participation of all South Africans in the mainstream economy.

4.3.3 The White Paper on the Development and Promotion of Tourism in South Africa

The White Paper on the Development and Promotion of Tourism in South Africa (1996) provides the policy direction, framework and guidelines for tourism development in the country. The White Paper is a pioneering policy that has provided a strong base for other policies and the legislative framework in South Africa since the attainment of democracy in

1994. The White Paper recognises that tourism has been inadequately resourced and funded; a myopic private sector; limited integration of local communities and previously neglected groups into tourism; inadequate tourism education, training and awareness; inadequate protection of the environment; poor service; lack of infrastructure, particularly in rural areas; a ground transportation sector not geared to service tourists; lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector; and growing levels of crime and violence on visitors. The White Paper comprehensively address sustainable tourism development in South Africa and there is no urgent need to overhaul it.

4.3.4 The National Tourism Sector Strategy

The revised National Tourism Sector Strategy spans a period of ten years (2016 - 2026) and is based on five strategic pillars, namely, effective marketing; facilitating ease of access; the visitor experience; destination management; and the broad-based benefits. The vision is to be a top world responsible tourism destination, a safe, rapidly and inclusively growing tourism economy that leverages South Africa's competitive edge in nature, culture and heritage, underpinned by Ubuntu and supported by innovation and service excellence. The Committee has identified issues that require a legislative review process as they cannot be addressed at a strategy level.

4.3.5 The 2020/21 – 2024.25 Medium Term Strategic Framework

The 2020/21 financial year is the first financial year of the 6th Parliament in implementing the 2020/21 – 2025/25 Medium Term Strategic Framework. The government has adopted seven priorities for the MTEF period and the Department is pursuing three of the seven priorities.

In line with its vision of complementing the national priorities, the Department identified objectives that would accelerate the delivery of services in the tourism sector. In its efforts to accomplish the national priorities, the Department will be focusing on the following:

- improving its governance and accountability systems towards achieving an unqualified audit outcome;

- implementing the departmental integrity management programme to promote integrity and ethical conduct;
- in partnership with SA Tourism, implement measures and initiatives to increase the number of international tourist arrivals and domestic travellers; increase tourism's contribution to employment creation and the gross domestic product; increase diversification of the country's product offering; and improve transformation levels in the sector.

Outlined in Table 1 are the strategic outcomes of the Department, as stated in the 2020/21 – 2022/23 Strategic Plan, which correlate with Government's Outcomes, namely:

Table 1: Strategic priorities for 2020/21

MTSF Priority	**MTSF Outcome**	**MTSF Outcome**
Priority 1: Building a capable, ethical and developmental State	• Improved governance and accountability. • Functional, efficient and integrated government.	Achieve good corporate and cooperative governance.
Priority 2: Economic Transformation and Job creation	Re-industrialisation of the economy and emergence of globally competitive sectors.	Increase the tourism sector's contribution to inclusive economic growth.
Priority 7: A better Africa and world	Growth in tourism sector resulting in economic growth.	Increase the tourism sector's contribution to inclusive economic growth.

Source: Department of Tourism Annual Performance Plan for 2020/21

The impact of the COVID-19 pandemic will, however, have an indelible impact in the pursuit of these strategic objectives as the Department had to remove a number of planned projects to accommodate the changing delivery environment.

4.3.6 The State of the Nation Address

The tone of the State of Nation Address (SONA) delivered by the President in February 202 was already set in the two SONAs delivered in 2019. The President had set a target of 21 million additional arrivals by 2030. The SONA delivered in February 2020 has various implications for the tourism sector, including inclusive tourism growth, tourist safety and security, linking the District Development Model to tourism development, building social compacts through partnerships and cooperation, leveraging on social capital for tourism growth, linking tourism growth to the Economic Recovery Plan developed by the National Treasury, leveraging financing for tourism development through the proposed State Bank, the impact of unstable State Owned Enterprises such as South African Airways and Eskom on tourism, tourism benefits from the Presidential Youth Employment Intervention, women participation in tourism economy, and the growth and significance of the digital economy to the future of tourism.

4.3.7 Institutional policy reviews

In the 2020/21 - 2024/25 MTEF, the Department will be conducting reviews of the following strategies and policies:

- White Paper on the Development and Promotion of Tourism in South Africa, 1996
- Tourism Act, No. 3 of 2014
- Tourism BEE Charter
- National Tourism Sector Strategy, 2016

The review of the White Paper and the legislation will determine which aspects of the departmental policies should be retained and which ones should be changed to enhance the tourism sector's performance. The Committee will follow these strategies, policy, and legislation very closely to steer the sector towards an inclusive trajectory.

5. The global tourism delivery and performance environment

According to the United Nations World Tourism Organisation (UNWTO), international tourist arrivals grew by 6 percent in 2018, totalling 1.4 billion. Growth in international tourist arrivals continued to outpace the world economy at +3.8 percent versus +3.0 percent. UNWTO reported 4 percent growth for the first six months of 2019, compared to the same period in 2018. Destinations worldwide received 671 million international tourist arrivals in the first half of 2019, about 29 million more than in the same period of 2018. By the end of 2019, international tourist arrivals grew by 4 percent worldwide. Estimates are that destinations received around

1.5 billion arrivals in 2019, which is about 54 million more than in the previous year. While 2019 was a year of strong growth for the industry, it was slower compared to 2017 (+7 percent) and 2018 (+6 percent). Performance was below the annual average of 5 percent of the last ten years (2009 – 2019).

The Middle East (+8 percent) and Asia and the Pacific (+5 percent) led growth. International arrivals in Africa and Europe (both +4 percent) grew in line with the world average, while the Americas (+2 percent) saw a more moderate increase. By sub-regions, North Africa (+9 percent), South-East Asia and South Asia (both +8 percent) showed the highest growth. Demand was slower mainly in advanced economies and particularly in Europe. Uncertainty surrounding Brexit, geopolitical and trade tensions and the global economic slowdown, weighed on growth. The year 2019 was also one of major shifts in the sector with the collapse of Thomas Cook and several low-cost airlines in Europe.

While global numbers and outlook in terms of international tourist arrivals for the rest of the world were positive in 2019, South Africa saw a decrease of 2.3 percent, compared to the previous year. In 2018, international arrivals stood at 10.47 million and in 2019 that number decreased to 10.2 million arrivals. This is 1.2 million less than the 11.4 million target set by SA Tourism for 2019. The required growth rate to reach the annual target is 8.3 percent. Markets that recorded growth during this period include Italy (1.4 percent), Austria (0.9 percent) and the United Kingdom (1.4 percent). The outbreak and spread of the COVID-19 will impact continued growth arrivals from these markets and numbers from the rest of the country's source markets. The COVID-19 had affected 213 countries and territories around the world, with global confirmed cases of 5 910 720 as of 29th May 2020. A total of 2 583 672 had recovered, whilst 362 124 had succumbed to the virus. In South Africa, 27 403 cases were confirmed and 577 lives had been claimed by the pandemic.

SA Tourism reported that the numbers for the domestic market fared better in 2019 than in the previous year. The number of holiday trips grew by 170.6 percent from 2.6 million in 2018 to 7.1 million in 2019. The special offer-driven campaigns had a big uptake in 2019, as all the months where there was a special promotion showed a spike in domestic travel. This is indicative of the potential that lies in the domestic market, provided that dual pricing offerings are available to locals who view travel as too expensive.

The UNWTO initially forecast growth of 3 to 4 percent in international tourist arrivals worldwide in 2020. This was in line with Euromonitor's 3.3 percent year-on-year global travel forecast. According to Euromonitor, international arrivals were expected to amount to 1.8 billion trips by 2024. However, these growth forecasts have been affected by the outbreak of COVID-19. The UNWTO has revised its 2020 forecast, stating that any assessment of the impact of the virus on international tourism is not possible in the current situation.

6. Summary of budget expenditure (2019/20)

The Department's 2019/20 budget allocation amounted to R2.39 billion, R1.86 billion (77.8 percent) of which was spent by 31 December 2019. The main appropriation for the Department for the financial year remained unchanged during the budget adjustment process. However, adjustments in allocations were made for the following economic classifications: an additional allocation of R243.30 million for current payments; a decrease of R119.96 million in the allocation for transfers and subsidies and a decrease of R123.33 million for payments of capital assets.

The Department allocated R334.4 million of its budget towards Compensation of Employees. As at 31 December 2019, cumulative spending on compensation of employees amounted to R247.1 million, against projected spending of R249.2 million. This translates into a variance of R2.1 million or 0.8 percent. The underspending is linked to the level of attrition that took place, driven primarily by the exit of staff in middle and senior management. By the end of the third quarter of 2019, the Department reported a total of 477 posts; with a variance of six from the target of 471. The Department has aimed for a target of 471 posts by the 2021/22 financial period.

The top three key budget sub-programmes in the Tourism Vote for this medium term period were the transfer to South African Tourism (SAT), Working for Tourism and the Tourism Incentive Programme (TIP).

6.1 Revised Annual Performance Plan and MTEF Allocations (2020/21)

The Tourism Vote changed from being Vote 33 in the previous administration to Vote 38 in the 6th Administration. The purpose for Vote 38 is to promote and support the growth and development of an equitable, competitive and sustainable tourism sector, enhancing its contribution to national priorities.

The Department was compelled by the COVID-19 outbreak to revise its Annual Performance Plan (APP). The revised APP focuses on the back office planning work for the Department as it became unfeasible to undertake infrastructure rollout under the protocols of the Risk Adjusted Strategy, with the tourism industry mainly under Level 5 conditions. This has necessitated the removal of some projects and addition of others in the Annual Performance Plan.

Table 2 depicts the budget allocated to Vote 38 as outlined in the 2020 Estimates of National Expenditure (ENE) issued by the National Treasury.

Table 2: Overall Budget Allocation 2019/20 – 2022/23

Tourism R million	Budget				Nominal Rand Change	Real Rand Change	Nominal percent Change	Real percent Change
Programme	**2019/20**	**2020/21**	**2021/2022**	**2022/2023**	**2019/20 – 2020/21**		**2019/20 – 2020/21**	
Administration	295.9	308.6	327.0	340.5	12.7	-0.3	4.29%	-0.10%
Tourism Research, Policy and International Relations	1 331.1	1 391.4	1 465.8	1 522.7	60.3	1.7	4.53%	0.12%
Destination Development	463.3	485.9	519.1	537.6	22.6	2.1	4.88%	0.46%
Tourism Sector Support Services	302.4	295.1	274.3	287.0	-7.3	-19.7	-2.41%	-6.53%
TOTAL	2 392.7	2 481.0	2 586.2	2 687.8	88.3	-16.3	3.69%	-0.68%

Source: National Treasury ENE, 2020/21

The budget allocation in the Medium Term will grow from R2.48 billion in 2020/21 to R2. 58 billion in 2021/22 and R2.68 billion in 2022/23. The Tourism Vote has always been allocated a budget that does not allow the Department and SA Tourism to comprehensively fulfil the tourism mandate, and the Department and SA Tourism should find innovative ways to collaborate with other sector departments and the private sector in order to develop and grow tourism.

The Department organises its expenditure under four programmes, these are:

- Programme 1: Administration (R308.6 million);
- Programme 2: Tourism Research, Policy and International Relations (R1.39 billion);
- Programme 3: Destination Development (R485.9 million); and
- Programme 4: Tourism Sector Services (R295.1 million).

The main cost driver under this Vote is Programme 2, which consumes more than half (approximately 56.3 percent) of the total Vote allocation. This is mainly due to the significant transfer to the Department's Entity, South African Tourism. The allocation to South African Tourism will be an average annual increase of 4.6 percent from R1.3 billion in 2019/20 to R1.5 billion in 2022/23. Two programmes experienced a decrease in real terms for the 2020/21 financial year, that is Programmes 1 and 4. At 6.53 percent, the decrease in Programme 4's allocation is significant. This is a result of Cabinet's reduction in the Department's baseline, which it plans to mitigate through the realignment of allocations in the TIP sub-programme. Another major cost driver under this Vote is Programme 3, the bulk of whose allocation (R393.2 million) goes towards the Working for Tourism Expanded Public Works sub-programme. The programme allocations are aligned with the Department's policy priorities aimed at marketing South Africa as a tourism destination, job creation, skills development, destination development and transformation of the sector.

Overall, when taking into account the impact of inflation, the budget allocation to the Department decreases by 0.68 percent from R2.39 billion in 2019/20 to R2.48 billion in 2020/21. The nominal rand change in budget for the 2020/21 financial year is an additional R88.3 million, amounting to 3.69 per cent increase, whilst the real change for the 2020/21 financial year is a decrease by R16.3 million, amounting to a -0.68 per cent decline in the budget available to the Department of Tourism to pursue the tourism mandate.

6.2 Programme analysis

The information below provides budget analysis and associated activities in each Programme.

6.2.1 Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The Programme is allocated R308.6 million in the 2020/21 financial year, which equates to 12.4 percent of the overall departmental budget.

Programme 1 is responsible for the Ministry, Management, Corporate management, Financial Management and Office Accommodation. The budget allocation for this Programme increases by 4.3 percent in nominal terms from R295.9 million in 2019/20 to R308.6 million in 2020/21. Of this amount, R163.1 million (52.9 percent) is for Compensation of Employees. The

Department has experienced challenges with regard to employment equity at a senior management level, with the new Ministry staff added to the establishment mainly being male. The Department has also experienced challenges in managing the budget allocated to Office Administration, particularly late payments for office accommodation. This always leads to poor quarterly reporting on expenditure and should be immediately addressed with the Department of Public Works and Infrastructure. The general corporate governance and internal controls in the purview of Programme 1 have led to negative audit findings. Table 3 reflects the allocation of funds per sub-programme:

Table 3: Programme 1 Budget Allocation 2019/20 – 2020/21

Administration	**Budget**		**Nominal Increase/ Decrease in 2020/21**	**Real Increase/ Decrease in 2020/21**	**Nominal percent change in 2020/21**	**Real percent Change in 2020/21**
R million	**2019/20**	**2020/21**				
Ministry	30.8	38.2	7.4	5.8	24.03%	18.80%
Management	3.3	3.1	-0.2	-0.3	-6.06%	-10.02%
Corporate Management	180.7	172.7	-8.0	-15.3	-4.43%	-8.46%
Financial Management	40.1	51.4	11.3	9.1	28.18%	22.78%
Office Accommodation	41.0	43.2	2.2	0.4	5.37%	0.93%
TOTAL	295.9	308.6	12,7	-0.3	4.3%	-0.10%

Source: National Treasury ENE, 2020/21

The tabled strategic plan and annual performance plan outlines a number of corporate and financial management mechanisms which seem adequate to address the identified challenges. The Committee will conduct strict oversight over this Programme to ensure good governance, effective and efficient internal controls.

The revised changes under this programme include:

- Removal of *Output Indicator 4*, which focused on '*develop mentorship and coaching framework and initiate pilot for the department*'.
- Reduction of the number of initiatives under *Output Indicator 9*, from ten to eight initiatives to be implemented to promote reasonable access. In addition, implementation of some tasks under this output will only start in Quarter 2.

6.2.2 Programme 2: Tourism Research, Policy and International Relations

The purpose of this programme is to enhance the strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations. The sub-programmes in Programme 2 are Tourism Research, Policy ad International Relations; Research and Knowledge Management; Policy Planning and Strategy; South African Tourism and International Relations and Cooperation. Table 4 depicts budget allocation to Programme 2.

Table 4: Programme 2 Budget Allocation 2019/20 – 2020/21

Tourism Research, Policy and International Relations	**Budget**		**Nominal Increase/ Decrease in 2020/21**	**Real Increase/ Decrease in 2020/21**	**Nominal percent change in 2020/21**	**Real percent Change in 2020/21**
R million	**2019/20**	**2020/21**				
Tourism Research, Policy and International Relations Management	10.6	9.1	-1.5	-1.9	-14.15%	-17.77%
Research and Knowledge Management	28.1	34.5	6.4	4.9	22.78%	17.60%
Policy Planning and Strategy	12.9	14.6	1.7	1.1	13.18%	8.41%
South African Tourism	1 254.2	1 304.3	50.1	-4.9	3.99%	-0.39%
International Relations and Cooperation	25.3	28.8	3.5	2.3	13.83%	9.04%
TOTAL	1 331.1	1 391.3	60.2	1.6	4.5%	0.12%

Source: National Treasury ENE, 2020/21

The Programme receives a budget allocation of R1.39 billion for 2020/21, of which R1.30 billion is transferred to SA Tourism. The transfer to SA Tourism represents 93.7 percent of the Programme's budget allocation. SA Tourism experiences a R19.1 million reduction in baseline allocation in 2020/21. The remaining allocation available for this Programme is R87.1 million, of which R57.0 million is allocated to Compensation of Employees. The allocation to Programme 2 shows a marginal growth of 0.12 percent in real terms from R1.33 billion in 2019/20 to R1.39 billion in 2020/21. The budget allocation to Sub-programme 1 decreased significantly by 17.77 percent in real terms, while the allocation to Sub-programme 2 increases by 17.60 percent in real terms.

The programme objectives entail the following:

- Monitor and evaluate tourism projects and initiatives by:
    - Developing and publishing a report on the state of tourism annually;
    - Developing quarterly reports on tourism performance, monthly analyses of tourist arrivals, the impact evaluation report on projects to build the Department's capacity and resource efficiency, the report on the monitoring

of a capacity-building programme, and the 2019/20 national tourism sector strategy implementation report over the medium term.

- Enhance understanding and awareness of the value of tourism and its opportunities by hosting an annual tourism research seminar in each year over the medium term
- Enhance participation and engagement in multilateral and bilateral processes over the medium term by:
  - Coordinating participation in multilateral forums and strategic formations, such as the United Nations World Tourism Organisation and the Indian Ocean Rim Association, to advance South Africa's tourism priorities.
  - Hosting a workshop targeted at African countries that have tourism engagements with South Africa to share best practices.
  - Developing a report on leveraging bilateral tourism relations to advance national priorities.
- Improve public entity performance and compliance by developing four South African Tourism oversight reports by March 2021.
- Form strategic sector partnerships by organising three tourism leadership forums and four stakeholder engagement sessions by March 2021.

The Committee will scrutinise the transfers made to South African Tourism as this represents 56.3 percent of the departmental budget. Most of this budget is allocated to international marketing. The Committee's oversight will also include ensuring that a reasonable amount is allocated to domestic tourism marketing activities. This will assist in promoting tourism facilities in Villages, Townships & Small Dorpies (VTSDs) in line with the oversight philosophy of the Committee. The transfers to SA Tourism should also be used to facilitate cheaper domestic tourism deals. This is imperative given the volatility of the international tourism markets.

The domestic tourism market is important as it could be used as tool to eliminate poverty at a local level, generate employment and Local Economic Development, improve local infrastructure, spread tourism benefits to non-tourism suppliers such as crafters, address seasonality caused by fluctuations in the international markets, and put local communities on the international map to attract international tourists. The marketing for domestic tourism is therefore central to the Committees' oversight approach focusing on VTSDs. The Committee will therefore impress upon the Department to ensure that the Board of South African Tourism improves on the incorporation of domestic tourism in its plans for the current MTSF.

Another important initiative in this Branch is monitoring and evaluation (M&E) which will improve accountability and track progress in projects to facilitate decision making. This is a critical component that tracks the effectiveness and Return on Investment of the Programmes and projects implemented by other Branches of the Department. The Committee will conduct robust oversight on the Monitoring and Evaluation of the departmental Programmes.

The revised changes under this programme include:

- *Output Indicator 1* – the number of monitoring and evaluation reports produced increases from six to nine.
- The following two reports will not be implemented: Report on the monitoring of capacity building programmes; and Report on the state of key public owned tourism attractions.
- The following reports have been added:
    - An additional two tourism quarterly performance reports, resulting in four performance reports for the year.
    - Two reports on the '*Impact Evaluation of COVID-19 on the tourism sector*', which is a new target.
    - An evaluation report on '*Monitoring the implementation of the Tourism Relief Fund on tourism enterprises*', which is a new target.
- *Output Indicator 2* – the number of systems developed for tourism analytics has been reduced from two to one. The target on the development of a National Visitor Membership and Information Management System prototype has been removed.
- The indicator on the '*number of initiatives undertaken to showcase and profile South Africa as a tourism destination*' has been removed, including the following two targets under it:
    - One regional activation facilitated to profile South Africa as a destination of choice implemented;
    - Preparation for Destination South Africa's showcasing at Expo 2020 Dubai undertaken.
- The target on '*Indaba Ministerial Session 2020 hosted and preparation for 2021 undertaken*' has also been removed.

- The target on developing a '*Draft National Tourism Innovation Programme*' has been excluded from the APP for 2020/21.
- The target on '*training 600 youth on multimedia skills*' has also been excluded from the revised 2020/21 APP.

6.2.3 Programme 3: Destination Development

The purpose of the programme is to facilitate and coordinate tourism destination development. The sub-programmes in this Programme include Destination Development Management, Tourism Enhancement, Destination Planning and Investment Coordination, and Working for Tourism (infrastructure projects). Table 5 shows budget allocation to Programme 3.

Table 5: Programme 3 Budget Allocation 2019/20 – 2020/21

Destination Development	Budget		Nominal Increase/ Decrease in 2020/21	Real Increase/ Decrease in 2020/21	Nominal percent change in 2020/21	Real percent Change in 2020/21
R million	**2019/20**	**2020/21**				
Destination Development Management	39.0	35.6	-3.4	-4.9	-8.72%	-12.57%
Tourism Enhancement	23.3	25.2	1.9	0.8	8.15%	3.60%
Destination Planning and Investment Coordination	29.7	31.9	2.2	0.9	7.41%	2.88%
Working for Tourism	371.3	393.2	21.9	5.3	5.90%	1.44%
TOTAL	463.3	485.9	22.6	2.1	4.9%	0.46%

Source: National Treasury ENE, 2020/21

The budget allocation to this Programme is R485.9 million for 2020/21. The main cost driver under this programme, at R393.2 million, is the Working for Tourism Expanded Public Works sub-programme. This Sub-programme entails various skills development programmes and tourism projects, which incorporates the Tourism Incentive Programme implemented under Programme 4. Through these, the Department plans to create 15 946 tourism work opportunities over the medium term. This is an increase from 12 993 projected in the previous financial year. A total of R425.2 million is allocated to Goods and Services and R60.6 million to Compensation of Employees for the programme. The budget allocation for sub-programme 1 decreased by 12.57 percent in real terms. This has implications for service delivery under this sub-programme and stated priorities, and the Committee will monitor implementation.

The programme objectives entail the following:

- Increase the tourism sector's contribution to inclusive economic growth over the medium term by:
  - Diversifying and enhancing tourism offerings in priority areas by implementing nine destination enhancement and route development initiatives.
  - Undertaking 18 destination planning and investment coordination initiatives.
- Create 15 946 work opportunities by implementing tourism projects through the Working for Tourism programme over the medium term.
- Develop a pipeline for product development on infrastructure development projects by March 2021.

The Committee appreciates the importance of the Working for Tourism sub-programme as it is responsible for funding the infrastructure projects by the Department. The Committee will therefore scrutinise the funded projects and influence future funding or replacement of some of the funded projects in the MTSF. The Expanded Public works funding could be rechannelled to promote tourism development in Villages, Townships & Small Dorpies (VTSDs). The funding is currently mostly used to fund projects in the jurisdictions of other government departments, such as improving tourism facilities within SANParks. The modus operandi could be changed and funding channelled to more Community-Based Tourism Enterprises (CBTEs). The Department used to fund CBTEs in the past, but scaled down due to internal capacity challenges in implementing such infrastructure projects. The Government Technical Advisory Centre (GTAC) was engaged and recommendations to improve project implementation were made to the Department. The implementation of the CBTEs would go a long way in ensuring the implementation of the Committees oversight approach on VTSDs through increasing community ownership of tourism businesses.

Another important project implemented in this Branch is that of Tourism Safety Monitors. This is important in improving the safety and security of tourists. However, it is not clear how this project will be implemented in line with the safety initiatives announced by the President during the State of the National Address. A clear coordination strategy with the South African Police Services should be developed in line with SONA pronouncements and

House Resolutions based on the joint recommendations of the Committees of Tourism and Police made in August 2019 through the Safety and Security Summit held in Parliament.

The Department will implement tourism plans through the District Development Model in the three pilot areas, namely, OR Tambo district, Waterberg district, and eThekwini Metro. The Department should integrate the Tourism Sector Master Plans developed in the previous financial years to the District Development Model.

The Department has revised the title of the target of Full-Time Equivalent (FTEs) jobs to Work Opportunities. More information is needed to illustrate the difference between the two, and how the Work Opportunities will provide better employment stability as compared to FTEs driven through EPWP criteria.

The revised changes under this programme include:

- *Output Indicator 1* - the following targets have been excluded from the revised APP, resulting in four destination planning and investment coordination initiatives instead of the initial seven:
    - A pipeline of nationally prioritised tourism investment opportunities managed.
    - Establishment and piloting of a tourism preparation facility for the development of concepts for: Karoo Succulent Garden; Magwa Falls and Tea Estate development; Port St Johns Precinct; Orange River Mouth development; Northern Cape Coast Waterpark.
    - Development of designs of prioritised elements at township tourism precincts: Vilakazi Street; Mdantsane; Galeshewe; Khayelitsha.
- *Output Indicator 2* - the following targets have been excluded from the revised APP, resulting in four destination enhancement initiatives as opposed to the initial nine:
    - Interpretative signage implemented in six iconic tourism sites: Bontebok National Park; Kruger National Park (Northern Section); Knysna National Park; West Coast; Mountain Zebra; Richtersveld.
    - Monitor implementation of Leopard Trail at Baviaanskloof World Heritage Site.
    - Monitor Implementation of Interpretation Centre at Baviaanskloof World Heritage Site.
    - Commencement of construction works at Shangoni Gate.

- Completion of bid documentation for the appointment of a contractor for the Phalaborwa Wild Life Activity Hub.
- An additional project was included under the '*Project concepts developed for four community-based tourism projects*' target, Mtititi Game Farm. This increases the projects to five instead of the initial four.
- *Output Indicator 3* – this target has been revised downward, from 5109 to 2500 work opportunities created through the Working for Tourism projects.

6.2.4 Programme 4: Tourism Sector Support Services

The purpose of this programme is to enhance transformation, increase skill levels and support the development of the sector to ensure that South Africa is a competitive tourism destination.

The sub-programmes in the Branch include Tourism Support Services Management, Tourism Human Resources Management, Enterprise Development and Transformation, and the Tourism Incentive Programme. Table 6 shows the budget allocation to Programme 4.

Table 6: Programme 4 Budget Allocation 2019/20 – 2020/21

Tourism Sector Support Services	**Budget**		**Nominal Increase/ Decrease in 2020/21**	**Real Increase/ Decrease in 2020/21**	**Nominal percent change in 2020/21**	**Real percent Change in 2020/21**
R million	**2019/20**	**2020/21**				
Tourism Sector Support Services Management	11.9	11.0	-0,9	-1,4	-7.56%	-11.46%
Tourism Human Resource Development	27.9	28.5	0.6	-0.6	2.15%	-2.15%
Enterprise Development and Transformation	52.7	50.6	-2.1	-4.2	-3.98%	-8.03%
Tourism Visitor Services	24.9	23.6	-1.3	-2.3	-5.22%	-9.22%
Tourism Incentive Programme	185.1	181.4	-3.7	-11.3	-2.00%	-6.13%
TOTAL	302.5	295.1	-7.4	-19.8	-2.4%	-6.53%

Source: National Treasury ENE, 2020/21

The budget allocation for Programme 4 decreases by 6.53 percent in real terms from R302.5 million in 2019/20 to R295.1 million in 2020/21. The Tourism Incentive Sub-Programme, at R181.4 million, is the main cost driver under this Programme. This

Programme aims to incentivise priority areas, including providing market access support, tourism grading support, implementation of energy efficiency initiatives and funding of transformation initiatives in the tourism sector towards unlocking capital investment by black tourism entrepreneurs. However, the sub-programme experiences a decrease in both nominal and real terms.

The Tourism Transformation Fund is a good initiative under this Branch that will be implemented during the MTEF in expediting the transformation of the sector. However, the Department has been struggling with the uptake on the implementation of the Tourism Transformation Fund. During the MTEF, the the Committee will ensure that the processing of applications is scaled up and the VTSDs should be prioritised in granting funding.

The Tourism Equity Fund is another good initiative under this Branch. However, the Department struggled with the implementation and processing of this funding in the 2019/20 financial year. The Committee should note that although this was announced by the President as a new funding, it was already in the Annual Performance Plan for the 2019/20 financial year, therefore not exactly a new fund.

The Tourism Incentive Programme could also be used to improve tourism development in the VTSDs. The funding criteria could be improved to be *biased* towards the previously disadvantaged communities and geographical areas, thus improving chances of tourism enterprises to grow and participate in the mainstream tourism economy, particularly in villages and townships.

The Department had previously reported that it will change the implementation method of the SMME incubators into virtual incubators. However, the Strategic Plan indicates that the Department will be implementing more incubators in the MTEF from six in 2020/21 to ten in the 2022/23 financial year. The Department should standardise the implementation of incubators and decide on the lasting implementation methodology.

The revised changes under this programme include:

- *Output Indicator 1* – the target has been revised, resulting in one instead of two initiatives implemented to stimulate domestic tourism growth. The following activities have been removed for the 2020/21 financial year:
    - Implement Annual Domestic Tourism Campaign in partnership with provinces
    - World Tourism Day Celebrations
    - Support Provincial Events
- *Output Indicator 2* – the Department will now only implement five instead of six incubators, with the exclusion of the Women in Tourism Empowerment Incubator.
- The output on Incentive programmes such as, Market Access Programme, Tourism Grading Support, Tourism Transformation Fund, has been excluded for the 2020/21 financial year.
- *Output Indicator 3* – the number of initiatives implemented to increase the participation of women in the tourism sector has been reduced to two instead of the initial three. The target on '*Establish set asides for market access incentive targeted at women*' has been removed.
- *Output Indicator 4* – the number of programmes implemented to enhance visitor service and experiences has been reduced to three instead of the initial five. The following targets have been removed:
    - Implementation of Tourism Service Excellence standard (SANS: 1197).
    - Implement Service Excellence with focus on customer care service in GP.
    - Report on the Implementation of the J2SE Programme developed focusing on small towns developed: Howick (KZN); Mogwase (NW).
    - Implementation of the Tourism Safety Strategy.
- *Output Indicator 6* – the number of capacity building programmes has been reduced from eleven to five. The following programmes will not be implemented during this financial year:
    - 15 Chefs supported through RPL process and designated.
    - The designation of 20 candidates as travel consultants.
    - The hosting of the National Tourism Careers Expo.
    - The National Chefs training programme that was to be implemented in nine provinces targeting 381 youth.
    - The Coastal Marine Tourism Skills development programme.

- The number of participants targeted for the Food Safety Quality Assurer Programme has also been reduced to 500 from the initial 1500.

7. The Public Entity: South African Tourism

The Department of Tourism has only one Entity called South African Tourism (SA Tourism). SA Tourism is established through Chapter 3 of the Tourism Act (No. 3 of 2014), which mandates the entity to market South Africa internationally and domestically as a preferred tourism and business events destination, ensure that tourist facilities and services are of the highest standard and monitor and evaluate the performance of the tourism sector. Over the medium term, the Entity will focus on: boosting domestic and international tourism, improving customer relations management and increasing trade partnerships.

The Entity's vision is to position South Africa as an exceptional tourist and business events destination that offers a value-for-money, quality tourist experience that is diverse and unique.

The Entity carries out its mandate through the following five key programmes:

- Programme 1: Corporate Support – provides support services to the organisation, as well as ensure compliance with statutory requirements.
- Programme 2: Business Enablement – ensures strategy development and integration with business performance monitoring, governance and evaluation; to provide centralised research insights and analytics to support the core business and provide an open source for information sharing with the tourism sector.
- Programme 3: Leisure Tourism Marketing – provides destination tourism marketing for leisure tourists for both international and domestic markets.
- Programme 4: Business Events – markets South Africa as a business events destination.
- Programme 5: Tourist Experience – delivers a quality experience expected by international and domestic tourists through: grading establishments; product capacity building; and itinerary building.

7.1 Budget allocation

7.1.1 Budget Allocation 2020/21

According to the Estimates of National Expenditure, the Entity's budget allocation in the 2020/21 financial year is R1.56 billion, increasing to R1.7 billion in 2022/23. Of this, an amount of R1.33 billion is allocated to fund Goods and Services, and R213.4 million is allocated to Compensation of Employees. The Committee noted that there has been a reduction of -R19.2 million in the government grant transferred from the Department of Tourism. The reduction in the budget reduces the financial capacity of the Entity to conduct its business. The Board of South African Tourism is urged make innovate decisions to maximise impact using the available budget.

For the 2020/21 financial year the budget allocations per programme are as follows:

- Programme 1: Administration is R140.9 million.
- Programme 2: Business Enablement is R94.7 million.
- Programme 3: Leisure Tourism Marketing is R1.1billion. This programme is the main cost driver for the Entity, as this is its core mandate, which entails marketing initiatives both locally and internationally.
- Programme 4: Business Events is R140.9 million.
- Programme 5: Visitor Experience is R72.5 million

Table 7 indicates the expenditure estimates for each programme for the years 2019/20 to 2022/23. Overall, the budget allocation to the Entity decreases by 0.21 percent in real terms. From the table too can be observed that only Programmes 2 and 5 experience real increases. Programme 2 entails research and insights capabilities, which is at the centre of the Entity's mandate, including stakeholder management across the various country offices. Programme 5 includes activities of the tourism grading council. The Portfolio Committee will follow-up with the Entity on the decreases in programme allocations and how these will impact target attainment over the financial year. Budget allocation to Programme 3, which is the core mandate of the Entity, also experiences a decrease in real terms. The Committee will monitor this, especially in view of the impact of COVID-19.

Table 7: Overall Budget Allocation 2019/20 – 2022/23

SA Tourism	**Budget**				**Nominal Rand Change**	**Real Rand Change**	**Nominal percent change**	**Real percent Change**
R million	**2019/20**	**2020/21**	**2021/22**	**2022/23**				
Programme					**2019/20-2020/21**		**2019/20-2020/21**	
Administration	135.2	140.9	148.4	154.2	5.7	- 0.2	4.22%	-0.18%
Business Enablement	89.7	94.7	99.7	103.6	5.0	1.0	5.57%	1.12%

Leisure Tourism Marketing	1 066.6	1 111.6	1 169.90	1 217.5	45.0	-1.8	4.22%	-0.17%
Business Events	137.7	140.9	148.4	154.2	3.2	-2.7	2.32%	-1.99%
Visitor Experience	68.7	72.5	76.4	79.3	3.8	0.7	5.53%	1.08%
TOTAL	1 497.9	1 560.6	1 642.8	1 708.8	62.7	-3.1	4.19%	-0,21%

Source: National Treasury ENE, 2020/21

However, in view of the COVID-19 crisis, the Entity has had to revise its priorities and projections detailed in the ENE. The Mid-Term Budget Review will provide an opportunity for SAT to make its case for budget adjustments to the National Treasury, based on prevailing conditions at the time. According to the Entity, the revised APP reflects a reduced budget, the best use of resources and an organisation that will be prepared to move quickly once travel potential returns. During this period of travel restrictions, the Entity will have a drastic reduction in the ratio of its marketing expenditure, resulting in more focus towards general operating expenditure. The Entity indicates that its annual budget for 2020/21 will be adjusted downwards to R438.96 million.

Table 8: Revised Budget Allocation 2019/20 – 2020/21

SA Tourism	Budget	Nominal Rand Change	Real Rand Change		Nominal percent change	Real percent Change
R million	**2019/20**		**2020/21**		**2019/20-2020/21**	
Programme			**2019/20-2020/21**			
Administration	135.2	111.4	-23.8	-28.5	-17.60%	-21.08%
Business Enablement	89.7	33.8	-55.9	-57.3	-62.32%	-63.91%
Leisure Tourism Marketing	1 066.6	226.4	-840.2	-849.7	-78.77%	-79.67%
Business Events	137.7	23.3	-114.4	-115.4	-83.08%	-83.79%
Visitor Experience	68.7	44.1	-24.6	-26.5	-35.81%	-38.51%
TOTAL	1 497.9	439.0	-1 058.9	-1 077.4	-70.69%	-71.93%

Source: SAT, 2020/21

Table 8 indicates the expenditure estimates for each programme for the years 2019/20 to 2020/21. The Entity indicates that it will be returning R865 million to the fiscus, thus implementing a 66 percent cut in its annual budget. For the 2020/21 financial year the budget allocations per programme have been revised as follows:

- Programme 1: Administration is R111.4 million.
- Programme 2: Business Enablement is R33.8 million.
- Programme 3: Leisure Tourism Marketing is R226.4 million. This programme is the main cost driver for the Entity, as this is its core mandate, which entails marketing initiatives both locally and internationally.

- Programme 4: Business Events is R23.3 million.
- Programme 5: Visitor Experience is R44.1 million.

Overall, as seen in Table 8, the budget allocation to the Entity decreases by 71.93 percent in real terms. From the table it can also be observed that all programmes experience nominal and real decreases. What is interesting to note is the shift in allocation to Business Events and Visitor Experience. Whilst the latter was allocated half of what the former was, originally, the converse now applies.

7.1.2 Lost potential revenue

In addition to grant funding, the Entity also receives revenue from the Tourism Marketing Levy (TOMSA), SA National Convention Bureau (SANCB), Tourism Grading Council South Africa (TGCSA) and Interest Income. For the 2020/21 financial year the following receipts were expected:

- TOMSA – R144 million, however the shutdown of the sector has resulted in zero TOMSA levy collections. As a result, there will be no transfers from TOMSA during this financial year.
- Exhibition Income – R63.5 million, however, no exhibition income is expected from INDABA nor Meetings Africa during the financial year.
- TGCSA – R25 million, however, no grading revenue is expected during this period.
- Interest Income – R23 million.

8. Committee observations

Having carefully considered and scrutinised the Departmental and South African Tourism's 2020/21 – 2024/25 Five-year Strategic Plans and 2020/21 Annual Performance Plans with associated budgets, the Committee made the following observations:

8.1 Appropriated budget vs the tourism mandate

The National Development Plan (NDP) identifies tourism as one of the main drivers of labour intensive employment and economic growth. The government has also identified tourism as a growth sector and set a target of 21 million additional arrivals by 2030. However, the appropriated budget in the MTEF is not commensurate to the huge mandate assigned to the tourism sector. The Committee acknowledges the fiscal constraints facing the country in appropriating more budget to the Tourism Vote 38. This calls for the Committee to conduct robust oversight on tourism with a whole government approach to maximise allocated budget and extended tourism mandate to other departments. The Committee also accepted that the tabled Annual Performance Plan and budget has been done in accordance with the 2020 Estimates of National Expenditure, and will await the Minister of Finance to table the adjustment budget that takes the impact of the COVID-19 into consideration.

The Committee also noted that South African Tourism lost the potential budget from the usual annual sources of revenue due to the impact of COVID-19. The Entity reported that the shutdown of the sector has resulted in nil TOMSA Levy collections. There was no income expected from INDABA nor Meetings Africa during the 2020/21 fiscal year. There is also no revenue expected from the grading fees in the 2020/21 financial year. The Committee noted that the Entity lost at least 16 percent of its projected revenue for the 2020/21 financial year as the only available budget is R1.30 billion from the government, which is 84 percent of the initially projected R1.56 billion. This will have a negative impact on the collaboration activities between the Entity and the private sector partners.

8.2 Legislative and policy review

With regard to the legislative review, the Committee has identified a number of legislative gaps and matters that need to be addressed through the Tourism Amendment Bill. Some of these issues include the National Grading Scheme and Sharing Economy (e.g. Airbnb). The five-year strategic Plan and the Annual Performance Plan do not have any indication of when the Tourism Amendment Bill will be introduced. The Committee observed that the timeline of developing the Tourism Amendment Act is not included in the departmental planning documents. This is a matter of serious concern, the Department is urged to attend to the Tourism Amendment Bill as soon as possible.

On quality assurance, the Committee continues to call for a policy shift in the quality assurance scheme implemented in South Africa, with a free but compulsory grading system to be introduced. The Committee accepted the plan tabled by the Department whereby the policy on quality assurance in the country will be completely overhauled, with a comprehensive review that will include the National Grading System as one of the integral components.

With regard to the White Paper, the Committee also welcomed the pending review of the White Paper on the Development and promotion of Tourism in South Africa by the end of the 2020/21 financial year. This will assist the sector to incorporate the contemporary international and domestic trends, as the current white paper was developed in 1996.

In relation to ease of access, the Committee also commends the Department for the continued collaboration with the Department of Home Affairs in introducing a world-class e-visa regime. The Committee noted the successful piloting of the e-visas in Kenya and India. The work done by the Airports Company of South Africa (ACSA) towards the introduction of e-gates at the airports is also highly commendable, and the Department is urged to work closely with ACSA on this exciting initiative that will facilitate the movement of tourists at the points of entry in South Africa. The Committee noted that the Department of Tourism is reliant on the Department of Health to determine the protocols for health screening of all the international tourists entering the country. The Committee is of the view that more work should be done to prevent tourists entering the country with one form of the virus or another.

8.3 Organisational stability and human resources

The Committee is satisfied with organisational stability in the Department and the Entity with the employment contract of Mr Nkhumeleni Victor Tharage as the Director-General (DG) of the Department of Tourism that has been extended by a further five years, and the Chief Executive Officer, Mr Sisa Ntshona, reinstated in his position. The Committee also noted that the three vacancies in the South African Tourism Board have been filled, and the Minister was in the process of filling the positions of the Board Chairperson and the Deputy Chairperson. All the executive positions in the Department are filled. However, the Committee noted a resignation in the Entity in the position of the Chief Strategy Officer, whilst the employment contract of the Chief Quality Assurance Officer is coming to an end within the current financial year.

The Committee noted that strained financial constraints on the budget allocated for the Compensation of Employees and the possible negative impact on the implementation of the tourism mandate. The Committee commends the Department and the Entity on walking the tightrope in managing to pursue their mandate within the confines of the budget. The Committee also commended the Department for sound organisational policies, including the development of the Sexual Harassment Policy which will be customised to the organisational values of zero tolerance on sexual harassment.

The Committee also noted that both the Department and the Entity have sound staff appraisal systems to track individual staff performance. In the Entity, this is linked to the Remuneration Policy approved by the Minister and the National Treasury, which also governs the payment of bonuses based on staff performance.

8.4 Corporate governance

The Committee noted the latest findings by the Auditor-General which revealed that there is a lax in corporate governance in both the Department and South African Tourism, especially on internal controls and financial management. The Committee was concerned that this had serious implications for efficient and effective use of available financial resources. The Committee noted the challenges identified in the implementation of Working for Tourism infrastructure projects in relation to poor conceptualisation, poor project management, and management of implementing agents. The Committee also noted the reported cases of financial malpractice and maleficence, with certain cases having served before the courts. The Committee will closely monitor both the Department and SA Tourism to ensure that the identified weaknesses in governance and financial misconduct are addressed.

The Committee noted that the Entity will be improving its capacity for monitoring and evaluation of the implementation of the Annual Performance Plan through enterprise development work linked to every target.

8.5 Alignment of the VTSDs with the District Development Model

On the one hand, the Committee has a sharp focus on tourism development and growth in Villages, Townships & Small Dorpies. On the other hand, the governments' Medium Term

Strategic Framework (MTSF) for 2019-2024 focuses on the Khawuleza District Development Model/ Approach. The Department has not optimally aligned the Committee's VTSD's oversight model to the District Development Model. The integration could assist in entrenching the philosophy of tourism development at a local level. The tourism development Masterplans could be incorporated into municipal Integrated Development Plans (IDPs). This may assist in streamlining tourism development budgets amongst various spheres of government. The Committee welcomed the work done by the Department in collaboration with the Department of Cooperative Governance and Traditional Affairs for the integration of tourism into the districts already identified by the government, especially the marine tourism work in the OR Tambo District Municipality and eThekwini Metro.

8.6 Intersectoral collaboration

The strained financial resources allocated to Vote 38 and associated huge mandate necessitate a focussed collaboration with other sector departments and the private sector. The District Development Model has also established the Public Private Growth Initiative (PPGI), which aims to develop a more coherent partnership with government, and drive inclusive economic growth and job creation. The Department has always struggled with projects implemented in collaboration with other departments. The Department has attempted to consolidated its intergovernmental and intersectoral collaborations. However, the stakeholder engagements have not yielded maximum results. The intersectoral collaboration will become progressively more important during the 6th Parliament and this needs formal institutional arrangements. The Department has not fully considered the Committee's philosophy of the "bicycle wheel approach" where various government departments are rallied together, with tourism at the centre, in a coordinated nexus to drive the tourism mandate. Whilst the Committee will be coordinating Parliamentary Committees, the Minister is urged to push for the whole government approach for tourism development within the Cabinet.

8.7 Re-industrialisation of the economy and digitisation

The government is pursuing re-industrialisation, localisation and exports. The tourism sector, together with automotive, agriculture & agro-processing, CTLF, chemicals, gas, steel and metal fabrication, ICT, defence, health, mining, renewables, green economy, oceans economy, and creative industries have been identified to drive this strategy. This calls for both the Department and South African Tourism to modernise their business processes through digitisation. The target of 21 million additional arrivals by 2030 will be achieved if both organisations keep up with technological advancements in the sector.

The Department and South African Tourism are commended for the efforts to embrace technology. This is evident in projects such as virtual incubators for the department and digital transformation which will be implemented by the Entity in their organisational activities such as integration of country offices in markets. The Committee also welcomes the Digital Marketing Strategy that has been adopted by the Board of South African Tourism. This strategy will ensure that the Entity conducts a more focussed and highly targeted marketing and maximise the Return on Investment.

8.8 Focus on the development and promoting of domestic tourism

The Committee is cognisant of the fact that international tourists go where locals go. This calls for the development and promotion of local domestic facilities, not just for international tourists, but mainly for domestic tourists. The Committee is of the view that the global outbreak of the novel corona virus pandemic has further emboldened the call by the Committee to anchor tourism development on domestic tourism. The Committee is satisfied with the plans to refocus both the Department and the Entity towards domestic tourism over the next five years. This calls for a more targeted approach towards developing domestic tourism, with more budget diverted towards this work by both the Department and South African Tourism. The Committee also noted the Meetings, Incentives, Conferences, and Exhibitions (MICE) sector will now have a focus on secondary cities and towns. This bodes well with the Committees' oversight approach on VTSDs and will ensure that the National Conventions Bureau does not only focus on the Johannesburg-Durban-Cape Town Golden Triangle. The Committee is also of the view that the exploration of rail tourism and cultural heritage has a potential of enhancing domestic tourism. The work being done in training traditional leaders, councillors, and municipal tourism staff is also commended in emboldening prospects of domestic tourism development.

The Committee noted the change of sentiments within the private sector in relation to domestic tourism. The COVID-19 pandemic has caused the industry to repurpose itself to domestic tourism, which has always served the interest of the international tourism. The Department and the Entity should use this opportunity to forge more collaborations to develop, package, and promote domestic tourism.

8.9 Accelerating transformation

The oversight model of the Committee emphasises inclusive growth through accelerated transformation. The tourism industry remains untransformed and the Committee is concerned about the ownership of tourism business and the diversification of tourism products in South Africa. The Committee acknowledges the efforts by the Department and the Entity to drive transformation. However, the Committee is not entirely satisfied with the transformation agenda in general and would like more to be done to include previously marginalised communities. The VTSD model is seen as a catalyst in expediting transformation. This is particularly important as domestic tourism has a potential to address local economic development and deal with poverty and unemployment. The Committee, therefore, calls for the Department and the Entity to have clearly expressed transformation programmes and demonstrate how these address transformation in VTSDs. The BBBEE Charter Council should also provide a Comprehensive Tourism Transformation Plan, which outlines the transformation agenda in the current MTSF.

8.10 Funding SONA commitments

The Committee noted announcements made by the President in the 2020 State of the Nation Address to stimulate the growth of various economic sectors in the country. This included the announcement that the South African Police Services (SAPS) will increase visibility at identified tourist attraction sites, and that a reserve police capacity to focus on the policing of the tourist attraction areas will be established. However, there is no specific budget in either the Estimates of National Expenditure for the Departments of Police and Tourism to fund these initiatives. The Committee will conduct oversight on this announcement as it is an important intervention to ensure the safety and security of international and domestic tourists.

In the medium term, the Department will be implementing the Tourism Safety Monitors project. This augurs well with the President's announcement and could easily be linked with the SAPS programmes. This is important in improving the safety and security of tourists. The Committee will conduct oversight on this initiative to ensure that it is implemented in line with the safety initiatives announced by the President during the SONA. A clear coordination strategy with the SAPS should be presented to the Committee in line with SONA pronouncements and House Resolutions based on the joint recommendations of the Committees of Tourism and Police made in August 2019 through the Safety and Security Summit held in Parliament. However, the Committee urged the Department to learn from the manner in which the country handled negative messages about the impact of the drought in Cape Town, and not send messages to the international community that will deter potential visitors to come to South Africa.

Furthermore, in the 2020 Budget Speech, the Ministry of Finance also indicated that to support tourism, the government will engage with the tourism industry on formalising the Tourism Levy. However, there are no details in the future plans tabled by either the Department or South African Tourism on how the Tourism Levy will be formalised. The Committee is concerned about the low number of tourism businesses which contribute to the TOMSA Levy. Currently, ten percent of the Entity's budget comes from TOMSA levies. This can drastically increase if the number of TOMSA Levy Collectors increases. The Committee will conduct close oversight on how the TOMSA Levy will be formalised and maximised. Amongst other things, the Committee will impress on the Minister, the South African Tourism Board and the Tourism Business Council of South Africa that the TOMSA Levy should be made compulsory.

8.11 Using the Working for Tourism Programme to improve tourism in VTSDs

The Committee noted and appreciates the importance of the Working for Tourism sub-programme that is responsible for funding the infrastructure projects by the Department. The Committee is of the view that the budget for the currently funded and future Working for Tourism infrastructure projects should be rechannelled to promote tourism development in VTSDs. The funding is currently mostly used to fund projects in the jurisdictions of other government departments, such improving tourism facilities within SANParks. The modus operandi could be changed and funding channelled to more Community-Based Tourism Enterprises (CBTEs). The Committee acknowledges that the Department used to fund CBTEs in the past, but scaled down due to internal capacity challenges in implementing such infrastructure projects. The Government Technical Advisory Centre (GTAC) was engaged and recommendations to improve implementation were made to the Department. The Department could implement the recommendations of the GTAC to align the implementation of the CBTEs with the Committees' oversight approach on VTSDs through increasing community ownership of tourism businesses. The Department indicated that the EPWP infrastructure projects were currently at the back-burner of departmental programmes. However, the Minister made an undertaking to update the Committee on the status of all the infrastructure projects in due course.

8.12 Alignment with the District Development Model

The Committee noted that the Department will implement tourism plans through the District Development Model in the three pilot areas, namely, OR Tambo district, Waterberg district, and eThekwini Metro. This is a start of the development and promotion of tourism in the VTSD model. The Committee is of the view that this should also extend to the integration of the Tourism Sector Master Plans already developed by the Department in the previous financial years in the District Development Model.

8.13 The remodelling of Full-Time Equivalent Jobs

The Department has always set targets for the Full-Time Equivalent (FTE) jobs. However, the Department has revised the title of the target of Full-Time Equivalent (FTEs) jobs and named it "Work Opportunities". The Full-time Equivalenet Jobs is the termininlogy used by the Department of Publuc Workd and Infrastructure for the jobs created through the Expamded Public Works Programme (EPWP). The Committee realises the importance of the creation of work opportunities through the Expanded Pubic Works Programme. These work opportunities have a potential to address poverty in rural communities. However, the difference between the Full-Time Equivalent Jobs and Work Opportunities is not clear for the Committee, and the Department needs to provide more clarity on the issue. The Committee will conduct oversight on how the Department will implement the new philosophy of the Work Opportunities, particularly in the VTSDs.

8.14 The impact of the corona virus on the tourism sector

The corona virus and subsequent lockdown have had serious unintended consequences for the tourism sector in South Africa. The COVID-19 led to the government of South Africa implanting the general lockdown to flatten the curve and prepare the health sector to be ready to deal with increasing numbers of infected citizens. The government further implemented the Risk Adjusted Strategy for economic activity with five levels of allowed and disallowed economic activities. When on 24th May 2020 the President announced the opening of economic activity to Level 3 on the 1st June 2020, it was confirmed that the tourism industry will remain closed. This includes accommodation facilities, events and conference venues. Domestic travel will only open for business purposes. The indication is that domestic tourism will only open in December 2020, whilst international tourism will open in February 2021.

The Committee acknowledges that tourism remains one of the world’s most labour intensive sectors that supports 330 million jobs worldwide. One in four jobs created globally across sectors in 2019 came from the tourism sector. In South Africa, tourism contributed more than 1.5 million jobs and more than R425 billion in 2019. However, the World Travel and Tourism Council (WTTC) has warned that the COVID-19 pandemic could cost up to 50 million jobs worldwide in the tourism industry. The Committee further acknowledges that the World Bank has reported that one in 20 jobs in sub-Saharan Africa is in the travel and tourism sector. This means that the job losses in the continent, and South Africa in particular are going to be devastating. The rate of job losses may be even more in South Africa given the continued closure of the tourism sector, and this needs urgent attention. In 2019 the World Travel & Tourism Council (WTTC) indicated that the tourism and travel sector was responsible for creating one in five new jobs in the last five years in South Africa.

The Committee is concerned about the reported information by the leading tourism experts which indicate that the COVID-19 pandemic will lead to a loss of 555 000 to 600 000 direct jobs and 1 100 000 to 1 200 000 jobs in total indirect employment. The Committee noted the survey conducted in April by the Department where tourism employers indicated that they had introduced a phased reduction of wages for employees instead of shedding jobs in the sector. It was also noted that the Department will conduct further studies to get empirical statistics on the number of jobs that have been shed in the sector, looking forward to a two-year period. The Committee also noted that the studies conducted by the Department will also provide information on the number of jobs that will be affected in cases where the employers do not comply with the B-BBEE code of good practice. The Committee urged the Department to ensure that the recovery plan and related interventions should ensure that the industry champions, who support other tourism industry players, do not go under as this may have serious negative repercussions for the tourism value chain in the country.

The pandemic will also have a repercussion on the contribution of the tourism sector in the economy, which currently contributes R425 billion to the GDP, which is an 8.9 percent contribution to the country's total GDP. The Department and South African Tourism should work closely with the Tourism Business Council of South Africa (TBCSA) to determine the real impact of the pandemic. The additional target of developing two reports on the impact of COVID-19 on the tourism sector is most welcome as this will assist the Committee in conducting oversight.

8.15 Tourism Relief Fund, court challenges and subsequent delays

The Committee noted with concern the court cases lodged by two civil organisations, AfriForum and Solidarity, against the Minister of Tourism on the B-BBEE requirements in the implmenetation of the Tourism Relief Fund. These court cases worked against the government intentions of providing speedy relief to the deserving tourism businesses. The Committee noted that the government made available an amount of R200 million as a Tourism Relief Fund. This money was to be used towards fixed costs, operational costs, supplies and other pressure cost items by tourism businesses. This R200 million was disbursed and managed by South African Tourism on behalf of the Department until the 31st May 2020. The Committee was, however, concerned about the delays incurred in the implementation of this fund. The Committee learned with concern that when the criteria for the Tourism Relief Fund were being finalised, the Department was taken to court by Solidarity and then by AfriForum. AfriForum applied for an urgent court hearing and the Department requested the court to join the two cases and they were heard on the same day by the North Gauteng High Court. It was noted that the Department submitted affidavits and defended the criteria, and won the case. The AfriForum and Solidarity then took the matter to the Constitutional Court. The Committee welcomed the dismissal of the matter by the Constitutional Court on the 15th May 2020. The Committee is pleased that after the case was dismissed by the Constitutional Court, the Department successfully implemented the Tourism Relief Fund to deserving beneficiaries. However, given that the tourism sector will be closed longer than other economic sectors, the Committee is concerned that the R200 million will not be enough to provide all the necessary relief, particularly to the emerging tourism enterprises.

8.16 Upfront payments and multi-year projects

The Committee noted that the Entity will be making upfront payments and introducing multi-year projects to deal with foreign currency exposure and maximising the budget. The Committee acknowledges that the National Treasury has permitted the Entity to conduct upfront payments to mitigate foreign currency exposure. The Committee will closely monitor the introduction of the multi-year projects and how this will either lead to maximising of the budget or to a financial loss.

8.17 The Tourism Recovery Plan

The Committee commends the Entity for heeding its call to start developing the post COVID-19 Tourism Recovery Plan. The Committee has noted the industry wide consultations which have culminated in the initiation of the process of developing the National Tourism Recovery Strategy (NTRS). The Committee further noted the three driving pillars of the NTRS which are:

- Re-igniting demand – this entails conserving the marketing investment. The marketing investment framework should be evolving to incorporate multi-year investment cycles to optimise scarce resource deployment. The Entity should redirect its energy to domestic tourism, which the Committee is fervently advocating for.
- Protecting the supply side of tourism – the Entity will focus on strengthening the visitor experience and ensure high quality standards of the country's tourism offerings.
- Strengthening enabling capability – this entails strengthening collaborations and partnerships between the Entity and the industry.

The Committee will follow this process closely to ensure that there is speedy recovery of the tourism sector in South Africa post COVID-19. The Committee understands that the National Tourism Recovery Strategy will provide various scenarios which will influence the policy direction, and will also provide insights on how those scenarios will influence variables such as job losses in the sector.

8.18 The proposed tourism industry standards protocols for COVID-19 operations

The Committee commends the work done by the Tourism Business Council of South Africa in collaboration with the Entity in developing the COVID-19 tourism protocols to guide opening of the tourism sector. These protocols have not been adopted by the government as yet, but the Committee noted the Presidents' acknowledgement of these protocols and pending further engagements between the government and the tourism industry. The proposed protocols include issues of persons with higher risk; public transport and staff; travel between provinces; contact tracing; protocol commitment; medical and travel declaration; and training. These protocols have assisted in ensuring that some aspects of the tourism industry open at Level 3 instead of Level 1 of the Risk Adjusted Strategy. The Committee will follow the engagements between the government and the tourism industry very closely to ensure that the industry does not collapse and that the stakeholders are comfortable with the final protocols.

The Committee also noted the concern raised about the tourism establishments that have been used as quarantine sites. The Entity is commended for working with these establishments to remove the stigma, and views them as heroes who made sacrifices in the fight against COVID-19 and flattening the curve of infections in the country.

8.19 Rethinking tourism strategy

The Committee is cognisant of the fact that tourism will not be business as usual post COVID-19. The Committee has also noted reports that recovery in South Africa will be driven by domestic tourism. This puts a sharp focus on the need to revise South Africa's tourism strategies to focus more on domestic tourism instead of international tourism. This will be a bold move as the focus for South African Tourism has always been on international inbound tourism. Increasing the domestic holiday trips imply that the Entity should implement a dedicated Domestic Tourism Growth Strategy. There also needs to be a sharp focus on intra-African tourism, with a new focus on increasing the share of the African markets. The Committee is of the view that the Entity should include more African markets in the Marketing Investment Framework to induce intra-Africa travel, and regional tourism promotion within the Southern African Development Community (SADC).

8.20 Creating Demand vs Market-Driven Marketing

The Committee has observed that the Entity has previously based all their marketing strategies on responding to demand. The Committee in the 6th Parliament holds the view that demand-driven marketing is an established and acceptable norm in the marketing fraternity, and that the Entity , however, needs to be innovative and "think outside the box" to "create demand" for South African products. Creating demand will deviate from the current trend of the tourism growth trajectory that is concentrated in the 'Cape Town-Durban-Gauteng Triangle' and focus on the products in Villages, Townships & Small Dorpies (VTSDs). The Committee is of the view that the Entity should also focus on VTSDs with regard to business tourism in the MTSF. Marketing should intentionally focus on packaging and marketing products in the VTSDs. Creating demand may also be linked to the government's District Development Model where the Entity can work with the Provincial Destination Management Organisations and local government marketing organisations to package specific tailor-made experiences for certain off the beaten track municipalities.

8.21 Destination brand

The Committee is cognisant that before COVID-19, the brand reputation of South Africa had already suffered due to a number of factors, including perceptions caused by negative crime reports, xenophobic attacks on foreign nationals, tourist animal interactions, canned hunting, a government policy of expropriation of land without compensation, and related brand killers and disablers. The Committee noted that the Entity is trying to deal with this issue through the destination brand of South Africa as a country separated from the corporate brand of South African Tourism as an organisation. The Committee is also aware of the government's intention to rationalise public entities with similar mandates. The Committee will follow these new developments closely to ensure that the Entity fulfils its mandate and does not hide behind the country brand vs corporate brand debate.

8.22 The Marketing Investment Framework

The Committee noted that the new market portfolio of South African Tourism in the MTSF will include 14 Growth Markets; 14 Defend Markets, and 15 Developing Markets. The Committee will conduct oversight on the breakdown of these markets, the decisions for choosing certain markets against others, budget to be spent in each market, and the return on investment from each market. The Committee will also follow closely on the segmentation of domestic marketing campaigns geared towards activating the domestic market and inculcating the culture of travel amongst South Africans.

8.23 Joint Marketing Agreements

The Committee acknowledges that the Joint Marketing Agreements (JMAs) are useful in driving volumes from the identified markets in the mMrketing Investment Framework The Auditor-General (AG) made some findings with regard to meeting deliverables, which led to South African Tourism putting a moratorium on JMAs. The Committee encourages the Entity to resume the JMAs and select the international tour wholesalers that will have a high return on investment in the number of international arrivals to South Africa.

8.24 Commercialisation of South African Tourism Services

The Committee noted that the tabled five-year Strategic Plan refers to new income streams and possible commercialisation of certain services that will be identified to ensure adequate financial resources are available. The Committee will conduct close oversight on this initiative to ensure that the Entity does it in line with the legislation and that there is a return on investment.

8.25 The Digital Operating Model

The Committee observed that the Entity will be moving to a digital operating model, which will be based on the "5 R's" namely, right people, in right the place, doing right things with the right processes at the right time. This is an important initiative in modernising organisational operations. The Committee commends the Entity for this initiative and will monitor how it contributes to business optimisation in the organisation. The Committee urges the Entity to ensure that this digital model does not displace staff currently employed, but creates a meaningful hybrid as tourism is the people's business.

8.26 Outsourcing of Services

The Committee acknowledges that the mandate of SA Tourism requires the Entity to use consultants to fulfil some of its obligations. This implies that some of the allocated budget goes towards consultant fees. These consultant fees include items such as retainer fees for above and below the line marketing advertising agencies, PR agencies, exhibition management services, market research, market development, research and campaigns. The Committee has previously recommended that the Entity should increase its capacity to do some of the outsourced work in-house. As such, the Committee is satisfied with the work being done by the Entity to develop the staff to insource more work that was done by consultants. The Committee would like to see a drastic decrease in the consultant fees which currently sit at 14 percent of the total budget of the Entity for both international marketing and IT services.

9. Recommendations

After the careful scrutiny of the Strategic Plans and Annual Performance Plans of the Department of Tourism and South African Tourism, it is requested that the Minister of Tourism considers the following recommenedations and reports back to the Committee by no later than the end of the 2020/21 financial year, 31 March 2021.

Recommendations in relation to the Department of Tourism

It is recommended that the Minister of Tourism:

9.1 Expedites legislative and policy review for the Department and provides time-frames for the development of the Tourism Amendment Bill.

9.2 Ensures that the review of the White Paper on the Development and Promotion of Tourism in South Africa should consider the current tourism delivery environment, such as the sharing economy.

9.3 Collaborates with the tourism industry when developing the planned COVID-19 Impact Reports on the tourism sector, and ensure the these include the analysis of the future of tourism jobs and adaptation mechanisms to future jobs.

9.4 Ensures that the Departmental programmes are perfectly aligned with government priorities and programmes, such as the District Development Programme.

9.5 Advocates in Cabinet for more tourism funding assistance in addition to the R200 million Tourism Relief Fund as the sector will remain on Corona Virus Level 5 for the foreseeable future, with many tourism businesses on the verge of closing down.

9.6 Ensures that in addition to the improvement of the visa regime for South Africa, the Department engages the Department of Home Affairs to look at the possibility of recognising other reputable visas, such as the United Kingdom, Australia, United States of America, and Schengen to allow tourists to come to South Africa.

9.7 Develops a comprehensive plan that details collaborative partnerships between the Department, South African Tourism, the private sector, provincial departments, and provincial Destination Marketing Organisations to maximise the available budget for marketing across government and private sector.

9.8 Demonstrates to the Committee that the Department has formalised partnerships with other sector departments that assist in fulfilling the mandate of the Department through formal institutional arrangements.

9.9 Implements initiatives that promote domestic tourism to engender transformation and resilience of the tourism sector against the volatility of international markets.

9.10 Channels the Working for Tourism funding to the implementation of Community-Based Tourism Enterprises instead of funding projects within SANParks.

9.11 Ensures that the funding criteria of the Tourism Transformation Fund, the Tourism Equity Fund, and the Tourism Incentive Programme are in favour of previously disadvantaged communities, particularly enterprises in villages and townships.

9.12 Develops a clear implementation plan to integrate the Tourism Safety Monitors to the South African Police Services initiatives.

9.13 Reviews the Rural Tourism Strategy and the Heritage Tourism Strategy to implement practical projects to be funded through the Working for Tourism infrastructure budget in facilitating tourism development in the VTSDs.

9.14 Engages the private sector in refocussing domestic tourism and revising/dropping prices to stimulate domestic tourism and to boost the recovery of the sector in mitigating the aftermaths of COVID-19.

9.15 Provides detailed and focussed plans that ensure equitable tourism development and promotion in Villages, Townships & Small Dorpies (VTSDs) to boost domestic tourism, working in partnership with local government, the industry and South African Tourism.

9.16 Ensures that transformation is the key driver of all Departmental and South African Tourism programmes to expedite inclusive growth that benefits all citizens, particularly ownership.

Recommendations in relation to South African Tourism

It is recommended that the Minister of Tourism:

9.17 Expedites the development of the National Tourism Recovery Strategy (NTRS) to ignite the tourism sector post COVID-19.

9.18 Develops a comprehensive collaboration and partnerships plan between South African Tourism, Provincial Destination Management Organisations and Municipalities to drive domestic tourism initiatives.

9.19 Ensures that the process of repositioning and repurposing public entities currently being undertaken by the National Treasury does not erode the mandate of South African Tourism in marketing the country internationally and locally.

9.20 Quantifies the marketing budget available across all the spheres of government and maximise optimal marketing across markets and platforms.

9.21 Expedites digitalisation of the tourism sector to modernise marketing and maximise presence across global and domestic digital platforms.

9.22 Develops a comprehensive domestic growth strategy that covers various domestic market segments, and takes into consideration the Villages, Townships & Small Dorpies.

9.23 Infuses deliberate inclusive growth in the plans of South African Tourism to deal decisively with transformation in the sector.

9.24 Works closely with the airlines to ensure that the cost of travel does not affect South Africa as a long haul destination.

9.25 Develops a comprehensive collaboration strategy between the private sector and South African Tourism in funding targeted marketing activities in both international and domestic tourism spaces.

9.26 Targets international and African markets that bring both volume and value.

9.27 Focuses on the higher spending international tourism markets in South Africa in order to drive Total Direct Foreign Tourism spend to increase the contribution of the sector to the county's Gross Domestic Product.

9.28 Intensifies the focus on the new high-growth markets in Africa, China and India, and tables to the Committee a focussed strategy developed for these high growth markets.

9.29 Expands the presence of South Africa in the African markets to include many countries in order to stimulate intra-Africa travel and mitigate the volatility and fluidity of the international tourism markets.

9.30 Improves internal controls and governance of the organisation.

9.31 Collaborates with the provinces, cities, and towns to improve tourism airlift in the country and for international routes.

9.32 Integrates technology in destination South Africa to improve the tourist experience and competitive advantage.

9.33 Works with provincial Destination Management Organisations to capacitate municipal officials to bridge the tourism marketing and business tourism knowledge gap.

9.34 Works with the private sector to stimulate the South African Incentives market.

9.35 Considers engaging the National Empowerment Fund on the possibility to manage the Tourism Relief Fund.

9.36 Engages the National Empowerment fund to allow the tourism businesses to use the Tourism Relief Fund as a collateral to maximise funding for the businesses affected by the corona virus pandemic.

10. Conclusion

The Committee welcomes the 2020/21 – 2024/25 Five-year Strategic Plans and the 2020/21 Annual Performance Plans of the Department of Tourism and South African Tourism. These planning documents have charted a progressive tourism development and marketing trajectory under difficult economic conditions. These documents have demonstrated the repositioning and repurposing of the Department and the Entity in delivering the tourism mandate in line with the adopted Committee approach of focussing on domestic tourism through programmes implemented in Villages, Townships, Small Towns & Dorpies (VTSDs). These planning documents will ensure that South Africa remains a competitive tourism destination geared towards attaining additional 21 million tourist arrivals by 2030.

The Committee acknowledges the difficulties in the delivery environment that has negatively impacted on the work of the Department of Tourism and South African Tourism in delivering on their mandate. The tourism industry has been extremely affected by the novel corona virus and the gains made over a number of years. The 2020/21 Annual Performance Plans have been seriously compromised with a number of projects initially planned for implementation having been removed. However, the Committee is of the view that the current situation will be reversed by a carefully researched and crafted National Tourism Recovery Plan being developed by South African Tourism. The Tourism Relief Fund being implemented will also go a long way in cushioning many tourism businesses from going under. The Committee urges the Minister of Tourism to continually consult with the industry to assess their needs, and if necessary, consult with the Cabinet to provide more relief funding for the sector. However, the Committee is confident that during the course of the 2020/21 – 2024/25 Medium Term Strategic Framework the sector will recover. The Committee will therefore continue conducting its oversight work to ensure that the collective efforts by the government and the private sector are still contributing to the trajectory of creating 21 million additional international arrivals by 2030. The Committee will follow up on the Departmental programmes and South African Tourism to ensure an inclusive tourism development and growth that benefits all the citizens of the country. At the centre of this inclusive tourism development and growth will be the development and promotion of tourism in the Villages, Townships & Small Dorpies (VTSDs).

Report to be considered.

[The following report replaces the report of the Portfolio Committee on Defence and Military Veterans, which was published on page 202 of the Announcements, Tablings and Committee Reports dated 05 June 2020]

2. REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON BUDGET VOTE 23 DEFENCE AND MILITARY VETERANS DATED 15 MAY 2020

The Portfolio Committee on Defence and Military Veterans (PCODMV), having considered Budget Vote 23: Defence and Military Veterans, the Strategic Plans 2020 – 2025 and the 2020/21 Annual Performance Plans of the Department of Defence (DOD and its entities namely the Castle Control Board (CCB) and the Armaments Corporation of South Africa (Armscor), on 05 and 06 May 2020 reports as follows:

INTRODUCTION

Mandate of the Committee

Section 55 (2) of the Constitution of the Republic of South Africa (1996) states that "The National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it and (b) to maintain oversight of (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state."

Process

The Portfolio Committee considered the Strategic Plan 2020 – 2025, the Annual Performance Plan 2020/21 and the budget allocations of the DOD on 5 May 2020. The Committee made several observations that led to recommendations to the DOD and the two entities, to enhance their performance for the remainder of 2020/21. This Report is divided into two sections, with Part A dealing with the DOD and Part B with the two entities namely the Castle Control Board (CCB) and Armscor.

PART A: DEPARTMENT OF DEFENCE

1. MANDATE OF THE DEPARTMENT OF DEFENCE

Section 200(2) of the Constitution dictates that the mandate of the DOD is to defend and protect the country, its territorial integrity and its people, in accordance with the Constitution and the principles of international law. This aligns with the mission of the DOD that is to provide, manage, prepare and employ Defence capabilities commensurate with the needs of South Africa as regulated by the Constitution, national legislation, parliamentary and executive direction. The above is provided through the proper management, provision, preparedness and employment of defence capabilities, which are in line with the domestic and global needs of South Africa.

2. THE IMPACT OF THE COVID -19 PANDEMIC ON DOD PLANNING

The impact of the Covid-19 pandemic that forced South Africa into lockdown will likely have a significant impact on the DOD's budgetary and planning cycle for 2020/21. On 28 February 2020, the President ordered 151 members of the South African National Defence Force (SANDF) to assist the Department of International Relations and Cooperation (DIRCO) to repatriate South African citizens from Wuhan, China, at a cost of R25 million. On 25 March 2020, the President submitted a letter to Parliament noting the deployment of 2 820 members of the SANDF to assist the Police in maintaining law and order at a cost of R641.2 million. In addition, on 17 March 2020, the SANDF called up members of the Reserve Force to assist the regular force where required.
While the impact on DOD planning is yet to be quantified and explained, a number of ways in which this may impact includes:

- **DOD Budget.** The deployment of the SANDF is costly and will require significant funding. It is unclear what part of this deployment will be funded from the existing budget of the DOD.
- **DOD Spending and broader economic trends.** The Covid-19 pandemic is expected to have a significantly negative effect on the South African (and global) economy. This will likely require significant structural reforms, key to which is the need to curb South Africa's public wage bill. The already higher than ideal spending on compensation of employees in the DOD will therefore come under increasing pressure in the short term.
- **DOD training.** Given the requirement for SANDF deployments, it is unlikely that planned training exercises will take place. As such, targets set in the APP are unlikely to be met.
- **Secondary tasks.** The resource requirements of the Covid-19 deployments are likely to detract from secondary tasks, such as maritime patrols, cyber security and participation in multinational exercises.
- **Border safeguarding.** Significant focus has been placed on the need for enhanced border safeguarding as a means of stemming the spread of Covid-19. This may place additional requirements on the SANDF for border deployments where required.
- **Discipline.** While the minority of cases, several videos emerged of mistreatment of the public by SANDF members during the Covid-19 deployment. This may have a severe impact on Civil-Military Relations going forward. It may also impact on the planning of the DOD, its scheduling of Armed Forces Day and the work of the Military Police.

3. COMMITTEE 2019/20 BUDGET REPORT

In order to include a holistic review by the Committee, past recommendations are included. The Committee made the following recommendations in terms of the 2019/20 Annual Performance Plan of the Department of Defence:

a) In order ensure the SANDF's rejuvenation, the Committee requests the DOD to urgently develop a feasible exit mechanism that balances the need for force rejuvenation and current national concerns around unemployment and skills shortages. The DOD should provide the Committee with a written report, no later than 15 October 2019, on how it intends on developing this exit mechanism. The report should also include clear milestones with dates for execution that will allow the Committee to track DOD progress in this regard.
b) The Committee urges the DOD and National Treasury to return to negotiations on the funding of the existing force levels in the Department. The Committee requests written reports from

both the DOD and National Treasury, no later than 31 August 2019, detailing previous meetings between the two Departments on the compensation of employees ceiling, the outcome of such meetings, reasons for the underfunding of the DOD salary component, and future plans to address this concern.

c) Given current financial constraints, the Committee urges the DOD to reprioritise funds, where possible, to ensure capital acquisition to ensure the maintenance of current defence capabilities.
d) Border safeguarding remains a key function of the SANDF and the Committee acknowledges capacity constraints in this regard. The DOD should provide the Committee with a written report, no later than 15 October 2019, detailing the current status of land, sea and air border safeguarding, including recent successes and challenges. A cost outline for the increase of the number of sub-units along the land borders should also be provided for consideration by the Committee in future budget considerations.
e) Following Armscor's risk-evaluation investigation on Project Hoefyster, both the Armscor and the DOD should provide the Committee with a written report on the status of the project.
f) The reduction in flying and sea hours remain a particular concern. The Committee recommends that the DOD reports, on a quarterly basis, progress in the attainment of the 17 200 flying hours. A further breakdown of the total number of flying hours (training, operational, force employment, etc.) will further assist the PCODMV in its oversight. In addition, the PCODMV recommends that the DOD reports, on a quarterly basis, on the progress being made to attain the 10 000 planned sea hours for the SA Navy.
g) The Committee recommends that the DOD increase its efforts to communicate its successes in international peace missions, disaster relief and domestic development and upliftment initiatives with the public.
h) The DOD should provide the Committee with an explanation, in writing, for the significant increase in the allocation for Food and Food supplies in Programme 2 (Force employment) and Programme 8 (General Support). The response should be provided before 15 August 2019.
i) The Committee urges the SANDF to urgently address the stated shortage of some uniforms in the organisation.
j) Outdated ICT systems, notably the Finance, Human Resources and Logistics systems is of concern to the Committee. The DOD should therefore report to the PCODMV, as part of its quarterly reports, on plans and progress in addressing these ageing systems.
k) The Committee urges the DOD to continue to establish and develop its cyber-warfare capability and to make use of existing pockets of knowledge, such as expertise at the South African Military Academy, to develop this capability.
l) The Committee welcomes the commitment by the DOD to fulfil its Constitutional mandate and urges the Department to continue to seek ways, amid financial constraints, of addressing the critical state of the decline of the organisation.

4. DEPARTMENT OF DEFENCE STRATEGIC PLAN 2020 – 2025

The DOD Strategic Plan 2020 – 2025 consists of four main parts namely:

Part A: DOD Mandate
Part B: DOD Strategic Focus
Part C: Measuring DOD Performance
Part D: Technical Indicator Descriptions

4.1 Part A: DOD Mandate, Policies and Strategies

This section lists the Constitutional mandate as derived from the 1996 Constitution and refers specifically to sections 92, 198, 199, 200, 201, 202, 204, and 41(1). Reference is made to its legislative mandate as derived from the Defence Act 2002 (No. 42 of 2002), the Defence Amendment Act (No. 22 of 2010), and several other acts such as the PFMA (No, 1 of 1999), and the Military Ombud Act (No. 4 of 2012). The Policies and Strategies include the White Paper on Defence of 1996, the 2015 Defence Review, the DOD Strategy, the Military Strategy as well as the Defence Secretariat Strategy. It explains the 2015 Defence Review further by referring to the three defence strategic policy trajectory options namely:

- Option 1. *"Expand over the trajectory in partnership"*.
- Option 2. *"Expand independently"*.
- Option 3. *"Shrink to financial allocation"*.

Defence Strategic Policy Option 2 was selected, approved and endorsed by Cabinet and Parliament respectively. This selected option focusses on the maximum preservation of the sovereignty of the defence function and posits a level of defence ambition that is commensurate with South Africa's continental gravitas, as well as the role that South Africa is expected to and should pursue on the African continent.

The Strategic Plan highlights the five strategic planning milestones as firm foundations to direct the development of South Africa's defence capabilities through a DOD Extended Defence Development Plan. The first four milestones will provide the initial impetus to ensuring an adequate, appropriate and relevant defence capability for South Africa. Milestone 5 will remain the constitutional contingency which can be achieved from the firm foundation provided by Milestone 4. The Milestones are presented as follows:

- Milestone 0 (MS0). The current situation within the DOD commencing 2017.
- Milestone 1 (MS1). Arresting the decline in critical capabilities through immediate and direct interventions.
- Milestone 2 (MS2). Re-balance and re-organise the Defence Force as the foundation for future growth.
- Milestone 3 (MS3). Create a sustainable Defence Force able to meet ordered defence commitments.
- Milestone 4 (MS4). Enhance the capacity of the Defence Force to respond to emerging threats and a wide range of strategic challenges.
- Milestone 5 (MS5). Defence of the Republic against any direct threat.

(The DOD's 2020 – 2021 APP similarly covers these aspects in a shorter form in Part A).

4.2 Part B: DOD Strategic Focus

This section describes the DOD's vision, mission, organisational values, individual values, the situational analysis which covers both the external and internal environments:

(*The DOD's 2020 – 2021 APP similarly covers these aspects in a shorter form in Part B.*
Vision: "Effective defence for a democratic South Africa."

Mission: “To enable, prepare, employ, sustain and renew Defence capabilities in accordance with the needs of South Africa as regulated by the Constitution, National Legislation, Parliamentary and Executive direction”.

DOD organisational values: The DOD has committed itself to organisational values that are rooted in individual values, codes of conduct and unit cohesion. In the execution of the defence Mission Statement, the DOD continues to pursue and adhere to the following organisational values:

- Accountability.
- Consultation Rooted in Effective and Efficient Partnership and Collaboration.
- Discipline.
- Ethics.
- Excellence.
- Openness and Transparency.
- People.
- Service Standards.
- Teamwork.

The Individual values include Human Dignity, Integrity, Leadership, Loyalty, Patriotism, and Professionalism.

4.2.1 Situational analysis

The departmental situational analysis provides insight into both the evolving external and internal departmental dimensions that impact on the outcomes and outputs of the DOD. The matters identified in the situational analysis are a product of the departmental planning process that has taken also into consideration the 2019-2024 MTSF priorities and sources relevant to the defence portfolio mandate.

External environmental analysis

The external environment refers to factors external to the DOD and in some instances, external to the RSA, providing trends that could have an effect on the RSA and the DOD. It includes the following:

- **Political.** South Africa’s national security is centred on the advancement of its sovereignty, democracy, national values and freedoms, its political and economic independence. There are domestic, regional and continental dimensions to the national security architecture. Domestically, South Africa’s national security focuses on human security, sovereignty and the related priorities of territorial integrity, constitutional order, the well-being, prosperity and upliftment of its people, economic growth and good governance. Regionally, South Africa’s national security hinges on the stability, unity and prosperity of the Southern African Region in particular, and the African continent in general.
- **Economic.** The economic forecast and the current trends in the defence funding allocation, continue to constrain the implementation of the National Policy on Defence (SA Defence Review

2015), with a profound adverse impact on the availability and modernisation of required defence capabilities.

- **Social.** The inability of Government to meet the demand for social services coupled to the lack of employment opportunities may result in increased violent protests, particularly amongst the vulnerable and unemployed youth posing a threat to domestic stability. Protest tipping points could require the employment of the SANDF, in cooperation with the South African Police Service (SAPS), to ensure national security and stability. The responsibility of the SANDF for border safeguarding will increase as cross-border migration intensifies.
- **Technological.** Information Warfare - It is crucial that the State places cyber-security as a central national priority. The DOD will be required to develop, in consultation with identified stakeholders, a cyber-defence capability that will enhance national cyber resilience. Defence Industry. South Africa's Defence Industry is among the most technologically advanced in the world and recognised by Government as a fully-fledged economic sector and should it be adequately funded, has the potential to significantly contribute to the economy of South Africa. Interventions focused on ensuring the sustainability of sovereign and/or strategic industries that are at risk of implosion and that may disrupt the interdependency within industry, must be deliberately planned for and executed.
- **Legal.** Adherence to International Law. It is anticipated that the SANDF will continue to participate in peacekeeping operations and possible offensive operations, responding to global security threats. The SANDF will ensure that personnel involved in such operations are conversant with International Law regulating the use of force when conducting both offensive and defensive actions in the theatre of operations.
- **Physical (Environmental). -** Climate Change - Natural disasters remain a reality and may have catastrophic effects domestically, regionally and continentally. It is inevitable that the DOD will in the foreseeable future be called upon, through the conducting of both humanitarian and disaster operations, to assist local government authorities and other state departments both internally and in the SADC Region. The recurrent disasters in the SADC Region require the DOD to have the appropriate capacity to timeously respond to such situations
- **Military -** The operational environment of the future will become increasingly complex. South Africa will be required to maintain a credible defence capability and adopt a posture demonstrating resilience irrespective of the nature of potential conflict, thereby ensuring:
    - Effective border safeguarding operations.
    - Execution of international obligations.
    - Co-operation with the SAPS to effect law and order.
    - Support to other government departments.
    - Humanitarian and disaster relief operations.
    - Contribution to national cyber resilience.

Internal environmental analysis

The internal environment refers to factors that have been identified as trends that could have an effect on South Africa in general and the internal DOD, and includes the following:

- **Deployment of the SANDF.** The SANDF continues to be employed to any kind of environment or area, as tasked by Government and may include the following:
    - Peace Support Operations.
    - Foreign Interests in Africa.
    - African Capacity for Immediate Response to Crises (ACIRC).

   - Prevention and Resolution of Conflict.
   - Provide Humanitarian Assistance and Disaster Relief.
   - Support in the Combating of Maritime Piracy along the East Coast of Africa.
   - Building Safer Communities.
- **Human Resource Dimension.** In the areas of Human Resource Management and Compensation of Employees (CoE), the transfer of funds to address the CoE allocation challenges will be strengthened through action plans to ensure full compliance with legislation and treasury requirements. The DOD will continue to utilise Reserve Force members in support of the *"one-force concept"*, supplementing the DOD's capacity to perform crucial functions and operational tasks, thereby ensuring compliance with ordered commitments.
- **Financial dimension.** The DOD has seen significant budget reductions since the 2016/17 MTEF with a department baseline allocation increase below the country's national inflation rate. Since the 2016/17 MTEF, the baseline of the Department has been reduced by R25.5 billion, mainly on CoE and the Special Defence Account (SDA). During the 2020/21 MTEF, the budget of the CoE and the SDA have been reduced by R3.7 billion and R5 billion respectively. The reduced SDA allocation and total discontinuation thereof in the FY2021/22 will adversely impact on the capability, sustainability and modernisation of defence prime mission equipment and the Defence Industry as a whole.
- **Logistic Dimension.** The logistic support capability of the DOD will remain under pressure within the context of a declining Defence budget allocation. The DOD continues to operate aging legacy systems that have become increasingly more difficult and costly to maintain and repair due to obsolescence. This obsolescence is not only applicable to defence combat systems, but also to support equipment, inclusive of those procured commercially-off-the-shelf.
- **Information Technological Dimension.** The DOD will endeavour to develop departmental ICT systems aligned with both the national and internal requirements through the following:
   - Governance of Information Technology. The DOD will strengthen its ICT Policy and Plans by institutionalising the Public Service Governance Framework.
   - Information Systems. The current DOD ICT infrastructure must be geared to accommodate the management of information over its life cycle, and must be in compliance with the regulatory framework.

4.3 Part B: Measuring DOD Performance

This section deals Performance Information, Measuring the DOD Impact Statement, Measuring of the DOD Outcomes, DOD Contribution to National Imperatives, Departmental Imperatives as well as the DOD's Enterprise Risk Management. This section focuses on the following selected issues:

4.3.1 Overview of Policy Focus areas of the DOD

Three key overarching guidelines provide direction in terms of the DOD's policy focus areas, namely the National Development Plan 5-year Implementation Plan, the Medium-term Strategic Framework (MTSF) for 2020 -2025 as well as the Ministerial priorities, the priorities of the Defence Secretariat and the priorities of the Chief of the SANDF.

National Development Plan 5-year Implementation Plan

The implementation of the NDP, "Vision 2030", through the NDP 5-year Implementation Plan (2019-2024 MTSF) will primarily focus on job creation, poverty reduction and the reduction of inequality. The Governmental priorities for the 2019 to 2024 MTSF were developed to which the DOD will contribute both directly and indirectly as addressed in this Plan.18 The DOD will endeavour to support the following Government Pillars and Priorities:

- MTSF Pillar 1: *"A Strong and Inclusive Economy"*.
- MTSF Priority 2: *"Economic Transformation and Job Creation"*.
- MTSF Pillar 2: *"Capabilities of South Africans"*.
- MTSF Priority 3: *"Education, Skills and Health"*.
- MTSF Priority 4: *"Consolidating of Social wage through reliable and Basic Services"*.
- MTSF Priority 5: *"Spatial Development, Human Settlements and Local Government"*.
- MTSF Priority 6: *"Social Cohesion and Safer Communities"*. (DOD Direct Contribution).
- MTSF Pillar 3: *"A Capable State"*.
- MTSF Priority 1: *"A Capable, Ethical and Developmental State"*.
- MTSF Priority 7: *"A Better Africa and a Better World"*. (DOD Direct Contribution).

Ministerial priorities, the priorities of the Defence Secretariat and the priorities of the Chief of the SANDF

To encapsulate both strategic and operational goals, the Departmental priorities are captured in the Table below which highlights key focus areas on each priority by the Minister of Defence, the Secretary for Defence, as well as the Chief of the SANDF:

PRIORITY	MINISTER OF DEFENCE FOCUS AREAS	SECDEF FOCUS AREAS	CHIEF SANDF FOCUS AREAS
Strategic Direction	Implementation of 2015 Defence Review (Arresting the Decline in the DOD).	Develop DOD Strategy to align with current and future realities.	Identify and implement (1) resource interventions to arrest decline, (2) multi-mission capabilities and (3) research and development.
Strategic Resourcing	Generating revenue to supplement the insufficient fiscal allocation.	Focus on DOD Funding Model to raise funds through, among others, sweating of assets; re-imbursements; and cost-saving initiatives.	Focus on procurement efficiency, internal controls to minimise fraud, sweating of assets and disposal of redundant equipment.
Human Resources Management	Maintaining the SANDF establishment force levels (Focus on rejuvenation and the role of the reserves).	Accelerate development of a sustainable Human Resources Plan.	Optimise personnel utilisation, ensure discipline and maintain the current operational capability.
Organisational renewal	Directing of the Defence Secretariat and organisation of the SANDF to avoid duplication of functions and optimise organisation.	Develop a Defence enterprise Architecture Framework.	Focus on force rejuvenation. Finalise the SANDF force design and structure based on a command and staff approach. Establish cyber defence.
Capability sustainment	Maintain prime mission equipment at a set level.	Several capabilities required, including ICT systems, research capability, civil-legal capability, etc.	Ensure maintenance of prime mission equipment and ensure maximum re-imbursement for deployments.

Ordered defence commitments	Increased expectation for SANDF to contribute to National Development Agenda.	Provide an enabling mechanism to support SANDF deployments.	Enhance border safeguarding through adding technology. Contributing to RSA developmental agenda and foreign policy.

Table 1: Priorities of the Minister, the Secretary for Defence and the Chief of the SANDF

4.3.2 DOD's Enterprise Risk Management

The DOD continues to pursue its commitment to the effective management of the DOD Enterprise risks through the continuous adoption of best practices, methodologies and inculcating a culture of risk management across the DOD. The continued budget reductions and decline in the Defence allocation remains a matter of concern with an adverse impact on the ability of the DOD to fully support the national imperatives of Government and implementation of the SA Defence Review 2015. Effective risk management and mitigation efforts in relation to the transversal DOD Enterprise Risks, listed in Table 8 below, remain predominantly cost-driven, increasing the risk exposure of the DOD. The DOD Enterprise Risks, as reflected in Table 8 below, are for public view. Sensitive (not for public view). These risks include issues such as:

- Prevalence of Corruption and Fraud. Weaknesses in key internal controls increase the opportunity for fraud and corruption and may result in losses, including future resources.
- High Prevalence of Litigation. The inability of the DOD to comply with applicable legislation, prescribed policy and
  procedures may result in costly litigation and losses to the DOD.
- Deteriorating DOD Facilities and Infrastructure. Deteriorating DOD facilities and infrastructure may result in issues such as Compromised Defence Readiness; Prevalence in Occupational Health and Safety (OHS) fatalities and costly litigation; Tarnished image of the DOD and Negative effect on morale.
- Forfeited Rights on DOD Property. Current land claims and possible illegal land invasion on DOD facilities, may result in loss of DOD facilities which may impact on readiness and deployment capabilities in support of the Defence mandate.
- Outdated and Non-integration of DOD Information Communication Technology Systems (ICTS). The lack of modernisation and non-integration of DOD ICT Systems may lead to unreliable, unverifiable and loss of DOD financial, non-financial information and possible threat to business continuity.

The Department proposes various Mitigation strategies to address the identified risks such as training, consequence management, the development of policies, whistle-blowing and creating a culture of risk management across the Department.

5. OVERVIEW OF THE 2019/20 FINANCIAL YEAR

Information on spending and performance by the DOD is only available up to the end of the Third Quarter of 2019/20. By the end of the Third Quarter on 31 December 2019, the DOD spent R36.838 billion (72.4%) of its adjusted appropriation, which was *slightly lower than projected expenditure*. At programme level, some variances are noticeable in terms of actual expenditure against projected expenditure for the Third Quarter. The largest variances occurred in the Administration, Air Defence, Maritime Defence and Military Health Services programmes. In terms of economic classification, the overall lower than projected expenditure can be explained in terms of lower than projected spending on goods and services (by R761.5 million).

The main cost driver continues to be **higher than planned spending on compensation of employees**. This has been an ongoing concern in recent years due to the compensation of employees' ceiling, which does not support the current personnel numbers of the Department. By the end of the Third Quarter, spending on compensation of employees was R174.2 million higher than projected. Payments on capital assets was R131.8 million (22.1%) higher than projected, while spending on Goods and Services was R761.5 million (9.5%) lower than projected.

As noted, the main concern not only during 2019/20, but also in preceding years has been the rising cost of compensation of employees. By the end of the Third Quarter, the DOD had 72 768 filled posts against the Human Resource annual target of 74 900 posts. This figure shows a decrease in the Department's headcount from 74 053 (First Quarter) and 73 414 (Second Quarter). There is currently higher than projected spending by R174.2 million on Compensation of Employees, due to the compensation of employees ceiling which does not support the current personnel numbers of the Department. However, the ongoing reduction in headcount has significantly improved the situation on personnel expenditure throughout the year. Despite this improvement, and depending on further headcount reductions that may have transpired in the final quarter of 2019/20, the DOD has likely overspent on compensation of employees. ***This will result in irregular expenditure, as has been the case in previous years.*** *Members should note that an accounting officer may not commit a department to any liability for which money has not been appropriated as per section 38 (2) of the Public Finance Management Act, 1999.* Urgent attention to this ongoing problem is required in 2020/21.

6. BUDGET ANALYSIS

6.1 Overview of expenditure

The total allocation for the DOD for 2020/21 is R52.439 billion, which is only slightly higher than the adjusted appropriation of R50.236 billion for 2019/20. The DOD budget therefore increases by 4.39% in nominal terms, but remains static in real terms (decreases by 0.01% in real terms) from 2019/20 to 2020/21. <u>The defence allocation for 2020/21 represents 2.98% of the country's total expenditure of R1.761 trillion (3.06% in 2019/20)</u>. However, <u>as a percentage of GDP for 2020/21 (R5.428 trillion), defence expenditure stands at 0.97% (0.93% in 2019/20)</u>. Table 1 reflects the nominal and real percentage changes per programme for the DOD's 2020/21 budget. The real percentage changes are adjusted for Consumer Price Inflation (CPI) and do not take into account other forms of inflation such as medical or the concept of 'defence inflation' which are generally considered higher than CPI. Individual programmes will be discussed in subsequent sections.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				

Programme 1: Administration	5 524,6	5 731,9	207,3	- 34,3	3,75%	-0,62%
Programme 2: Force employment	3 620,7	3 671,1	50,4	- 104,3	1,39%	-2,88%
Programme 3: Landward Defence	16 527,0	17 421,9	894,9	160,6	5,41%	0,97%
Programme 4: Air Defence	6 979,6	7 405,3	425,7	113,6	6,10%	1,63%
Programme 5: Maritime Defence	4 838,5	4 915,6	77,1	- 130,1	1,59%	-2,69%
Programme 5: Military Health Support	5 375,3	5 656,0	280,7	42,3	5,22%	0,79%
Programme 7: Defence Intelligence	1 020,5	1 187,5	167,0	117,0	16,36%	11,46%
Programme 8: General Support	6 349,5	6 449,3	99,8	- 172,0	1,57%	-2,71%
TOTAL	**50 235,6**	**52 438,6**	**2 203,0**	**- 7,1**	**4,4%**	**-0,01 %**

Table 2: Increase/decrease per programme from 2019/20 to 2020/21

6.2 Key cost drivers for 2020/21

Key cost drivers and other concerns of the DOD 2020/21 budget include the following (in terms of broad economic classifications):

- **Compensation of employees.** Spending on personnel has been an ongoing concern for the DOD in recent years. This will continue to affect the Department in 2020/21, where the allocation for spending on Compensation of Employees increases to R31.178 billion (from R29.194 billion in 2019/20). Over the medium-term, 62.1% of the DOD's total allocation is set to be spent on personnel costs. This figure is significantly out of line with the envisaged spending of 40% on personnel as per the 2015 Defence Review. It also leaves little funds available for operations and capital acquisition.
- **Property payments.** The allocation for spending on property payments increases by more than R200 million from R1.607 billion in 2019/20 to R1.809 billion in 2020/21. Over the MTEF, spending on property payments will increase by 7.5%.
- **Contractors.** The allocation for spending on contractors increases from R2.126 billion in 2019/20 to R2.229 billion in 2020/21. Despite this increase, spending on this item is set to decline by 0.3% over the MTEF
- **Capital acquisition.** Similar to 2019/20, only R1.8 million is allocated for spending on specialised military assets in 2020/21. More significantly, transfers to *Departmental Agencies and Accounts* (that largely consist of transfers to the Special Defence Account (SDA) is set to decrease significantly over the MTEF from R5.377 billion in 2020/21 to R1.432 billion in 2022/23. This may have a lasting impact on force modernisation and defence capabilities as well as ongoing acquisition projects.
- **The high cost of administering the DOD.** In a briefing to Parliament's Standing Committee on Finance on 27 February 2019, Professor Jannie Rossouw of the Fiscal Cliff Study Group lamented the exorbitant cost of ministries in South Africa. He also noted that the DOD Ministry has the highest ministerial cost of all ministries (R137.7 million for 2019/20), compared to National Treasury with the lowest ministerial cost of R4.4 million). This trend is set to continue over the

MTEF. For 2020/21, the cost of the Ministry is R132.3 million, which is set to grow by 2.2% over the MTEF to R146.9 million in 2022/23.

While the DOD's main cost drivers are noted above, National Treasury outlines a number of expenditure focus areas that may be of interest to Members of the PCODMV:

- **Bringing about sustainability in the DOD:**
  Over the medium-term, the DOD is expected to make the following savings:
    - **R209.8 million** by conducting its own internal maintenance through the Defence Works Formation.
    - **R3 billion** through the sale and leasing of redundant assets and equipment.
    - **R1.9 billion** through reimbursements from the United Nations.
- **Focus on border safeguarding:**
  An additional R225 million will be allocated to the DOD over the MTEF for the introduction of additional technology on the borders to enhance border safeguarding. (Member should note that this is in line with the response from the National Treasury to the PCODMV's BRR Report of 2019 requesting additional funds to expand the number of sub-units deployed on the borders from 15 to 22).
- **Participating in peacekeeping:**
  Over the medium-term, R3.5 billion is allocated to the Force Employment programme to ensure compliance with peacekeeping commitments.
- **Internal operations:**
  Over the medium-term, R48.5 million is allocated for the SANDF's participation in internal operations such as disaster relief, search and rescue and assistance to the SA Police Service (SAPS).

7. NATIONAL TREASURY FEEDBACK TO THE PCODMV

In October 2019, following its engagement with the DOD on the 2018/19 Annual Report, the PCODMV made specific recommendations to National Treasury. The responses to these recommendations are essential to consider in the light of the 2020/21 budget. The following recommendations were responded to:

Committee recommendation 1:
The Committee recommends that the National Treasury should not lower the Department of Defence's baseline budget allocation in nominal terms over the MTEF period. This relates to all outlying years of the MTEF and specifically to 2021/22 where the budget is set to decrease from R52.5 billion in 2020/21 to R50.9 billion in 2021/22.
Response from National Treasury 1:
The Department of Defence has an allocation of R52.4 billion in 2020/21, R50.8 billion in 2021/22 and R53 billion in 2022/23. In nominal terms, the 2020 MTEF allocations of the Department are comparable to the 2019 MTEF allocations.

Committee recommendation 2:
The Committee urges the National Treasury to provide additional funds specifically for the purpose of border safeguarding. The Committee recommends that the number of sub-units be increased incrementally over the MTEF period with the aim of having 22 sub-units deployed for landward borderline duties by the end of the MTEF period. Additional funds should also

include an allocation for the use of technology as a force multiplier for border safeguarding purposes.

Response from National Treasury 2:

Border security remains a priority for government. The National Treasury has allocated an additional R225 million to the Department of Defence over the medium term to procure equipment and technology to support military units deployed to safeguard our borders.

Committee recommendation 3:

The Committee urges immediate engagement between the Minister of Defence, the Minister of Finance and the Commander in Chief of the South African National Defence Force, to finalise a funding plan that will arrest the current decline of the military. This recommendation is derived from the dire financial and resource situation shared with the Committee by especially the South African Army, the South African Air Force and the South African Navy during its recent oversight engagements. The finalised plan should be presented to the Committee no later than the end of the first quarter of 2020/21.

Response from National Treasury 3:

The National Treasury agrees that the funding challenges of the Department of Defence should be discussed. The Department is arranging a meeting with the President, the Minister of Finance, the Minister of Public Service and Administration, and the Minister of Defence and Military Veterans to address the funding challenges.

Committee recommendation 4:

The Committee noted comments by the Department of Defence that savings to compensation of employees can be made through a process of force rejuvenation. The Committee therefore recommends a joint approach to force rejuvenation that would see the Department of Defence develop and roll out a rejuvenation plan and the National Treasury provide funding for an exit mechanism to speed up rejuvenation. The National Treasury should, as soon as possible, release funds to facilitate an interim exit mechanism for the remainder of 2019/20. The Department of Defence should finalise rejuvenation plans for full implementation from 2020/21

Response from National Treasury 4:

The National Treasury agrees that the Department of Defence should develop a rejuvenation strategy. At a ministerial meeting, it was resolved that the Department would develop and submit a rejuvenation strategy to the National Treasury by May 2019. The Department has not yet submitted the strategy, but is engaging with the National Treasury on a draft. The Department of Defence has yet to implement early retirement without penalties, which was introduced in the 2019 Budget Review as one of the measures to reduce spending on compensation of employees.

8. BUDGET AND PERFORMANCE ANALYSIS PER PROGRAMME

8.1 Programme 1 (Administration)

8.1.1 Programme 1 Budget Analysis

The Administration programme received a nominal increase of R207.3 million from R5.525 billion in 2019/20 to R5.732 billion in 2020/21. However, this increase translates to a real percentage decrease of 0.62% when adjusted for inflation. The largest decrease in real terms is for Subprogramme 8 (Acquisition Services), with a 17.23% reduction. Subprogramme 1 (Ministry) also received a real percentage decrease of 8.11% in its allocation. All other subprogrammes received marginal real percentage decreases no larger than 2.5%. The only exception in Programme 1 is Subprogramme 14 (Office Accommodation), that received an additional allocation of R139.4 million, translating to a real increase of 1.05%.

In terms of economic classifications, allocations remained fairly static with marginal nominal increases. However, the following aspects can be noted:

- *Advertising.* Although the allocation for advertising increased only marginally from R89.2 million in 2019/20 to R89.9 million in 2020/21, this comes off a major increase from R76.0 million in 2018/19. This need for elevated spending on advertising in light of the DOD's limited recruitment capacity and financial constraints can be questioned.
- *Operating leases* increases from R1.529 billion in 2019/20 to R1.615 billion in 2020/21.
- *Property payments* increases only marginally from R1.127 billion in 2019/20 to R1.184 billion in 2020/21. However, this comes off a major increase from R976.5 million in 2018/19. It brings into question the DOD's ability to negotiate favourable annual lease increases and specifically the 2018/19 increase should be questioned.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Ministry	137,8	132,2	- 5,6	- 11,2	-4,06%	-8,11%
Sub-programme 2: Departmental Direction	51,9	53,4	1,5	- 0,8	2,89%	-1,45%
Sub-programme 3: Policy and Planning	123,4	127,6	4,2	- 1,2	3,40%	-0,95%
Sub-programme 4: Financial Services	435,6	447,6	12,0	- 6,9	2,75%	-1,58%
Sub-programme 5: Human Resources Support Services	958,8	998,8	40,0	- 2,1	4,17%	-0,22%
Sub-programme 6: Legal Services	364,2	371,6	7,4	- 8,3	2,03%	-2,27%
Sub-programme 7: Inspection and Audit Services	154,6	158,3	3,7	- 3,0	2,39%	-1,92%
Sub-programme 8: Acquisition Services	89,8	77,6	- 12,2	- 15,5	-13,59%	-17,23%
Sub-programme 9: Communications Services	129,9	132,7	2,8	- 2,8	2,16%	-2,15%
Sub-programme 10: SANDF Command and Control	185,8	191,6	5,8	- 2,3	3,12%	-1,22%
Sub-programme 11: Religious Services	20,1	20,8	0,7	- 0,2	3,48%	-0,88%
Sub-programme 12: Defence Reserve Direction	35,0	36,5	1,5	0,0	4,29%	-0,11%
Sub-programme 13: Defence Foreign Relations	303,3	309,0	5,7	- 7,3	1,88%	-2,41%
Sub-programme 14: Office Accommodation	2 534,7	2 674,1	139,4	26,7	5,50%	1,05%
TOTAL	**5 524,6**	**5 731,9**	**207,3**	**- 34,3**	**3,8%**	**-0,62%**

Table 3: Nominal and real increases/decreases in the Administration Programme

8.1.2 Programme 1 Performance Planning

There has been a significant reduction in the number of targets for Programme 1. While historically this programme had in excess of 60 targets, these were reduced to only *eight targets in 2020/21*. The Department should be commended for this as it will simplify oversight. The targets are aligned with envisaged DOD outputs. In order to familiarise Members with the various targets, all eight targets are captured in the table below.

DOD Output	Indicator	2019/20 Target	2020/21 Target
Defence Strategic Direction	% Adherence to DOD Master Record Index for Policies	40%	**80%**
	% Adherence to DOD Master Record Index for Strategies	50%	**50%**
	% Adherence to DOD Master Record Index for Plans	New indicator	**90%**
	Number of Reserve Force man days	2 693 048	**2 695 963**
	Reduction in number of audit qualifications	0	**5**
	Percentage of audits completed i.t.o approved audit plan	100%	**100%**
Defence Capabilities Prepared	% Compliance with SANDF battle fitness requirement	Classified	**Classified**
Defence Capabilities provided	Number of Defence Attaché Offices	44	**44**

Table 4: Performance Targets for Programme 1

8.2 Programme 2 (Force Employment)

8.2.1 Programme 2 Budget Analysis

The allocation for the Force Employment programme increased only marginally by R50.4 million, resulting in a real percentage decrease of 2.88%. This can largely be attributed to a decrease in the allocation to Subprogramme 4 (Regional Security) that received a 7.6% reduction in real terms. This is of importance as it relates to the SANDF's deployment as part of the UN mission in the DRC as well as the SA Navy's patrols in the Mozambican channel. This signifies an ongoing decrease in allocation since 2016/17. In contrast, the Strategic Direction Subprogramme received an increased allocation of R9.4 million (4.9% in real terms). This Subprogramme refers largely to the administrative and policy management of Programme 2 (Force Employment).

In terms of economic classifications, all changes in terms of expenditure for 2020/21 remained marginal when compared to 2019/20. The only noteworthy increase relates to *Fleet Services* that increases from R46.6 million to R65.7 million (Members may note that this increase comes off a low base as Fleet Services received allocations of less than R27 million in the last four financial years (since 2016/17). The following noteworthy decreases can be noted:

- *Contractors* decreases from R346.6 million in 2019/20 to R286.6 million in 2020/21

- *Travel and subsistence* decreases from R227.8 million in 2019/20 to R169.3 million in 2020/21.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Strategic Direction	191,3	209,5	18,2	9,4	9,51%	4,90%
Sub-programme 2: Operational Direction	378,2	400,1	21,9	5,0	5,79%	1,33%
Sub-programme 3: Special Operations	936,4	954,5	18,1	- 22,1	1,93%	-2,36%
Sub-programme 4: Regional Security	1 021,2	985,1	- 36,1	- 77,6	-3,54%	-7,60%
Sub-programme 5: Support to the people	1 093,6	1 122,0	28,4	- 18,9	2,60%	-1,73%
TOTAL	**3 620,7**	**3 671,1**	**50,4**	**- 104,3**	**1,4%**	**-2,88%**

Table 5: Nominal and real increases/decreases in the Force Employment Programme

8.2.2 Programme 2 Performance Planning

The Force Employment Programme has 11 set targets for 2019/20 of which five are not elaborated on due to the information being classified. The targets for 2020/21 are in line with previous years, except for the addition of a target related to the percentage combat-ready capabilities available to the SANDF (classified). All targets set for 2020/21 are in line with performance in the preceding years. The target set for the number of joint, interdepartmental exercises is five. This target has not been achieved in recent years due to budgetary and other constraints. Given the demands on the DOD with the outbreak of the Covid-19 pandemic, it is unlikely to achieve this target in 2020/21.

The DOD should be commended for de-classifying the target related to the percentage reimbursement received from the UN or AU for external missions. However, the classification of other targets is (in some instances) questionable, specifically where information was previously released and is now deemed ‘classified’. These classified targets for 2020/21 include:

- Percentage compliance with force levels for external operations (previously released target was 98% in 2014/15).
- Percentage compliance of equipment for external operations (previously released target was 77% in 2013/14).
- Percentage compliance with self-sustainment of personnel (previously released target was 79% per cent in 2014/15).

8.3 Programme 3 (Landward Defence

8.3.1 Programme 3 Budget Analysis

The Landward Defence programme is the largest programme in the DOD and includes the SA Army with a personnel component of 38 547 in 2020/21. For 2020/21, the programme received only a marginal nominal increase of R161 million, resulting in a real percentage decrease of 0.97%.

While most subprogrammes' allocations remained relatively stable in real terms, three significant increases at subprogramme level can be noted. The *Artillery* allocation received an additional allocation of R154.3 million in 2020/21, resulting in a 16.36% increase in real terms. The *Strategic Direction* subprogramme received an 11.13% increase in real terms when compared to 2019/20. This subprogramme relates to the control component of the SA Army (a largely administrative function). Finally, the *Air Defence Artillery Capability* received a real percentage increase of 7.49% for 2020/21.

In terms of economic classifications, the following increases and decreases from 2019/20 to 2020/21 can be noted:

- The allocation for *Compensation of Employees* increases from R12.572 billion to R13.178 billion. Over the medium-term, this expenditure item is set to increase by 6.2%. The SA Army is the largest personnel component of the SANDF and thus heavily affected by Compensation of Employees.
- The allocation for *Food and Food supplies* increases from R652.2 million to R742.9 million. This item is expected to rise by 15.2% over the medium-term.
- The allocation for *Travel and subsistence* increases from R342 million to R439.1 million, but is expected to again decrease in the outlying years of the MTEF.
- The allocation for *fuel, oil and gas* decreases from R244.2 million to R138.2 million. This item is expected to decrease by 14.8% over the medium-term.

Programme	Budget		Nominal Increase / Decrease in 2020/21	Real Increase / Decrease in 2020/21	Nominal Percent change in 2020/21	Real Percent change in 2020/21
R million	2019/20	2020/21				
Sub-programme 1: Strategic Direction	395,1	458,4	63,3	44,0	16,02%	11,13%
Sub-programme 2: Infantry Capability	6 357,4	6 739,5	382,1	98,1	6,01%	1,54%
Sub-programme 3: Armour Capability	497,0	511,4	14,4	- 7,2	2,90%	-1,44%
Sub-programme 4: Artillery Capability	718,5	872,8	154,3	117,5	21,48%	16,36%
Sub-programme 5: Air Defence Artillery Capability	494,3	554,7	60,4	37,0	12,22%	7,49%
Sub-programme 6: Engineering Capability	814,0	858,3	44,3	8,1	5,44%	1,00%

Sub-programme 7: Operational Intelligence	246,4	252,7	6,3	- 4,4	2,56%	-1,77%
Sub-programme 8: Command and Control Capability	235,1	240,0	4,9	- 5,2	2,08%	-2,22%
Sub-programme 9: Support Capability	4 816,4	4 921,4	105,0	- 102,4	2,18%	-2,13%
Sub-programme 10: General Training Capability	544,6	558,5	13,9	- 9,6	2,55%	-1,77%
Sub-programme 11: Signal Capability	1 408,1	1 454,0	45,9	- 15,4	3,26%	-1,09%
TOTAL	**16 527,0**	**17 421,9**	**894,9**	**160,6**	**5,4%**	**0,97%**

Table 6: Nominal and real increases/decreases in the Landward Defence Programme

8.3.2 Programme 3 Performance Planning

Four performance targets were set for the Landward Defence Programme for 2020/21. This includes one new indicator related to the percentage combat ready capabilities available to the SANDF. This new indicator, as well as a recurring target related to Joint Force employment requirements, remain classified. Targets set for 2020/21 remain in line with the preceding year. The target “Percentage compliance with DOD Training targets” is 80%. This may be impacted negatively due to the SA Army’s deployment requirements during the Covid-19 pandemic. Similarly, it is uncertain whether the number of training exercises will be completed due to increased operational demands.

8.4 Programme 4 (Air Defence)

8.4.1 Programme 4 Budget Analysis

The Air Defence programme has taken significant strain in recent years in terms of its budget allocation. However, the 2020/21 allocation sees its allocation increased again to levels in line with 2015/16 allocations. The R7.405 million allocated for 2020/21 represents an increase of R425.6 million in nominal terms, which translates to an increase of 1.63% when adjusted for inflation. A number of major increases/decreases can be observed in terms of the subprogrammes when comparing 2020/19 to the preceding year:

- Subprogramme 7 (Command and Control Capability) received a decreased allocation by R247 million, resulting in a real percentage decrease of 31.26%.
- Subprogramme 2 (Operational Direction) relates to the SA Air Force Command and received a real percentage reduction of 24.18%.
- Subprogramme 8 (Base Support Capability) received an additional R474.4 million, resulting in an increased allocation of 21.55% in real terms.
- Subprogramme 5 (Air Combat Capability) received an additional R144.6 million, resulting in an increased allocation of 14.84% in real terms.
- Subprogramme 3 (Helicopter Capability) received an additional R117 million, resulting in an increased allocation of 11.74% in real terms.

From the above programme restructuring, it would seem that the SA Air Force is restructuring its expenditure in such a way that funds are flowing to its core capabilities and away from *administrative capabilities. This fact should be interrogated by the PCODMV and, if found to be the case, the DOD can be commended for such a shift.*

In terms of economic classifications, the following increases and decreases from 2019/20 to 2020/21 can be noted:

- The allocation for *Contractors* increases from R1.047 billion to R1.251 billion.
- The allocation for *Food and food supplies* increases from R15.9 million to R100.1 million.
- The allocation for *Fuel, oil and gas* increases from R208.6 million to R272.9 million.
- The allocation for *Departmental agencies and accounts* decreases from R1.257 billion to R1.049 billion.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Strategic Direction	32,0	31,8	- 0,2	- 1,5	-0,62%	-4,81%
Sub-programme 2: Operational Direction	189,0	149,6	- 39,4	- 45,7	-20,85%	-24,18%
Sub-programme 3: Helicopter Capability	702,3	819,3	117,0	82,5	16,66%	11,74%
Sub-programme 4: Transport and Maritime Capability	1 156,0	1 071,4	- 84,6	- 129,8	-7,32%	-11,22%
Sub-programme 5: Air Combat Capability	726,7	871,3	144,6	107,9	19,90%	14,84%
Sub-programme 6: Operational Support and Intelligence Capability	370,1	418,0	47,9	30,3	12,94%	8,18%
Sub-programme 7: Command and Control Capability	876,6	629,1	- 247,5	- 274,0	-28,23%	-31,26%
Sub-programme 8: Base Support Capability	1 763,8	2 238,2	474,4	380,1	26,90%	21,55%
Sub-programme 9: Command Post	73,7	74,6	0,9	- 2,2	1,22%	-3,04%
Sub-programme 10: Training Capability	509,1	522,7	13,6	- 8,4	2,67%	-1,66%
Sub-programme 11: Technical Support Services	580,3	579,2	- 1,1	- 25,5	-0,19%	-4,40%
TOTAL	**6 979,6**	**7 405,2**	**425,6**	**113,5**	**6,1%**	**1,63%**

Table 7: Nominal and real increases/decreases in the Air Defence Programme

8.4.2 Programme 4 Performance Planning

The number of targets for this programme increased from four to five. The new target in line similar with the Landward Defence Programme, is 'the percentage combat-ready capabilities available to the SANDF'. The target is classified. Similarly, the target related to force employment requirements remains classified. The percentage compliance with DOD training targets for 2020/21 (80%) remains the same as in previous years. The number of training opportunities for the year is 687. It should be noted, however, that this reflects a continuous decline in targets from 2014/15 when training targets were as high as 3 662. Finally, the target on flying hours for the year is set for 17 100. This may, however, be impacted by the additional flight requirements as part of the SANDF's participation in deployments to curb the Covid-19 pandemic.

8.5 Programme 5 (Maritime Defence)

8.5.1 Programme 5 Budget Analysis

Since 2016/17, the overall allocation to the Maritime Defence programme has remained relatively constant. However, the allocation for 2020/21 only increased by R77 million, resulting in a real percentage decrease of 2.68% when adjusted for inflation. Only the Maritime Human Resources and Training Capability as well as the Maritime Direction subprogrammes received increases, with the latter receiving an 11.23% increase in real terms. The Base Support Capability subprogramme received the largest reduction of 9.62% in real terms while the Maritime Combat Capability subprogramme received a real percentage reduction of 5.97%.
In terms of economic classifications, the following increases and decreases from 2019/20 to 2020/21 can be noted:

- The allocation for *Fuel, oil and gas* decreases from R97.5 million to R45.4 million. However, in 2021/22, it is set to increase exponentially to R214.2 million.
- The allocation for *Other supplies* increases from R94 million to R196.4 million.
- The allocation for *Operating payments* increases from R51.6 million to R81.2 million.
- The allocation for *Departmental agencies and accounts* decreases from R1.187 billion to R979.9 million.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Maritime Direction	594,9	690,8	95,9	66,8	16,12%	11,23%
Sub-programme 2: Maritime Combat Capability	1 770,2	1 737,7	- 32,5	- 105,7	-1,84%	-5,97%
Sub-programme 3: Maritime Logistics support Capability	1 184,2	1 198,5	14,3	- 36,2	1,21%	-3,06%
Sub-programme 4: Maritime HR and Training Capability	570,1	610,2	40,1	14,4	7,03%	2,52%
Sub-programme 5: Base Support Capability	719,1	678,5	- 40,6	- 69,2	-5,65%	-9,62%
TOTAL	**4 838,5**	**4 915,8**	**77,3**	**- 129,9**	**1,6 %**	**-2,68%**

Table 8: Nominal and real increases/decreases in the Maritime Defence Programme

8.5.2 Programme 5 Performance Planning

Two new performance indicators were introduced for the medium-term. First, in line with other programmes, a target was included related to the 'percentage combat-ready capabilities available to the SANDF'. This target is classified. Second, a target was introduced related to the 'number of maritime coastal patrols conducted per year'. Four coastal patrols are planned for 2020/21. The remaining targets relate to the number of training exercises, unique maritime exercises and the number of sea hours. The latter remain at 10 000 for 2020/21, although no more than 8 131 have been achieved annually since 2016/17.

8.6 Programme 6 (Military Health Support)

8.6.1 Programme 6 Budget Analysis

The Military Health Support programme received an additional R280.7 million in 2020/21, bringing its total allocation to R5.656 billion. This reflects a marginal increase of 0.79% in real terms. Two subprogrammes were the major beneficiaries of this increase. Firstly, the *Specialist Health Services* subprogramme received a 9.12% increase in real terms in 2020/21 compared to the previous year. Secondly, the *Strategic Direction* subprogramme also saw its allocation increase by 6.17% in real terms over this period. In contrast, the *Military Health Maintenance* subprogramme received a 24.33% decrease in real terms.

In terms of economic classifications, several changes from 2019/20 to 2020/21 can be noted:

- The allocation for *Agency and support/outsourced services* decreases from R428.2 million to R261.7 million. This is set to rise again to about R400 million per year in the outlying MTEF years.
- The allocation for *Food and Food supplies* increases from R65.6 million to R122.2 million before decreasing again in the outlying MTEF years.
- *Travel and subsistence* increases from R91.3 million to R107.6 million.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Strategic Direction	206,7	229,1	22,4	12,7	10,84%	6,17%
Sub-programme 2: Mobile Military Health Support	260,5	270,3	9,8	- 1,6	3,76%	-0,61%
Sub-programme 3: Area Military Health Support	1 956,1	1 941,4	- 14,7	- 96,5	-0,75%	-4,93%
Sub-programme 4:Specialist Health Services	2 049,4	2 334,8	285,4	187,0	13,93%	9,12%
Sub-programme 5: Military Health Product Support	302,5	320,5	18,0	4,5	5,95%	1,49%
Sub-programme 6: Military Health Maintenance	221,4	174,9	- 46,5	- 53,9	-21,00%	-24,33%
Sub-programme 7: Military Health Training Capability	378,7	384,9	6,2	- 10,0	1,64%	-2,65%
TOTAL	**5 375,3**	**5 656,0**	**280,7**	**42,3**	**5,2%**	**0,79%**

Table 9: Nominal and real increases/decreases in the Military Health Support

8.6.2 Programme 6 Performance Planning

Only four targets were set for Programme 6, which is a reduction from the six targets set in, for example, 2018/19. Of specific concern is the fact that three of the four targets indicated in the medium term are considered classified. Only the target related to training is not classified (80% compliance with the set target for 2020/21). Classified targets include:

- Percentage compliance with Joint Force Employment requirements as resourced.
- Percentage combat-ready capabilities available to the SANDF.
- Percentage compliance with availability of medical stock.

The classification of the latter target was highlighted as a major point of concern by MPs in the Fifth Parliament. If information is available, this is something that can be tracked by Parliament, thus preventing concerns when urgent need arises (as is evident when the medical system comes under pressure such as with the Covid-19 pandemic).

8.7 Programme 7 (Defence Intelligence)

8.7.1 Programme 7 Budget Analysis

The allocation for Defence Intelligence in 2020/21 reflects a significant increase given its relatively small size as a programme. An additional R167 million was allocated to the programme, resulting in a real percentage increase of 11.46%. The major beneficiary is subprogramme 1 (Operations) that received a real percentage increase of 15.67%. In terms of the economic classifications, *Fleet Services* shows an increase from a historically low base of only R400 000 to R6 million in 2020/21. It is set to remain at this level over the MTEF. Property payments also increase from R900 000 in 2019/20 to R3.9 million in 2020/21.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Operations	542,5	655,1	112,6	85,0	20,76%	15,67%
Sub-programme 2: DI Support Services	477,9	532,4	54,5	32,1	11,40%	6,71%
TOTAL	**1 020,5**	**1 187,5**	**167,0**	**117,0**	**16,4%**	**11,46%**

Table 10: Nominal and real increases/decreases in the Defence Intelligence Programme

8.7.2 Programme 7 Performance Planning

In line with the previous year, only two performance targets are indicated for Programme 7, as follows:

- Number of vetting decisions taken (4 500 for 2020/21)
- Number of Defence Intelligence Products (448 for 2020/21)

8.8 Programme 8 (General Support)

8.8.1 Programme 8 Budget Analysis

The General Support programme received a limited additional allocation of R99.8 million for 2020/21 compared to the previous year. This translates to a real percentage reduction of 2.71% when inflation is factored in. This reduction follows a similar real percentage reduction of 2.36% during the 2019/20 allocations. All subprogrammes received marginal reduction in allocation in real terms, except for the Technology Development subprogramme that saw its allocation reduced by 8.22% in real terms.

In terms of economic classifications, the following increases and decreases from 2019/20 to 2020/21 can be noted:

- The allocation for *Minor assets* increases from R50 million to R96.8 million.
- The allocation for *Property payments* increases from R252 million to R341.7 million.
- The allocation for *Software and intangible assets* decreases from R146.1 million to R42.6 million. This decreases further to only R400 000 per year for the two outlying MTEF years.

It should further be noted that refurbishing and maintenance work by the Defence Works Formation (DWF) are also funded under the General Support programme. Given the statement by the National Treasury that expected savings of R209.8 million are expected over the medium term due to the work of the DWF, further clarity should be sought as to how this process will be managed.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Sub-programme 1: Joint Logistics Services	2 905,5	2 954,8	49,3	- 75,2	1,70%	-2,59%
Sub-programme 2: Command and Maintenance Information Systems	1 048,0	1 053,1	5,1	- 39,3	0,49%	-3,75%
Sub-programme 3: Military Police	704,6	728,2	23,6	- 7,1	3,35%	-1,01%
Sub-programme 4: Technology Development	487,7	467,3	- 20,4	- 40,1	-4,18%	-8,22%
Sub-programme 5: Departmental Support	1 203,7	1 245,9	42,2	- 10,3	3,51%	-0,86%
TOTAL	**6 349,5**	**6 449,3**	**99,8**	**- 172,0**	**1,6%**	**-2,71%**

Table 11: Nominal and real increases/decreases in the General Support Programme

8.8.2 Programme 8 Performance Planning

The number of performance indicators used to track performance in Programme 8 remain at six for 2020/21. One new target was introduced, relating to the 'percentage compliance to the DOD ICT Capability Plan' (this replaced a target related to the utilisation of DOD endowment property). Targets set for 2020/21, include the following:

Performance Indicator	Audited Outcome	Estimated Performance	Estimated Performance
	2018/19	2019/20	2020/21
Percentage procurement requests fully completed within 90 days from registration	99.75%	95%	95%
Percentage expenditure in accordance with facilities plan	94.31%	100%	100%
Percentage compliance with DOD ICT Plan	New	New	100%
Number of crime prevention operations	178	124	124
Percentage criminal cases investigated (backlog)	87%	40%	40%
Percentage criminal cases investigated (in-year)	30.8%	25%	25%

Table 12: Performance Indicators for Programme 8

9. COMMITTEE OBSERVATIONS

During deliberations with the DOD on 5 May 2020, Members of the PCODMV made several observations related to the budgetary allocation, the performance indicators and the targets set in the Strategic Plan and the APP. The following were noted:

- Members expressed their gratitude for the ongoing SANDF efforts to combat the spread of Covid-19 pandemic in South Africa. It urged senior commanders to ensure that soldiers remain well protected in the execution of their tasks.
- Members expressed the need to consider the long-term performance of the DOD, specifically given that many concerns raised by institutions like the Defence Force Service Commission remain.
- Members reiterated the need for the DOD to ensure that it maximises its reimbursement from the United Nations for its participation in peacekeeping operations in the Democratic Republic of the Congo. Similarly, the Committee highlighted the need for the SANDF to be reimbursed by other state departments where services are rendered.
- The Committee welcomed the announcement that additional funds have been allocated to boost technological means for border security. However, the Committee remains concerned about the ongoing challenges to optimally safeguard our borders.
- The Committee is concerned about statements that Projects Hoefyster and Biro are likely to run into funding difficulties in the medium-term.
- Members raised concerns around the plausibility of fully implementing Milestone 1 of the 2015 Defence Review over the medium term given ongoing financial and related constraints.
- The Committee welcomed the ongoing initiative by the DOD to utilise the Defence Works Formation as a generator for cost-savings.
- Members also welcomed the ministerial initiative to sweat assets as a means of raising additional funds for the SANDF. It noted that this process will be headed by the Chief of Logistics, but cautioned that this should be done in a responsible manner to ensure maximum benefit for the SANDF.

- Members expressed serious concern over the potential for irregular expenditure related to the inability of the DOD to bring personnel expenditure within the Compensation of Employees ceiling, as directed by National Treasury.
- The Committee expressed concern around the high cost of the Ministry sub-programme, which was found to be the highest amongst Ministries with R137.7 million in 2019/20.
- Members raised concern around the continuous funding difficulties and the impact this will have on the midlife upgrades of essential equipment including primary SA Navy and SA Aircraft platforms.
- The Committee noted that one of the Executive Authority's Focus areas, is to "maintain prime mission equipment at a set level" and enquired what exactly this entails.
- The Department is experiencing continuous funding difficulties and the Committee wanted to know whether the DOD has any austerity measures to assist to address these challenges.

10. RECOMMENDATIONS

The PCODMV identified the following areas that will be subject to monitoring by the Committee throughout the 2020/21 financial year:

- The Committee urges the DOD to ensure that all SANDF personnel deployed to assist other state departments in the fight against Covid-19 be well prepared and issued with the relevant protective gear. The DOD is further urged to ensure that regular screening and testing of its members occur to prevent the spread of Covid-19 pandemic within the Armed Forces itself.
- The Committee will engage the Defence Force Service Commission on its recurring findings on conditions of service of soldiers and the DOD on progress with the implementation of outstanding recommendations.
- The DOD is urged to ensure that it maximises its reimbursement from the United Nations for participation in peacekeeping regarding the availability and serviceability of especially Prime Mission Equipment. The Departments should, henceforth, include in their quarterly report the percentage of reimbursement received from the UN relevant to expected reimbursement.
- The DOD should include, in its Annual Report, a list of areas in which it assisted other government departments, what the expenditure was in this regard and whether reimbursement for such assistance was received.
- The Committee requests the DOD to update it on a quarterly basis on progress regarding the implementation of technological means to boost border safeguarding. Quarterly progress on the spending of the R225 million allocated by National Treasury for this purpose should also be provided.
- The Committee undertook to continuously engage the DOD on progress regarding Projects Hoefyster, Biro and Hotel.
- The Committee recommends that the DOD should on a regular basis share with it progress made with the implementation of Milestone 1 of the 2015 Defence Review and the challenges in this regard.
- The DOD is encouraged to fast-track the utilisation of the Defence Works Formation as a cost saving mechanism. The Committee recommends that the DOD should provide feedback on the devolution of certain responsibilities from the Department of Public Works to the DOD. Projects and related savings should be reported in the DOD Annual Report.

- The Committee also encourages the Department to fast-track the sweating of assets to ensure maximum benefit for the SANDF. In this regard, the DOD should share with the Committee its detailed plans, once completed, for the sweating of assets.
- The Committee once again urges the DOD to engage National Treasury to find ways to avoid the irregular expenditure on Compensation of Employees, against the background of the rejuvenation plan that the DOD is expected to share with National Treasury. The Department should report on progress in this regard on a quarterly basis.
- The Committee noted reasons for the higher cost of the Ministry sub-programme such as aircraft chartering for the Executive Authority and the Presidential Medical Unit. Notwithstanding the need for such services, the Committee urges the DOD to find ways of reducing the overall cost of the Ministry during the 2020/21 financial year and over the medium term. The Committee will monitor expenditure in this regard on a quarterly basis.
- Despite challenging financial conditions, the Committee urges the DOD to reassess expenditure patterns to potentially shift funds to ensure the continuation of midlife upgrades for key naval and air platforms.
- The Committee requests the DOD to explain, in its next quarterly report to Parliament, what the maintenance of prime mission equipment at a set levels means and whether they have been able to maintain this set level.
- The Department should indicate to the Committee, in its next quarterly report to Parliament, whether it has any austerity measures, whether these have been implemented and if these are successful to address the persistent funding challenges of the Department.

PART B: DEFENCE ENTITIES

The Portfolio Committee on Defence and Military Veterans (PCODMV), having considered the Strategic Plan 2020 – 2025 and the 2020/21 Annual Performance Plan of the Castle Control Board and the Corporate Plan 2020 – 2021 and budgetary allocation for FY 2020/21 of the Armaments Corporation of South Africa (Armscor) 6 May 2020, reports as follows:

THE CASTLE CONTROL BOARD (CCB)

1. INTRODUCTION

The Castle Management Act, 1993 (No. 207 of 1993) provides for a Castle Control Board (CCB) to govern and manage the Castle of Good Hope (CGH) – South Africa's oldest architectural structure - on behalf of the Minister of Defence and Military Veterans. The National Heritage Resources Act (No. 25 of 1999) provides for the management of the Castle as a national heritage site. The Castle's objectives are set out in the Castle Management Act as follows:

- To preserve and protect the military and cultural heritage of the Castle;
- To optimise the tourist potential of the Castle; and
- To maximise accessibility to the public.

2. THE CCB AND THE COVID 19 PANDEMIC

The Castle of Good Hope (GCH) is one of the prime visitor' attractions in South Africa due to it being one of the oldest surviving buildings in South Africa. It therefore attracts visitors from all over the world and given the manner in which the Corona Virus Diseases 2019 (Covid-19) is spread, such visitors may pose a risk of spreading the disease. The South African Government, like nearly all governments across the world, is currently seized with fighting the Covid-19 pandemic. The impact of the pandemic is enormous and traveling has been severely restricted, impacting on the potential visitors to the CGH. As the "*Annual number of tourists/visitors attracted to the Castle*" has a major influence on the revenue generating capability of the CCB, this is a concern especially given the challenges around the *Going concern* status which is closely linked to the financial viability of the CCB.

3. STRATEGIC PLAN 2020 – 2025

The Castle Control Board's Strategic Plan 2020 – 2025 consists of four main parts namely:

Part A: CCB Mandate

Part B: CCB Strategic Focus

Part C: Measuring CCB Performance

Part D: Technical Indicator Descriptions

It also has four annexures dealing with Strategic Technical Indicator Descriptions for the period 2020 – 2025; the CCB's contribution to the National Development Plan 5 Year implementation Plan (direct); the CCB's contribution to the NDP 5 Year implementation Plan (indirect); and the DOD Result-based plan.

3.1. PART A: CCB MANDATE

This section lists the Constitutional mandate as derived from section 238. The legislative mandate is derived from the Castle Management Act (No. 207 of 1993); the Defence Endowment Property and Account Act (No. 33 of 1922); and the National Heritage Resources Act (No. 25 of 1999). It also refers to various sections of the Public Finance Management Act (No 1 of 1999). The CCB is proposing to amend the Castle Management Act (CMA) (No. 207 of 1993); and the Defence Endowment Property and Account Act (No. 33 of 1922).

The Policy Mandates are derived from the following:

- The Integrated Conservation Management Plan (2019)
- White Paper on Defence 1996
- South African Defence Review 2015
- The National Tourism Act (No. 3 of 2012)
- National Heritage and Cultural Tourism Strategy 2012
- National Development Plan Vision 2030 (2011).

It should be noted that the CCB is involved with two court cases with "*Kamers vol Geskenke*" and one with the Castle Military Museum Foundation.

The Annual Performance Plan (APP) similarly refers to the Mandate of the CCB and lists the various relevant constitutional and legislative mandates as well as the Updates on relevant Court rulings in Part A of the 2020 APP.

3.2 PART B: CCB STRATEGIC FOCUS

This Part deals with the CCB's vision, mission, organisational values, situational analysis, external environment analysis, and internal environment analysis. The CCB's 2020 – 2021 APP similarly covers these aspects in a shorter form in Part B.

VISION: The Castle of Good Hope shall be a globally significant, truly accessible centre of excellence that showcases South Africa's shared heritage.

MISSION: The CCB is a service-orientated public entity, striving to create an environment where national pride serves to:

- Build an internationally known and recognised cultural and heritage brand for Ubuntu, dialogue, nation-building and human rights recognition;
- Guarantee the development of a smooth functioning, self-sustaining, "must-see" iconic visitor and learner destination;
- Optimises its tourism potential and accessibility to the public; and
- Preserve and protect its cultural and military heritage by elevating it to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) World Heritage status.

Organisational Values: The CCB lists the following ***core values***:

• Service quality and excellence;

• Operate with honesty, integrity and dignity;

• Respect for the diversity in military, cultural and social history;

• Genuine partnerships and collaborative relationships;

• Community engagement and inclusivity; and

• Fiscal responsibility, accountability, transparency and sustainability.

The ***individual values*** are listed as Self-respect, Passion, Professionalism, Compassion for the plight of others, Serving with humility, Respect for cultural diversity, and Confidence.

3.2.1 Situational analysis

Provision is made in this part for the evolving external and internal environments that impact on the outcomes of the Castle Control Board. According to them, matters identified are a product of the organisational planning process that has also taken into consideration the MTSF 2020-2025 and other relevant policy documents. The direct engagement between them and the DOD's Strategic Planning Directorate will ensure alignment, complementarity and unity of purpose.

3.2.1.1 External Environment Analysis

Consideration was taken of *inter alia* the economic slowdown, increased unemployment, deepening global and local inequalities, rising fuel prices, rapid climate change, the so-called 4th Industrial Revolution (4IR) and the increased terrorist-activities, the Corona-virus pandemic; all which assist to frame the medium-term strategic thinking and interventions.

The following dimensions are covered:

- **Political:** This dimension plays itself out in numerous ways: at the level of heritage management there is the perpetual contestation between social groups who view it as a "*bastion of white civilisation in darkest Africa*", as to those who perceive it as a "symbol of armed colonial conquest". These opposing worldviews manifest itself in negative social media, attacks on the organisation and reputational damage. A powerful, unified communications strategy is viewed as an anecdote to deal with this political threat.
- **Economic:** The CCB is almost entirely reliant (98%) on self-generated income from tourism, events and rentals to fund its heritage and educational programmes. Given that the organisation is mostly relying on domestic tourism, the fact that the South African economy set to grow at a meagre 1.2% over the next MTSF, is posing a significant threat to the financial sustainability of this small but vibrant entity.
- **Social:** Reference is made to aspects such as world population growth and four demographic trends. They also point out the role of the 4th Industrial Revolution; Cyber connectivity and the concept of a global village; trans-national crime syndicates, etc. They state that right amid these social ills the CCB must work out a means to deal with them in a decisive but humane manner.
- **Technological:** Reference is made to the rising international trend of targeting political institutions and processes; the Cyber adversaries and information security professionals and that in 2018, individual members of the organisation gained access to emails and other

electronic information and used it to smear the Board's right name. The State and the Castle Control Board must place cybersecurity as a strategic priority.

- **Legal:** Experiences over the past few years have demonstrated that the Castle Control Board needs to be legal-wise. Although the presence of two legal professionals on the Audit Committee assisted greatly, the frequency of litigation renders the organisation vulnerable.
- **Physical:** The CCB points out that extreme weather conditions may occur more often as climate change takes place. Resource scarcity, population growth and climate change may increase the potential for conflict over disputed land and water. The recent drought in the Western Cape demonstrated the impact of climate change on a strategic economic sector such as tourism.

3.2.1.2 Internal Environment Analysis

The Strategic Plan as well as the APP refer to one of CCB's most significant threats being a **going concern** linked to financial sustainability. It complains that it receives no direct financial subsidy from the national fiscus to date (despite legislation permitting the organisation), and that the CCB has been restricted to operate as a relatively small, heritage management agency of the MOD&MV. According to them, any investment would lead to an exponential growth in output in the CCB's strategic and conventional operations.

- **Human Resources Dimension:** They believe that the organisation has a well-structured, fully functional Board, Audit and Risk Committee and independent Internal Audit function, and states that it now has a fully-fledged civilian staff complement.
- **Human Resources Dimension:** They believe that the organisation has a well-structured, fully functional Board, Audit and Risk Committee and independent Internal Audit function, and states that it now has a fully-fledged civilian staff complement.
- **Financial Dimension:** It claims that the Board does not expect any immediate support from the MOD&MV to its budget allocation. This should be considered against *inter alia* the pressure on government to provide free education, the social grants, national health insurance, and the priorities of the Medium Term Strategic Framework focussing on socio-economic development of the country.
- **Logistical Dimension:** According to them, the management of acquisition and procurement must take place within international and national regulatory framework, including the adherence and compliance with the government Broad-Based Black Economic Empowerment (BBBEE) requirements.
- **Information Technological Dimension:** The Strategic Plan states that in terms of Information, Communication and Technology (ICT) development, the CCB will continue to develop its ICT systems to be aligned to the national requirement. This will be done through the strengthen its ICT policy and plans; and through a MOA and SLA with SITA.

3.3 PART C: MEASURING CCB PERFORMANCE

Two note-worthy subsections in this section are the Performance Information and Enterprise Risk Management.

3.3.1 Performance Information

3.3.1.1 Measuring of the CCB Impact Statement

The Strategic Plan states that over the 2020-2025 MTSF period, the CCB will continue to support the Government's priorities, the NDP Vision 2030 as well as the NDP 5-year Implementation Plan. They shall ensure that CCB strategies align with the National, Provincial and Local Government Planning Cycle. The NDP mainly focuses on job creation, poverty reduction and the reduction of inequality and the **NDP 5-year Implementation Plan** and government priorities for the 2019 to 2024 MTSF were developed, and the CCB will contribute both directly and indirectly to these.

3.3.1.2 Measuring of the CCB Outcomes

The detailed performance Outcomes over the MTSF is provided in the table below. These are the high level, measurable, impactful outcomes. The five Annual Performance Plans (APPs) to be developed over the MTSF shall contain other, secondary outcomes and outcome indicators.

S/No	Outcomes	Outcome Indicators	Baseline	Five Year Target
1	Accountable and effective governance of the CCB	Percentage of CCB accountability documents submitted following National Prescripts	97% (Based on the previous MTSF audited performance)	97% (Based on the last MTSF average audited performance)
		Status of improved audit opinions	Reduced number of audit qualifications	Decrease (reduce) the audit opinions to unqualified opinions.

S/No	Outcomes	Outcome Indicators	Baseline	Five Year Target
2	A well-conserved maintained and protected Castle of Good Hope	Number of all preventative and scheduled heritage maintenance projects completed as per the ICMP	100% of all maintenance and repair projects completed	96% (Based on previous performance and the erratic nature of breakages)
		Annual number of tourists and visitors attracted to the Castle	867 000	981 000 (Based on previous 3 years' performances but with limited offering)
		Gross revenue generated through tourism and events	R24.4 million	R25.5 million (Based on previous 3 years' performances without Revenue Generation Plan)

Table 1: Outcome indicators and five-year target

3.3.1.3 CCB Outcomes

The CCB developed a transversal, administrative objective that is linked to the DOD's compliance directives, i.e. submission of planning documents, quarterly reports, budgets and annual reports.

Annual Targets	Target FY2020/21	Target FY2021/22	Target FY2022/23	Target FY2023/24	Target FY2024/25	Desired Outcome
Percentage of CCB accountability Documents submitted i.t.o National Prescripts	**97%**	**98%**	**98%**	**100%**	**100%**	**All commitments met 100%**
Status of improved audit opinions	Clean/ Unqualified Audit Opinion	Clean Audit Opinion	Clean Audit Opinion	Clean Audit Opinion	Clean Audit Opinion	Clean audit status
Number of heritage maintenance projects completed	**8**	**8**	**8**	**8**	**8**	**100% projects completed**
Annual number of tourists/visitors attracted to the Castle	**185 000**	**190 000**	**196 000**	**203 000**	**207 000**	**Average annual increase of 5000 visitors**
Gross revenue generated through tourism and events	**R4.8 million**	**R5 million**	**R5.2 million**	**R5.3 million**	**R5.5 million**	**Average annual increase of 4.2% (R200K)**
PERFORMANCE INDICATOR	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Number of tourists attracted per annum	**154 067**	**155 000**	**160 000**	**165 000**	**165 000**	**175 000**

Table 2: CCB Outcome 1

3.3.4 CCB Planned Performance over 2020 – 2025 MTSF Period

In line with the 5 year targets as set out above, the CCB will ***directly contribute*** to the NDP Vision Plan 2030 and the NDP Implementation Plan to the following MTSF Priorities:

- ✓ MTSF Priority 1: *"Economic Transformation and Job Creation"*, through sustainable acquisition, local procurement of good and services, events and tourism opportunities.
- ✓ MTSF Priority 2: *"Education, Skills and Health"* through the provision of internal and external higher education and skills development opportunities for destitute constituencies (military veterans, women, unemployed youth, rural dwellers, etc.)
- ✓ MTSF Priority 4: *"Spatial Integration, Human Settlements and Local Government"*, support women and youth development and economic development in and around the Castle.

Indirectly it will contribute to the following MTSF Priorities:

- ✓ MTSF Priority 6: *"A Capable, Ethical and Developmental State"* by ensuring compliance to regulatory frameworks, continuing to fight corruption and fraud through internal control measures, to support other Government departments and its people in the pursuit of South Africa's developmental agenda.
- ✓ MTSF Priority 5: *"Social Cohesion and Safe Communities"*, through its contribution towards alleviating the plight of the military veterans, homeless, Khoisan, transgender and other destitute constituencies in and around the Castle.
- ✓ MTSF Priority 7: *"A Better Africa and World"* through Castle Control Board' participation and hosting of pan-African events at and around the Castle it contributes towards the Southern Africa Development Regional Indicative Strategic Development Plan (RISDP).

3.3.5 Castle Control Board Enterprise Risk Management

The identified CCB Enterprise Risks continue to be subjected to regular monitoring and scrutiny by relevant departmental management forums, oversight and governance structures that include amongst others, the CCB of Directors, Audit and Risk Committee, Internal Audit Unit, Castle Management and the Portfolio Committee of Defence and Military Veterans. Interestingly, the CBB notes that the transversal CCB Enterprise Risks listed may harm the realisation of the departmental outputs of the associated budget programmes during the FY2020/21 MTEF and will be attended to through the application of the noted organisational risk responses. *This is an issue that the Committee will have to monitor over the MTEF.*

S/No	Outcome	Enterprise Risk	Risk Mitigation
1	Percentage of CCB accountability documents submitted following National Prescripts.	Non-compliance will severely disrupt the CCB's internal and external planning processes leading to lack of service delivery, coordination and damage to the entity's reputation.	Ensure that compliance and accountability is drilled into the organisational DNA and culture.
2	Status of improved audit opinions.	Compromised audit opinions can lead to public distrust, partners abandoning the CCB and general loss of morale	By adopting "Operation Clean Audit", the CCB has taken a non-tolerance towards unfavourable audit outcomes. Slipping from three, uninterrupted consecutive Clean Audit Opinions to an Unqualified one during 2018/19, led to lots of umbrage from the Board.
3	Number of all preventative and scheduled heritage maintenance projects completed as per the ICMP	A dilapidated, unkempt, unsafe, dirty and inaccessible castle is not only a national embarrassment but could also directly lead to a downturn in visitor numbers and revenue.	The CLog-division has ring-fenced a maintenance fund for the Castle; gardening service provider has been appointed, and the CCB is endeavouring to get an external fence to deal with the security challenges.
4	Number of all preventative and scheduled heritage maintenance projects completed as per the ICMP	A dilapidated, unkempt, unsafe, dirty and inaccessible castle is not only a national embarrassment but could also directly lead to a downturn in visitor numbers and revenue.	Increased marketing and promotional activities, partnerships and imaginative events will mitigate this risk.

5	Gross revenue generated through tourism and events	A decline in visitor numbers, events, functions and filming will negatively impact the revenue generation capacity of the CCB. This will directly compromise the financial viability and pose a going concern threat.	Increased marketing and promotional activities, partnerships and imaginative events will mitigate this risk.

Table 3: Enterprise risk and Risk Mitigation

4. ANNUAL PERFORMANCE PLAN: CCB PROGRAMMES FOR FY2020/21

This section deals with the Annual Performance Plan of the CCB e and like in particular at the programmatic outlines and the related financial aspects of the four programmes, through focusing on the relevant Performance Indicators and Targets, both annually and quarterly.

4.1 Programme 1: Administration

Output indicators	Annual Target	Quarterly targets with sources of verification noted			
		Q1	Q2	Q3	Q4
Number of corporate governance policies approved per annum	4	1	1	1	1
Percentage of significant prior-year audit findings resolved	100%	-	-	-	100%
CCB Annual Performance Plan timeously submitted to the Executive Authority	100% (1)	-	-	-	100%
CCB Annual Report timeously submitted to the Executive Authority	100% (1)	-	100% (1)	-	-
CCB Quarterly Reports timeously submitted to the Executive Authority and National Treasury	100%	100% (1)	100% (1)	100% (1)	100% (1)
CCB CEO Performance Agreement timeously submitted to the Executive Authority and National Treasury	100% (1)	-	100% (1)	-	-
CCB Strategic Plan 2020 – 2025 timeously submitted to the Executive Authority and National Treasury	-	-	-	-	-

Table 4: Programme Annual and quarterly targets

4.2 Programme 2: Maintenance and Conservation at the CGH

Output indicators	Annual Target	Quarterly targets with sources of verification noted			
		Q1	Q2	Q3	Q4
Number of preventative and regulation maintenance projects completed	8	2	2	2	2
An annual increase in number of tangible heritage projects implemented at the CGH	6	1	2	2	1

Number of non-commercial, cultural events hosted at the CGH	10	2	3	2	3
Number of exhibitions hosted annually at the CGH	5	1	1	1	2

Table 5: Programme 2 Annual and quarterly targets

4.3 Programme 3: Maximising the Castle's Tourism Potential

Output indicators	Annual Target	Quarterly targets with sources of verification noted			
		Q1	Q2	Q3	Q4
The annual number of visitors and tourists attracted to the Castle	175 000	40 000	40 000	45 000	50 000
Gross revenue generated through tourism and Events	R8.903 m	R 1 500 000	R 1 750 000	R 2 700 000	R 2 953 000
Number of commercial events hosted annually at the CGH	30	8	7	7	8
Number of film and fashion shoots accommodated at the CGH per annum	15	3	4	4	4
Number of tourism infrastructure upgrades Completed	2	-	1	-	1
Number of Joint Marketing Initiatives undertaken per year	2	-	1	-	1
PERFORMANCE INDICATOR	**2016/17**		**2018/19**	**2019/20**	**2020/21**
Gross revenue generated per annum	***R8.2m***	**2017/18**	***R7.850m***	***R8.359m***	***R8.903m***

Table 6: Programme 3 Annual and quarterly targets

4.4 Programme 4: Increase public access to the CGH

Output indicators	Annual Target	Quarterly targets with sources of verification noted			
		Q1	Q2	Q3	Q4
The annual number of potential visitors reached through the media	60m	20m	10m	10m	20m
Number of student interns hosted at the CGH per annum	12	6	2	2	2
Number of heritage-educational programmes organised for women, unemployed youth, disabled and traditional communities	12	3	3	3	3
Number of heritage programmes organized for Military Veterans	6	2	1	1	2
PERFORMANCE INDICATOR	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Number of student interns hosted per annum	***30)***	***30***	***15***	***30***	***20***

Table 7: Programme 4 Annual and quarterly targets

5. PROGRAMME RESOURCE CONSIDERATIONS

This section of the APP refers to the CCB Expenditure estimates, annual increases per programme and the percentages of the programmes in relation to the total budget.

Serial No	Programme	2020/21 (R'000)		2021/22 (R'000)		2022/23 (R'000)	
		Full Cost	Budget Amount	Full Cost	Budget Amount	Full Cost	Budget Amount
1	Administration	7 971	7 971	8 450	8 450	8 957	8 957
2	Conservation Management	623	623	660	660	700	700
3	Tourism Management	80	80	85	85	90	90
4	Public Access	229	229	243	243	258	258
5	TOTALS	8 903	8 903	9 438	9 438	10 005	10 005

Table 8: CCB's expenditure estimates for FY2020//21 to FY2022/23.

As can be noted in Table 8, the spending focus over the medium term is to capitalise on the investments of the past MTEF, to maintain the upgraded building, do preventative facilities management, optimise the heritage-tourism potential and increase the accessibility of the CGH to the broader public.

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Programme 1: Administration	7 485.0	7 971.0	486.0	150.1	6.49 per cent	2.00 per cent
Programme 2: Conservation Management	584.0	623.0	39.0	12.7	6.68 per cent	2.18 per cent
Programme 3: Tourism Management	75.0	80.0	5.0	1.6	6.67 per cent	2.17 per cent
Programme 4: Public Access	215.0	229.0	14.0	4.3	6.51 per cent	2.02 per cent
TOTAL	**8 359.0**	**8 903.0**	**544.0**	**168.8**	**6.5 per cent**	**2.02 per cent**

Table 9: Programmes' nominal and real increases 2019/10 - 2020/21

Table 9 shows that the overall budget increase of the CCB is 2.02% in real terms, and all four programmes show real increases, which is welcomed. Programme 1 shows the biggest increase with R150 000 in real terms followed by Programme 2 with R39 000 in real terms.

Programme	Budget	Percent of total budget per programme	Budget	Percent of total budget per programme	Change in percent allocation

R million	2019/20		2020/21		
Programme 1: Administration	7 485.0	89.54 per cent	7 971.0	89.53 per cent	-0.01 per cent
Programme 2: Conservation Management	584.0	6.99 per cent	623.0	7.00 per cent	0.01 per cent
Programme 3: Tourism Management	75.0	0.90 per cent	80.0	0.90 per cent	0.00 per cent
Programme 4: Public Access	215.0	2.57 per cent	229.0	2.57 per cent	0.00 per cent
TOTAL	**8 359.0**	**100.00 per cent**	**8 903.0**	**100.00 per cent**	**0.00 per cent**

Table 10: Percentages of programmes vs total budget 2019/10 - 2020/21

Programme 1 remains the largest, comprising 89.54% of the total budget in 2019/20 with a slight decrease to 89.53% in 2021. The other three programmes similarly retain their percentages of the budget over the two years.

	2016	**2017**	**2018**	**2019**
CEO: Remuneration	825 869	903 476	985 920	1 040 146
CEO: Performance Bonus	165 174	90 347	98 592	(0)
CFO: Remuneration	644 636	705 246	794 127	841 775
CFO: Performance Bonus	128 927	70 524	79 413	(0)

Table 11: Remuneration of key management

5.1 Programme 1 – Administration.

This programme has been allocated R7.971 million for 2020/21. The CCB states that it will continue to deliver a comprehensive range of visitor services. All their activities, programmes and strategic interventions will be linked to Outcome 12 namely *"An efficient, effective and development-oriented public service and empowered fair and inclusive citizenship"*.

It states that this is the most significant spending programme and that within this programme, employment cost is the most significant expenditure driver, as there are 18 people employed by the CCB. It is to make provision for a full-time facilities and logistics manager, a facilities management contract and a limited number of full-time maintenance personnel. Without this, the **420-roomed Castle** will fall in disrepair sooner than later. These have been included in the estimates for FY2020/21.

5.2 Programme 2 – Conservation Management.

The second biggest expenditure item is the Preservation, Interpretation and Showcasing Programme of the CGH's Heritage which amounts to R0.623 million for the FY2020/21. Some of their initiatives include an active marketing drive to get more South African learners and locals to visit the CGH, heritage programs and cultural workshops for all South Africa's cultural and ethnic groups, skills training workshops for **Military Veterans**, interactive heritage displays, expansion of museum displays and the development of the CGH Chapel as a place of worship and reflection.

They are working on their bid to get the CGH listed as a World Heritage Site with the United Nations Educational, Scientific and Cultural Organisation **(UNESCO)**. These initiatives will promote an understanding of the CGH as a global heritage icon to maximise its public profile and positive perception across all sectors of the community in support of Outcome 5 *"A skilled and capable workforce to support an inclusive growth path"*.

Programme 3 - Tourism Management

The expenditure items total R80 000 for FY2020/21, but is crucial to the CCB's mandate. They will be improved with the expansion of tour options, tourism products and experiences aimed at kids, better signage, display of cultural tourism products and aggressive marketing programmes.

One of the critical elements is a big enough indoors venue. In this regard, the CCB is engaging the DOD's Log Division for the ***procurement of a 2500-seater marquee****. This will be available for Ministerial, governmental and other corporate functions and will save the state millions in the long run. This will not only increase the organisation's revenue generation capacity but cut cost and increase productivity. The most significant advantage is the fact that it will limit damage to the renovated spaces caused by the reckless movement of equipment through fragile venues.*

Programme 4 - Public Access

For FY2020/21 an allocation of R229 000 has been made for this programme. Most of the expenditure goes to public events such as community workshops, outreach programmes to schools, hosting of special needs groups (such as AIDS orphans, pensioners, abused women and children, etc.), internships and youth programmes.

6. REVENUE GENERATOIN

This item has been a contentious one, as it relates to the financial sustainability of the CCB and the resultant questions around its status as a Going Concern. These issues have been raised by both the PCODMV and the Auditor-General, as well as by the CCB themselves. The CCB bemoans the fact that unlike most government departments and agencies, they are not merely a cost centre but a significant revenue generation centre. The Board has completed a Revenue Optimisation Plan and the implementation of the findings thereof will lead to an increase in revenue in the initial phase (2018) by at least R2.5 million per annum. They believe that Revenue Optimisation Plan will assist in realising the full capacity of the site.

It should be noted that these claims were also made in the CCB's 2018 Annual Performance Plan, and yet little progress has been made, although it has to be acknowledge that they still await the 2019/20 Annual Report.

The Direct Revenue (R5.719 million in 2019) is primarily generated from ticket sales from visitors to the CGH, renting out of venues in the CGH and fees from hosting special events, with no direct financial assistance from the state. This revenue amount excludes the R3.342 million from the donation of assets by the Department of Military Veterans.

According to the CCB, the stagnation in the tourism industry has adversely affected revenue growth and has seen a 6% decrease in revenue from R6.093 million in 2017/18 to R5.719 million in 2018/19. They state that they are highly committed to optimising the income potential of the CGH without compromising its historical and cultural integrity. In this regard, the Board, with the support of the Executive Authority, must implement a few radical interventions in respect of the renting out of space, the CGH attracting a variety of events, the rate card and the pricing of access tickets.

Among the strategies adopted by the Board to increase more revenue is the increase in fees for hosting events at the Castle of Good Hope. The Board considered that the venue rental fees have been unchanged for more than 20 years. The increase will be affected from 2020/21 without causing significant disruptions in the tourism industry. Entrance fees have not been increased.

7. UPDATED KEY RISKS

Similar to the Strategic Plan's Enterprise Risk Management, which list certain enterprise risks and the Mitigation factors, the APP outlines an Updated Key Risks and its mitigation, in conclusion of this section.

Outcome	Key risks	Risk mitigation
A well-conserved maintained and protected Castle of Good Hope	Inadequate financial resources inhibiting us from executing our primary mandate i.e. to conserve and promote CGH as Heritage Site.	See through the legal and compliance processes to apply to Treasury for the retention of historic surpluses
Accountable and effective governance of the CCB	Insufficient Human Resources capacity hampering our endeavours to fulfil our core mandates.	Retrain and redeploy existing staff, recruit key staff, e.g. Financial Manager in terms of an HRD Plan
A well-conserved maintained and protected Castle of Good Hope	Blurred and overlapping responsibilities regarding the overall management of the CGH precinct negatively affecting our ability to coordinate and optimise the resource base.	Integrated CGH Management Plan drafted, inter-institutional management structure revived and Revenue Optimisation Plan to be finalised.
A well-conserved maintained and protected Castle of Good Hope	Compromised security in and around the CGH undermining the work of the CCB.	Executive Director engages with Reserve Force Units, SAPS and City Improvement District to address this serious issue.
Accountable and effective governance of the CCB	Lack of and adherence to a Manual of Policies and Procedures to regulate control and compliance environment undermining our ability to build win-win partnerships with the private and public sector.	Newly appointed Executive Director and Chief Financial Officer are leading the initiative to ensure complete compliance
A well-conserved maintained and protected Castle of Good Hope	The compromising of the image of the Castle either through malice or abuse of its spaces and amenities	Executive Director to engage stakeholders and the media.

Table 11: Key risks and mitigation strategies

8. COMMITTEE OBSERVATIONS

During deliberations with the CCB on 6 May 2020, Members of the PCODMV made several observations related to the budgetary allocation, the performance indicators and the targets set in the Strategic Plan and the APP of the CCB. The following were noted:

- The Committee took note of the CCB's view that it is currently a situation "Business Extraordinary-Unusual!" because of the Covid-19 pandemic and even went so far as to state that it has become a "matter of life and death." The Committee therefore asked the CCB to explain some of the measures it has taken to take the CCB forward.
- Members enquired around the assistance that the CCB is giving to qualifying employees to access the Unemployment Insurance Fund (UIF).
- The Committee enquired about the plans of the CCB if National Treasury does not approve the R1.6 million funding that the CCB has applied for. The Committee also expressed concern whether this amount will be sufficient should the Covid-19 pandemic impact on operations over a longer period.

- Members enquired around the 'Going concern' status of the CCB given that the entity was struggling with this issue before the advent of the Covid-19 pandemic.
- The Committee observed that one of the objectives of Programme 4: Public access is the outreach programmes to schools and wanted to know whether especially rural schools are also targeted.

9. RECOMMENDATIONS

The PCODMV identified the following areas that will be subject to monitoring by the Committee throughout the 2020/21 financial year:

- The Committee noted the extraordinary circumstances under which the CCB is operating and expressed its appreciation for their efforts to manage a very difficult situation. Some of the measures taken by the CCB include senior management not being paid for April 2020 and that they applied for a R1.6 m relief support package through the DOD from National Treasury. However, given that the request was submitted before the lockdown and the projection was until till August 2020, the Committee believes that an additional R1,7m would be required.
- The Committee appreciated that the CCB could pay employees their full salaries in March 2020. Their lower-end employees received 70% of their salaries in April 2020 and they assisted them to access the Unemployment Insurance Fund (UIF) for the remaining 30% and the maximum amount going forward. To this extent, the CCB completed a Memorandum of Agreement with the UIF regarding claims by their employees from April 2020 onwards.
- The Committee agreed that it will engage the Minister on especially the R1.6m relief support package and future financial assistance to the CCB.
- CCB informed the Committee that it has seized operations in mid-March 2020 and that subsequently all revenue has stopped given that they are reliant on visitors and businesses to utilise their facilities. While noting the CCB's response that it can only generate revenue and sweat assets once the Castle is open to visitors and businesses, the Committee encouraged the CCB to explore other avenues to generate income to prevent having to lay off employees.
- The Committee recommends that the CCB should enhance its outreach programmes to especially semi-urban and in particular rural based schools to ensure that these outreach programmes are as representative and inclusive as possible.

ARMAMENTS CORPORATION OF SOUTH AFRICA (ARMSCOR)

The Portfolio Committee on Defence and Military Veterans (PCODMV), having considered the 2020/21 Corporate Plan of the Armaments Corporation of South Africa (Armscor) on 6 May 2020, reports as follows:

1. INTRODUCTION

1.1 **Mandate of** Armaments Corporation of South Africa (Armscor)

The Armaments Corporation of South Africa SOC Ltd (Armscor) was established in terms of the Armaments Production and Development Act (No. 57 of 1968) to satisfy the requirements of the South African National Defence Force (SANDF) in respect of Defence Matériel.

1.2 Main Objective of Armscor

The objectives and mandate of Armscor are defined in the Armaments Corporation of South Africa Limited Act of 2003 and includes the objective of meeting the defence matériel requirements of the Department of Defence (DOD) effectively, efficiently, and economically. Furthermore, Armscor is to meet the defence technology, research, development, analysis, and test and evaluation requirements of the DOD effectively, efficiently, and economically.

2. THE IMPACT OF THE COVID-19 PANDEMIC ON ARMSCOR

The impact of the Covid-19 pandemic that forced South Africa into lockdown will likely have a significant impact on all State-owned Enterprises (SOE). Armscor is dependent on its revenue from a Government allocation as well as the sale of products and services to international clients. All these revenue streams are likely to come under increased pressure. Armscor is thus likely to face similar problems to many international defence-related companies following Covid-19. Some international analysts have noted that “the effects on the defense industry because of the spread of Covid-19 and related actions to curtail the contagion can the condensed into five major impact points:”

- Production/manufacturing facilities and supply chains could be affected.
- Business development efforts could be affected – some will lose, some may win.
- Demand for defence equipment and related services could go down.
- Companies may have to make tough choices that could impact finances and competencies.
- Stock price declines will bring secondary effects.

With these broad guidelines in mind for the global defence industry, the following specific aspects could impact on Armscor in the aftermath of Covid-19.

- The SANDF is Armscor's primary client and is likely to come under increasing financial strain. It is unlikely that large capital acquisition projects will be forthcoming for the SANDF, thus impacting on Armscor's primary role.
- Revenue generation from products and services to international clients are likely to come under pressure as these clients reprioritise amid financial and other pressures due to Covid-19.
- Revenue gained from Armscor's state allocation can possibly be affected due to financial constraints to the state as a result of Covid-19 related financial reprioritisation.

3. STRATEGIC FOCUS AREAS

3.1 Environmental scan

The Armscor 2020 Corporate Plan contains a detailed situational awareness which maps the external and internal environments that affect the corporation. The consideration of these factors are essential to Members of Parliament as it shapes the constraints and conditions under which Armscor will have to operate in the medium-term. Key aspects of this situational awareness that can affect Armscor and its service to the SANDF include the following:

External environment

- *Political*: The domestic focus of national security is on Human Security and the growth of South Africa is dependent on peace, stability and economic development on the continent.
- *Economic*: There is increasing fear of economic downturn, with GDP growth continuously revised downwards. This has resulted in delays in the implementation of the National Development Plan (NDP). GDP growth is expected to recover in 2021.
- *Social:* Four aspects will shape future economic and political conditions, namely increased life expectancy; population growth and the youth bulge; migration; and, urbanisation. In addition, the social sphere will be impacted by the Fourth Industrial Revolution and cyber connectivity.
- *Technology:* The SANDF will be required to improve its Information Warfare capability while the Defence industry requires funding and planning to maximise its economic contribution.
- *Physical:* The SANDF could increasingly be required to become involved in humanitarian operations, specifically as a result of climate change.
- *Military:* The military will have to prepare for a deployment environment where the distinction between military and other containment measures become increasingly blurred. Of particular importance in South Africa will be the SANDF's role in border safeguarding as well as the need for technological means of securing the country's borders.

Internal environment

- *Economic recession:* Slow economic growth will hamper the creation of job opportunities and possibly contribute to conflict from the unemployed youth demographic.

- *Defence budget allocation:* The Defence Force is Armscor's largest client and its budget allocation is likely to remain constrained. Armscor is assisting the DOD in developing a new Defence Funding Model.
- *Corporate governance accountability:* Armscor will continue to operate and function under good governance principles as per the King IV Report.
- *National cost containing measures:* Armscor will continue to implement cost containment measures as per National Treasury directives.
- *Service delivery improvement:* The Acquisition process and contracting process at Armscor will be improved to better serve the DOD needs.

3.2 Armscor contribution to national government planning

With the environmental scan of Section 3.1 in mind, Armscor will seek to contribute to the several Government outcomes as per the NDP and the Medium-Term Strategic Framework (MTSF) (2019-2024).

Armscor contributions to the **NDP**:

- Sharpening South Africa's innovative edge by contributing to global scientific and technological advancement;
- Investing in Research and Development;
- Facilitating cooperation between public service and technology institutions;
- Committing to procurement approaches that stimulate domestic industry and job creation;
- Procuring from and supporting SMMEs, black-owned and black managed enterprises and female-led enterprises, the youth and military veterans.

Armscor contributions to the 2019-2024 **MTSF**

- **Priority 1:** Capable, ethical and developmental state. Armscor will contribute to improved corporate governance and continue to fight corruption. The institution will also follow a zero tolerance approach to sexual abuse toward women, the youth and people with disabilities.
- **Priority 2:** Economic transformation and job creation. Armscor will focus on domestic procurement of goods and services. Over 146 bursaries will be awarded for science and engineering. Military veterans support programmes were created to ensure access for this select group to the defence industry.
- **Priority 3:** Education skills and health. Armscor's focus will be on the provision of domestic and foreign learning opportunities in the fields of science and technology.
- **Priority 5:** Spatial development, human settlements and local government. Armscor will support women, the youth and economic development in rural areas through Project Koba Tlala.
- **Priority 6:** Social cohesion and safer communities. Armscor will contribute to this priority through its contribution to the SANDF's border safeguarding operations and the provision/acquisition of technology and equipment for the SANDF.

- **Priority 7:** A better Africa and a better world. Through supporting the DOD's external operations in Africa, Armscor will contribute to regional and continental peace, security and stability.

4. BUDGET ANALYSIS

4.1 Overview of 2020/21 income and expenditure

The following section will compare the 2019 and 2020 Armscor Corporate Plans in terms of projected budgetary aspects.

The projected income for the Armscor Group in 2020/21 (R1.581 billion) is slightly higher than that which was projected for 2019/20 (R1.521 billion). Given the projected increase in income, Armscor is expected to accumulate a net surplus of R700 000. This is in line with the expected financial position at the end of the 2019/20 year which projected a surplus of R200 000 for the Armscor Group. The main increase in cost driver for 2020/21 is (1) Direct Personnel Cost that increases from R1.161 billion in 2019/20 to R1.227 billion in 2020/21 and (2) External Services that increases from R99.0 million to R105.1 million over the same period.

How is Armscor funded?

Armscor is largely funded from state finances. In addition, it supplements this income with other commercial projects. In order to lessen the pressure on the fiscus, these projects require expansion to increase Armscor's economic viability. For 2020/21, Armscor's planned funding comprises the following:

- Transfer payment: R1.240 billion (R1.187 billion in 2019/20)
- Net sales: R259.1 million (R222 million in 2019/20)
- Other income: R58.7 million (R91.2 million in 2019/20)
- Recoveries: R22.3 million (R20.8 million in 2019/20)

Additional financial information:

Armscor has shown progress in returning most of its subsidiaries to profitability in recent years. For 2020/21, it is projected that both Armscor Corporate and the Armscor Dockyard will show a surplus, but that the Research and Development division will show a marginal loss. Projected profit/losses for the 2020/21 financial year per component includes:

- Armscor Corporate: Surplus of R2.4 million
- Research and Development: Loss of R1.9 million
- Armscor Dockyard: Surplus of R0.3 million
- **Armscor Group: Surplus of R700 000**

In terms of the Group Capital Expenditure for 2020/21, a number of requirements are identified in the Corporate Plan. A total of R246.4 million is required for such expenditure in 2020/21, which is a significant increase from the projected expenditure of R163.8 million in 2019/20. The increased expenditure is almost exclusively related to computer software, buildings and capital assets. Key capital expenditure for the year includes the following:

- Office Equipment: R2.510 million (R3.518 million in 2019/20)
- Computer Equipment: R18.964 million (R35.580 million in 2019/20)
- Office furniture: R1.169 million (R1.395 million in 2019/20)
- Computer software: R84.130 million (R35.246 million in 2019/20)
- Buildings and infrastructure: R14.350 million (R4.950 million in 2019/20)
- Machinery and Equipment: R30.967 million (R54.706 million in 2019/20)
- Motor Vehicles: R7.503 million (R14.165 million in 2019/20)
- Capital assets: R86.481 million (R14.3 million in 2019/20)

When reviewing the Armscor expenditure per activity, as presented by National Treasury, overall expenditure increases from R2.029 billion in 2019/20 to R2.122 billion in 2020/21. This translates to a real percentage increase in expenditure of 0.16%. The largest increase in expenditure is expected to relate to Armscor's Logistical Support (as has been the case in recent years). Logistical support expenditure will increase from R218.5 million in 2019/20 to R247.0 million in 2020/21 which translates to a real percentage increase of 8.28%. All other expenditure is kept relatively stable when inflation is taking into account. The increase in expenditure on Logistical Support is largely offset by a 9.65% real reduction in the expenditure on Administration. This shift should be welcomed and indicates that Armscor is keeping in line with Treasury guidelines on cost cutting.

Programme/objective/ Activity	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal Percent change in 2020/21**	**Real Percent change in 2020/21**
R million	**2019/20**	**2020/21**				
Administration	832,3	785,1	- 47,2	- 80,3	-5,67%	-9,65%
Quality Assurance	110,3	115,1	4,8	- 0,1	4,35%	-0,05%
Management of Defence Matériel Acquisition	325,5	339,7	14,2	- 0,1	4,36%	-0,04%
Logistics Support	218,5	247,0	28,5	18,1	13,04%	8,28%
Management of strategic facilities: Armscor Dockyard	299,0	313,4	14,4	1,2	4,82%	0,40%
Management of strategic facilities: Research and Development	307,6	321,5	13,9	0,4	4,52%	0,11%
TOTAL	**2 029,1**	**2 121,7**	**92,6**	**3,2**	**4,6%**	**0,16%**

Table 1: Armscor expenditure trends from 2019/20 to 2020/21

4.2 The sweating of assets

As a means of raising income for Armscor, the sweating of assets has previously been considered. In the 2018/19 Annual Report, it is noted that "Armscor identified four of its properties to sweat; two at Erasmuskloof, one at Pretoria West and one at Northern Cape. The latter two are at Armscor's facilities – Gerotek and Alkantpan. The Corporation issued a request for bids, inviting potential developers and investors to submit bids for the development of these land parcels. While the response received was positive, internal process is underway and the necessary approval will have to be obtained." In addition, the National Treasury states in the ENE that there is a need for the SANDF become more sustainable in terms of its expenditure. Several means are proposed to achieve such financial sustainability. One means include "the disposal and leasing of redundant assets and military equipment [that is] expected to generate R3 billion" over the MTEF.

5. PERSONNEL INFORMATION

The total personnel strength for 2020/21 is reflected in the table below and comes to 1 599, which is lower than the projection of 1 667 for 2019/20. This figure includes 115 Contract Employees as well as 33 personnel in the Talent Development Programme. The reduction in personnel from 2019/20 to 2020/21 is largely due to a reduction in personnel at the Armscor Dockyard. Personnel figures in this division decreases from 528 to 458. The number of personnel on the Talent Development Programme also decreases from 45 in 2019/20 to 33 in 2020/21.

Armscor Group	Total Permanent employees projected in the 2019/20 corporate Plan	Total Permanent employees provided for 2020/21
Armscor (including R&D)	1 139	1 141
Armscor Dockyard	528	458
TOTAL	**1667**	**1599**

Table 2: Personnel figure comparison

6. SELECTED PERFORMANCE INDICATORS

6.1 Service delivery indicators

Table 3 below highlights a number of service delivery performance targets across Armscor's six goals that Members should consider and track throughout the year. Goals include the following:

- Goal 1: Defence Materiel Acquisition.
- Goal 2: System Support Acquisition
- Goal 3: Schedule placement
- Goal 4: Management of Defence Industrial Participation (DIP)
- Goal 5: Defence technology research, test and evaluation; Intellectual Property management
- Goal 6: Performance against Dockyard Mandate

Goal	Performance indicator	2018/19 Achievement	2019/20 Target	2020/21 Target
1 (Defence Materiel acquisition)	Contracts to be placed by Armscor: Commitment of funds against formally planned value of commitments	100%	95%	95%

Goal	Performance indicator	2018/19 Achievement	2019/20 Target	2020/21 Target
	Execution of contracts measured through cash flow on DOD orders placed	96.96%	95%	95%
2 (System Support Acquisition)	Contracts to be placed by Armscor: Commitment of funds against formally planned value of commitments	99.79%	95%	95%
	Execution of contracts measured through cash flow on DOD orders placed	96.75%	95%	95%
3 (Schedule placement)	Average time from receipt of requirement to placement of contract	73 days for shortened process items 111.05 days for standard acquisition 133.8 days for SDA programmes	100 days for shortened process items 130 days for standard acquisition 150 days for SDA programmes	95 days for shortened process items 125 days for standard acquisition 145 days for SDA programmes
4 (DIP Management)	Value of Defence Industrial Participation (DIP) credits granted	R53 million	R107.04 million	R41.78 million
5 (Defence Technology and Research)	Research and Development to achieve contractual milestones/deliveries as per agreed Memoranda	100.03%	95%	95%
6 (Dockyard Management)	Adherence to contractual project milestones	91.8%	90%	90%
	Percentage compliance to project finance	87.3%	90%	90%
	Provision of Ancillary Services to the SA Navy	95%	95%	95%
	Ensure training is provided in accordance with the requirements of the SA Navy	100%	90%	90%
	Percentage compliance with quarterly report timelines	100%	90%	90%

Table 3: Selected performance indicators per Armscor goal

6.2 Armscor strategic outputs

In addition to the service delivery performance indicators, Armscor also set itself a number of targets in terms of its strategic output. These are summarised in Table 4 below:

Outcome	Output	2018/19 Achievement	2019/20 Target	2020/21 Target
Revenue generation	Group revenue	R1.337 billion	R1.384 billion	R1.379 billion
	Revenue from Armscor R&D	-	R385.1 million	R403.1 million
	Revenue from Business Enablement Unit	R23 million	R85.2 million	R48.7 million
Cost Management	Improve net financial position	R235.3 million deficit	Break even	R0.7 million surplus
Efficient and effective deliver	Percentage compliance with Technology Development Master Plan, in accordance with DOD-Armscor SLA	99.6%	90%	90%
	Completion of Intellectual Property requests	85.7%	80%	90%
	Maintain a comprehensive IP register	31 March 2019	31 March 2020	31 March 2021
	Implementation of approved application system renewal plan	-	80%	80%
Stakeholder management	Stakeholder satisfaction improvement survey	31 March 2019	-	31 March 2021
	Employee engagement survey to determine baseline	0.01% improvement	New baseline	% improvement to be determined
	Increase black representation	81.7% black employees	82%	82%
	Improve female representation	38% female employees	40%	40%
	Controllable staff turnover	2.28%	<4.5%	<4.5%
	Provision of bursaries for full-time students	35	33	33
	Contracting and development of graduates as interns	45	40	40
	Succession Planning Development (Percentage compliance with succession plan)	91.48%	80%	80%
	Number of people with disabilities	22	28	28

Table 4: Selected Armscor's strategic outputs

7. COMMITTEE OBSERVATIONS

During deliberations with the DOD on 6 May 2020, Members of the PCODMV made several observations related to the budgetary allocation, the performance indicators and the targets set in the Corporate Plan. The following were noted:

- The Committee noted the important role of Armscor in terms of its Research and Development Capability and assisting South Africa during the Covid-19 pandemic. This includes Armscor's involvement in the domestic development and manufacturing of ventilators, testing of protective equipment by Protechnik Laboratories and the conducting of Covid-19 tests.

- Members expressed concern around ongoing delays to Project Hoefyster. Similar concern was raised as to potential delays that may emerge in Project Biro due to limited funding availability.
- Members expressed concern around possible duplication of functions between Armscor and the CSIR, but were satisfied with the explanation that defence-related Research and development were directed by the Department on Defence Board on Research and development which prevents duplication.
- The Committee welcomed Armscor's outreach programmes to schools nationwide, but requested that this be extended to more rural schools.
- The Committee noted that given the difficult financial times that lie ahead, continued austerity measures should be put in place.
- The Armscor Dockyard has been a challenge to the Armscor Group. The Committee noted that its turnaround strategy appears to be effective and enquired about the latest in this regard.

8. RECOMMENDATIONS

The PCODMV identified the following areas that will be subject to monitoring by the Committee throughout the 2020/21 financial year:

- The Committee welcomes Armscor's support to the state's efforts to curb Covid-19 and urges the entity to continue to support such endeavours.
- Armscor is encouraged to provide its services to other state departments during the Covid-19 pandemic, with the potential to translate this into long-term support in a post-Covid-19 landscape.
- The Committee remains concerned around the status of Projects Hoefyster, Biro and potentially Hotel. Armscor is requested to provide the Committee with a breakdown of milestones in each of these projects, which milestone were achieved, which milestones are set to be achieved in the medium- to long-term (including projected achievement dates), and the funds required for each milestone. It should also be indicated whether these funds have been earmarked from within the Special Defence Account or whether it is still to be appropriated. This information should be provided to the Committee before 15 June 2020 and will inform further engagement between the PCODMV, Armscor and the DOD.
- The Committee encourages Armscor to expand the number of rural schools to which it conducts outreach programmes and to report on these in the 2020/21 Annual Report.
- Given expected economic constraints over the medium-term, the Committee encourages Armscor to maintain austerity measures and to find additional means of (1) cost saving and (2) increasing revenue generation. The Committee also encourages the Board to take into account the difficult financial climate when considering performance bonuses and similar expenses. The long-term viability of Armscor amid challenging economic circumstances should be foremost in future planning.
- The Committee recommends that Armscor inform it on the status, activities, operations and progress of the turnaround strategy of the Simon's Town Dockyard in its support to the SA Navy on a regular basis.

Report to be considered.

3. Report of the Portfolio Committee on Trade and Industry on Budget Vote 39: Trade, Industry and Competition, dated 28 May 2020

The Portfolio Committee having considered Budget Vote 39: Trade, Industry and Competition, reports as follows **(11 May 2020):**

1. Introduction

In his State of the Nation Address on 13 February 2020, Mr M C Ramaphosa highlighted the importance of or the need for a collaborative approach among all spheres of society, namely government, business, labour, and civil society, to address the challenges of unemployment; gender-based violence; and slow economic growth. Only through building social compacts can South Africa achieve its social and economic objectives that would address the challenges facing them.

In his 2020 Budget, the Minister of Finance, Mr T Mboweni, once again highlighted, among others, the pillars underpinning South Africa's economic strategy as it relates to Trade and Industry, which are the following:

- Opening markets to trade with the rest of the continent;
- Implementing a re-imagined industrial strategy; and
- Lowering the cost of doing business.

The African Continental Free Trade Area (AfCFTA) would come into effect on 1 July 2020. This would provide the foundation for African economic integration and increased intra-African trade that would benefit the South African economy. The conclusion and implementation of this agreement was fundamental to South Africa's growth strategy as it would create additional market access for its goods and services.

In line with a re-imagined industrial strategy, underpinned by a strong social compact, sectoral master plans were being developed and implemented. Thus far, the Master Plans for the automotive, retail clothing and textile, as well as the poultry industries had been concluded.

This would result in securing further employment within the automotive sector, which expanded production and the local manufacturing of components. The retail clothing and textile master plan aimed to create 120 000 jobs over the next ten years, while securing commitments from local retailers to buy locally. Other master plans would be concluded in this financial year and would reinforce government's commitment to social and economic transformation.

Government recognised the challenges associated with the opening of businesses and the concomitant red tape. The Department of Trade, Industry and Competition (DTIC) would initiate measures to further reduce the administrative burden on business and improve the ease of doing business to create an enabling environment for investment and improve global competitiveness.

It should be noted that the consideration of the Strategic and Annual Performance Plans (APP) were taking place within the context of the novel coronavirus (COVID-19) pandemic that started affecting South Africa at the beginning of March 2020. The pandemic and the resultant lockdown was expected to have a significant impact on the broader economy. However, the Strategic Plan, inclusive of the APP, that were served before the National Assembly in terms of the Money Bills Amendment Procedure and Related Matters Act (Act No. 9 of 2009) and the Public Finance Management Act (Act No. 1 of 1999) pertain to the Appropriation Bill [B4-2020], that was currently before the National Assembly and its committees. These must be read together and the plans were there to facilitate the passing of the Appropriation Bill. In terms of the provisions of the Money Bills Act, the Committee must report on the strategic plan and budget vote that was referred to it. For that reason, the Appropriation Bill, the Strategic Plan, inclusive of the APP, must thus be reported on and the Budget Vote must be adopted; notwithstanding that there would be an adjustment to the budget at a later stage.

In alignment with the president's announcement of the restructuring of government Departments on 14 June 2019, the new DTIC was formed on 1 April 2020. It is the amalgamation of the mandates, legislation, financial resources, human resources, and entities of the former Departments of Trade and Industry and of Economic Development. The DTIC is responsible for administering 45 pieces of legislation; and overseeing 17 entities (excluding the Broad-based Black Economic Empowerment (B-BBEE) Commission, which is a trading entity within the administration of the DTIC) which contribute towards fulfilling the mandate of the department.

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 APPs. 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 DTIC's strategic plan, APP and budget vote. Furthermore, to make recommendations regarding the approval, amendment or rejection of Budget Vote 39, as well as any other recommendation regarding the implementation of the strategic and APPs of the DTIC.

1.3. Process

The Committee's consideration of Vote 39 involved an engagement with Mr E Patel, the Minister of Trade and Industry, and Mr L October, the Director-General of Trade, Industry and Competition, on 3 March and 11 May 2020. Mr Patel engaged the Committee on the implications of the 2020 State of the Nation Address in relation to the mandate of the DTIC and provided an overview of the merged Department, as well as the economic context of the country given the advent of the COVID-19 pandemic. The Director-General then presented the DTIC's Strategic and APPs and an overview of Budget Vote 39.

2. Policy priorities for the 2020/21 financial year

2.1. State of the Nation Address

On 13 February 2020, the President, Mr M Ramaphosa made his State of the Nation Address. In terms of the mandate of the DTIC, he noted that the economy had grown slowly and that while jobs were being created, the rate of unemployment was still deepening. While he acknowledged the challenges that had contributed to this such as persistent energy shortages and the fiscal constraint, he also reminded the country of its potential and the progress that had been made. He emphasised the need for social compacting between business labour, civil society and government to build consensus around the economic recovery plan.

The President focused on the following areas for the DTIC's implementation:

- *The development and implementation of Master Plans*: Government had made progress in finalising and implementing master plans in vital parts of the economy. These master plans sought to bring government, labour and business together to develop practical measures to spur growth at sector level and for each partner to make commitments to achieve this. Thus far, the Automotive, Retail Clothing and Textiles and Poultry Master Plans had been finalised. The DTIC was the lead in drafting the Sugar and Steel Industry Master Plans, among others that were expected to be finalised during the 2020/21 financial year.

- *Investment*: There was a project pipeline of over R700 billion worth of potential public and private investments over the next ten years. Government intended to intensify its investment drive through the establishment of an integrated investment promotion and facilitation capability coordinated from The Presidency. It would also hold its third South Africa Investment Conference in November 2020 to review the implementation of previous commitments and to generate new investment into the economy. Of the R664 billion in private sector investment commitments during the first two years, projects with an investment value of R9 billion have been completed and 27 projects worth just over R250 billion were already in implementation phases. The DTIC contributed to this through its Inward Investment Attraction, Facilitation and Aftercare, and Industrial Financing Programmes. This included facilitating the establishment and operation of One-Stop Shops to assist investors to address red-tape challenges.

- *Improving the ease of doing business*: There was a need to address obstacles to reform and improve government delivery. In this regard, the DTIC and InvestSA (One-Stop Shops) were working closely with the presidential Project Management Office, the Infrastructure and Investment Unit and the Policy and Research Services to address these obstacles. Furthermore, the DTIC formed part of the Ease of Doing Business Task Team to remove impediments to investment and growth and ensure that government demonstrates visible progress quickly.

- *Competition policy*: The DTIC had published new regulations for the Competition Amendment Act (Act No. 18 of 2018) that enabled investigation and action against abuse of buyer power and price discrimination. This will help even the playing field for small businesses and emerging entrepreneurs. The Competition Commission's market inquiries have yielded results in the grocery and data services industries and is expected to carry more weight going forward.

- *Finalisation of the modalities related to the AfCFTA*: South Africa had assumed the Chairpersonship of the African Union (AU) for 2020. One of the focus areas was to finalise the modalities of the AfCFTA by 1 July 2020, so that the trade provisions can come into effect. The Minister of Trade and Industry and the DTIC's Trade Policy, Negotiations and Cooperation Programme play critical roles in this regard, as they would be responsible for the finalisation of these negotiations.

- *Inclusive growth*: Youth and women empowerment was a key theme. In terms of youth employment, he referred to the scaling up of the Youth Employment Service, which the former DTIC had assisted by linking companies to youth employees. Furthermore, the DTIC has targeted to expand its youth internships to assist in improving the employability of youth. The Industrial Development Corporation (IDC) is targeting R10 billion of its own and partner funding for women-empowered businesses over the next five years. Furthermore, as the AU Chair, South Africa, has prioritised the economic empowerment of Africa's women during its term. This involved working with all member states on measures to promote financial inclusion, preferential procurement and preferential trade arrangements for women. The DTIC's Trade Policy, Negotiations and Cooperation Programme would play a critical role in this regard.

2.2. Medium-term Strategic Framework

The Minister of Trade and Industry tabled the Strategic Plan for 2020 – 2025 and the APP for 2020/21 for the DTIC. The Strategic Plan outlines strategic priorities for the DTIC, which are aligned to the Medium-Term Strategic Framework (MTSF) for 2019 – 2024. It also reflects national priorities, including the commitment to implement the National Development Plan (NDP). The MTSF outlines seven priorities of government over the next five years which are anchored in three pillars, namely; "driving a strong and inclusive economy, building and strengthening capabilities of South Africans, and achieving a more capable state".

The MTSF 2019-2024 priorities are as follows:

- Priority 1: Economic Transformation and Job Creation
- Priority 2: Education and Skills Development
- Priority 3: Consolidating the Social Wage through reliable and Quality Basic Service
- Priority 4: Spatial Integration, Human Settlements and Local Government
- Priority 5: Social Cohesion and Safe Communities
- Priority 6: Building a capable, ethical and Developmental State
- Priority 7: A better Africa and World

The DTIC is the lead department in the implementation of interventions in Priorities 1 and 7. The DTIC's mandate in this regard would include facilitating the creation of an inclusive economy, broadening economic participation, contributing to regional integration, and creating a fair regulatory environment that enables investment, trade, enterprise development, and competition.

2.3. Sustainable Development Goals (SDGs)

The DTIC 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"[1]. In this regard, one of the DTIC's core

[1] United National Development Programme (n.d.)

mandates is to facilitate structural transformation of the economy to promote dynamic industrial development, investment, competitiveness and employment creation. 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.

Furthermore, in terms of SDG 8, "*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*"[2], the DTIC can support the improved access of black women and youth to employment and entrepreneurship opportunities. In addition, in terms of SDG 10, "*Reduce inequality within and among countries*"[3], the DTIC through its trade negotiations, initiatives to promote and facilitate investment, and the role of the International Trade Administration Commission of South Africa's tariff line investigations and determinations plays a critical role to achieve this goal.

2.4. Agenda 2063

The work of the DTIC is aligned to aspiration 1 of Agenda 2063: "*A prosperous Africa based on inclusive growth and sustainable development"*[4]*.* In line with this aspiration, the African continent committed to "eradicating poverty in one generation and build shared prosperity through social and economic transformation…."[5]. One of the DTIC's mandates is to facilitate structural transformation through broad-based economic participation and spatial industrial development. It implements this mainly through Programme 3: Spatial Industrial Development and Economic Transformation and Programme 6: Industrial Financing. Programme 3 has been allocated a budget of R171,9 million. Incentives have also been allocated towards this for the development of special economic zones (SEZs) and for black participation. However, the DTIC's incentives also have transformation criteria, which further facilitates this at a broader level.

2.5. Reimagined Industrial Strategy (RIS) and the 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

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[2] Ibid
[3] Ibid
[4] AU Commission (2015)
[5] Ibid

to Non-Tariff Barriers and local procurement of inputs for infrastructure development"[6]. 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 RIS therefore are broadly complementary policies to the SADC industrialisation strategy. The RIS is the country's plan involving the development of Master Plans for 12 priority sectors. This sets out commitments and actions by government, organised business and organised labour in these sectors. Similar to the SADC-RIDMP, the RIS aims to ensure industrialisation through its interventions, one of which is developmental tariff reform. In the current budget, the DTIC provides for the development and implementation of seven Master Plans that it is the lead on, as well as participation in the development of other Master Plans.

3. Department of Trade, Industry and Competition's Strategic Plan, Annual Performance Plan and Budget

The DTIC 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 a policy and regulatory framework to promote the development of industries and the participation of black people in economic activities and to attract and facilitate private investments; as well as to promote international and regional trade; which is supported by various incentives.

The DTIC's mission is to[7]:

- Promote structural transformation, towards a dynamic industrial and globally competitive economy;
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development;
- Broaden participation in the economy to strengthen economic development;
- Continually improve the skills and capabilities of the DTIC to effectively deliver on its mandate and respond to the needs of South Africa's economic citizens;

[6] SADC (2015)
[7] DTIC (2020: 20)

- Co-ordinate the contributions of government departments, state entities and civil society to effect economic development; and
- Improve alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and mandate.

For the financial year, the DTIC's work and budget will be divided among its ten (10) programmes. These programmes are in line with the DTIC's mandate and strategic areas, namely; "providing industrial finance, developing industrial infrastructure, strengthening export capabilities and enhancing competition regulation"[8]. The programmes are as follows[9]:

- *Programme 1: Administration*: Responsible for providing strategic leadership, support and management to the Department and its entities. It is focused on achieving the following key outcomes, namely: (i) implementation of transformation through employment equity and B-BBEE; (ii) youth empowerment through internships; and (iii) promotion of a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery.

- *Programme 2: Trade Policy, Negotiations and Cooperation*: Responsible for facilitating the building of an equitable global trading system by strengthening trading and investment relations with key markets globally. Furthermore, in line with the Africa Union Agenda 2063, developing and promoting regional and continental integration and development co-operation. It is focused on achieving increased intra-African trade to support Africa regional development.

- *Programme 3: Spatial Industrial Development and Economic Transformation*: Responsible for promoting inclusive economic transformation and increasing industrial participation through development and funding of SEZs, revitalisation of Industrial Parks and support for Black Industrialists. It is focused on achieving the following key outcomes, namely: (i) increased and enhanced instruments for spatial development of targeted regions and economic transformation in SEZs and industrial parks; (ii) industrialisation, localisation and exports through the revitalisation of industrial parks; and (iii) investing for accelerated inclusive growth through the mainstreaming of black-owned businesses and participation of black

[8] National Treasury (2020a: 640)
[9] DTIC (2020: 37, 40, 41, 43, 45, 46, 47, 49, 50 and 52)

people in the formal economy.

- *Programme 4: Industrial Competitiveness and Growth*: Responsible for designing and implementing policies, strategies and programmes to develop the manufacturing and related sectors of the economy with the aim of contributing to the creation of decent jobs, adding value to manufactured products and enhancing competitiveness in the domestic and export markets. It is focused on achieving the following key outcomes, namely: (i) increased industrialisation through the development of Master Plans in National Priority sectors; and (ii) increased localisation through the designation of products.

- *Programme 5: Consumer and Corporate Regulation*: Responsible for developing and implementing coherent, predictable and transparent regulatory solutions that facilitate easy access to redress and efficient regulation for economic citizens. It is focused on achieving an improved regulatory environment conducive for consumers and companies as well as providing access to redress.

- *Programme 6: Industrial Financing*: Responsible for stimulating and facilitating the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures that support national priorities. It is focused on achieving more accessible industrial finance measures to support investment in priority sectors in line with approved masterplans.

- *Programme 7: Export Development, Promotion and Outward Investments*: Responsible for increasing export capacity and supporting direct investment flows, through targeted. strategies, and an effectively managed network of foreign trade office. It is focused on achieving the following key outcomes, namely: (i) promoting the growth of exports in the economy as a generator of jobs and contributor to gross domestic product growth; and (ii) diversifying the export bundle, by promoting export growth in priority sectors.

- *Programme 8: Inward Investment Attraction, Facilitation and Aftercare*: Responsible for supporting foreign direct investment flows and domestic investment by providing a one-stop shop for investment promotion, investor facilitation and aftercare support for investors. It is focused on achieving increased strategic investment.

- *Programme 9: Competition Policy and Economic Planning*: Responsible for developing and implementing policy interventions that promote competition. It is focused on achieving policy tools and implementation strategies which contribute to an efficient, competitive economic environment, balancing the interests of workers, owners and consumers and focused on economic development.

- *Programme 10: Economic Research and Coordination*: Responsible for socio-economic research, assessing policy options and engaging stakeholders to facilitate inclusive economic growth. It is focused on achieving the following key outcomes, namely: (i) socio-, macro- and microeconomic policy options developed and assessed to promote inclusive growth; and (ii) policymakers and stakeholders have access to policy-relevant, high quality economic analysis.

3.1. Budget Vote 39: Analysis of the 2020/21 – 2022/23 financial period

The Department's budget has increased from R11,01 billion in 2019/20 to R11,08 billion in the 2020/21 financial year. In real terms[10], the budget is R10,6 billion. In nominal terms, the budget increased by R67,8 million; however, the budget in real terms significantly decreased by R399 million. Given the inflation estimates of 4,6% and 4,6% for the next two years respectively, the budget is expected to decrease to R9,2 billion in 2021/22 then decline to R9,18 billion in 2022/23 in real terms.

3.1.1. Programme Analysis

For the 2020/21 to 2022/23 financial years, the DTIC's budget allocation per programme is as follows:

[10] Real terms refer to the inflation-adjusted figures. Inflation estimates were 4,4%, 4,6% and 4,6% respectively for the next three years from 2020/21 to 2022/23 (National Treasury 2020b:23).

Table 1: Budget Allocation by Programme for the 2020/21 – 2022/23 financial years

Programme (R million)	Adjusted appropriation (2019/20)	Budget			Share of budget (2020/21)	Real % change (2019/20-2020/21)
		2020/21	2021/22	2022/23		
Administration	924,1	873,6	927,2	970,3	7,9%	-9,45 %
Trade Policy, Negotiations and Cooperation	130,4	134,0	142,2	148,6	1,2%	-1,63%
Spatial Industrial Development and Economic Transformation	160,0	171,9	184,3	190,1	1,6%	2,93%
Industrial Competitiveness and Growth	2 100,8	1 992,1	1 810,7	1 875,4	18,0%	-9,17%
Consumer and Corporate Regulation	339,8	342,3	363,9	378,8	3,1%	-3,49%
Industrial Financing	5 953,6	6 059,1	5 074,9	5 270,6	54,7%	-2,52%
Export Development, Promotion and Outward Investments	440,7	456,7	486,6	502,4	4,1%	-0,75%
Inward Investment Attraction, Facilitation and Aftercare	68,7	58,3	63,0	66,6	0,5%	-18,72%
Competition Policy and Economic Planning	815,8	908,4	955,5	991,9	8,2%	6,66%
Economic Research and Coordination	80,5	85,7	89,9	94,4	0,8%	1,97%
TOTAL	**11 014,4**	**11 082,1**	**10 098,3**	**10 489,1**	**100%**	**-3,63%**

Source: National Treasury (2020a: 642)

The two largest programmes in terms of the share of the budget are Industrial Financing, at approximately 55% and the Industrial Competitiveness and Growth with an 18% share of the 2020/21 budget. A more detailed breakdown per programme is provided below.

3.1.1.1. Administration

The Administration programme is the fourth largest programme by budget allocation accounting for 7,9% of the total budget for the 2020/21 financial year. For the financial year, R873,6 million has been set aside for this programme; however, this is a decrease of R87,3 million in real terms (or a decrease of by 9,45%) from the previous financial year.

The sub-programmes of the Administration programme are the Ministry, Office of the Director-General, Corporate Management Services, Office Accommodation, Financial Management Services, and the Marketing Communication and Media Relations.

3.1.1.2. Trade Policy, Negotiations and Cooperation

The Trade Policy, Negotiations and Cooperation programme is one of the smaller programmes accounting for 1,2% of the DTIC's total budget. The programme's appropriation is R134,0 million for the 2020/21 financial year. The programme's budget increased by R3,5 million in nominal terms; however, in real terms, the budget decreased by R2,1 million compared to the 2019/20 financial year. The sub-programmes of this programme are International Trade Development, and African Multilateral Economic Development.

3.1.1.3. Spatial Industrial Development and Economic Transformation

The budget of the programme has been reduced from a budget of R2,1 million in the 2019/20 financial year to R1,9 million for the 2020/21 financial year. The budget allocation for this programme is expected to further reduce in the 2022/23 financial year by 7,9% in real terms over the three years between the 2020/21 and 2022/23 financial years.

Within this programme, the sub-programmes are Enterprise Competitiveness, Equity and Empowerment, and Regional Industrial Development.

3.1.1.4. Industrial Competitiveness and Growth

Industrial development forms the core of the DTIC's work as outlined in its strategic objectives. This is evident by this programme's share of the total budget, which is approximately 18% making it the second largest programme by budget allocation. This budget funds two significant sub-programmes, namely: the Industrial Competitiveness and the Customised Sector Programmes.

The programme's budget has been decreased from R2,1 billion in the 2019/20 financial year to R1,99 billion in the 2020/21 financial year, a decrease of 5,2%; however, in real terms, a decrease 9,2%.

3.1.1.5. Consumer and Corporate Regulation

The programme's budget for the 2020/21 financial year is R342,3 million. The budget increased by 0,8% in nominal terms; however, in real terms, it decreased by 3,5%. Within this programme, there are three sub-programmes, namely: Policy and Legislative Development; Enforcement and Compliance; and Regulatory Services.

The Regulatory Services sub-programme is the largest of the three sub-programmes in terms of budget allocation as it comprised transfers to the regulatory entities. The Consumer and Corporate Regulation Programme is supported and partly implemented through the Department's regulatory entities, namely: the National Credit Regulator (NCR), the National Gambling Board, the National Lotteries Commission (NLC), the National Consumer Tribunal, the National Consumer Commission (NCC), the Companies and Intellectual Property Commission (CIPC) and the Companies Tribunal (CT).

3.1.1.6. Industrial Financing

This programme, along with the Industrial Competitiveness and Growth Programme captures the core mandate of the DTIC. This is the largest programme, which accounts for approximately 55% of the total budget. For the 2020/21 financial year, the Industrial Financing Programme's total budget allocation is R6,06 billion. This is a 1,78% increase in nominal terms and a 2,52% decrease in real terms. Over the next three financial years, the budget allocation for this programme will decrease by an average of 8,1%. This is of concern particularly as the economy is expected to have sluggish growth over the same period. In the absence of robust growth, incentives act as a tool or a catalyst to attract investment that retains and creates jobs.

The sub-programmes of the Industrial Financing Programme are Broadening Participation and Industrial Incentives; Manufacturing Incentives; Services Investment Incentives; Infrastructure Investment Support; Product and Systems Development; and Strategic Partnership and Customer Care.

3.1.1.7. Export Development, Promotion and Outward Investments

With a programme budget of R456,7 million for the 2020/21 financial year, the programme accounts for 4,1% of the total budget. In real terms, the budget increased by 0,75% from R440,7 million in the previous financial year. This programme's sub-programmes are Trade Invest Africa; Export Promotion and Marketing; Trade and Investment; Foreign Services Management Unit; and Export Development and Support.

3.1.1.8. Inward Investment Attraction, Facilitation and Aftercare

This is the smallest of the DTIC's programmes, it has been allocated R58,3 million for the 2020/21 financial year, translating to 0,53% of the total budget. The Investment Promotion sub-programme deals with the activities of the One Stop Shops and takes up R48,4 million of the budget.

3.1.1.9. Competition Policy and Economic Planning

The programme is the third largest programme accounting for 8,2% of the total budget. A budget of R908,4 million is allocated for the financial year. This allocation is 6,6% more than in the previous financial year when the allocation for this programme was R815,8 million. The programme's budget is expected to increase by an average of 2,1% in real terms to reach R991,9 million by the 2022/23 financial year.

3.1.1.10. Economic Research and Coordination

This is the second smallest programme accounting for 0,77% of the total budget. The budget allocation is R85,7 million in the 2020/21 financial year. It was R80,5 million in the 2019/20 financial year.

3.1.2. Economic classification

Of the total budget of R11,08 billion, R1,98 billion (17,8% of the total budget allocation) is for current payments, R34,1 million (0,3% of the total budget allocation) is allocated to payments for capital assets and R9,07 billion (81,9% of the total budget allocation) is allocated to transfers and subsidies to departmental entities and private enterprises, among others. A large proportion of the current payments is for compensation of employees (R1,17 billion or 59,3% of the allocation to current payments). The remainder of this allocation is for goods and services (R805,2 million).[11]

In terms of goods and services, the largest allocations for the 2020/21 financial year are to: operating leases (R291,7 million or 36,2%); travel and subsistence (R147,9 million or 18,4%); consultants for business and advisory services (R70,8 million or 8,8%); legal services (R37,5 million or 4,7%); and computer services (R35,5 million or 4,4%).

[11] National Treasury (2020a: 642)

The DTIC's transfers and subsidies are mainly distributed to public corporations and private enterprises (84,8% of transfers and subsidies or R7,7 billion). In addition, it will distribute R1,18 billion to departmental agencies and accounts (12,9% of transfers and subsidies); R156,5 million (or 1,7% of transfers and subsidies) to non-profit institutions; R42,8 million (or 0,5% of transfers and subsidies) to international institutions for membership fees; and R0,9 million (or 0,01% of transfers and subsidies) to households for employee social benefits. Transfers to the DTIC entities are discussed in further detail below.

Table 2: Budget Allocation: 2019/20 – 2022/23 by Economic Classification

R million	Revised estimate (2019/20)	Medium-term expenditure estimate			Average growth rate	Share of total budget
		2020/21	2021/22	2022/23	2019/20 - 2022/23	
Current payments						
Compensation of employees	1 142,7	1 171,4	1 247,6	1 301,8	4,4%	11,4%
Goods and services	817,8	805,2	857,8	891,9	2,9%	7,9%
Transfers and subsidies						
Departmental agencies and accounts	1 144,3	1 175,9	1 240,0	1 288,4	4,0%	11,4%
Foreign governments and international organisations	37,3	42,8	45,2	46,8	7,9%	0,4%
Public corporations and private enterprises	7 673,9	7 695,1	6 502,1	6 751,5	-4,2%	67,1%
Non-profit institutions	178,9	156,5	168,3	169,5	-1,8%	1,6%
Households	1,4	0,9	1,0	1,0	-8,6%	0,0%
Payments for capital assets						
Machinery and equipment	15,4	18,6	20,0	21,2	11,2%	0,2%
Software and other intangible assets	2,8	15,5	16,3	16,9	82,4%	0,1%
Total	**11 014,4**	**11 082,1**	**10 098,3**	**10 489,1**	**-1,6%**	**100,0%**

Source: National Treasury (2020a: 642)

3.1.2.1. Transfers to Entities

The DTIC is responsible for overseeing 17 entities. Of the 14 entities, three are self-funded, these are the CIPC, the National Empowerment Fund and the NLC. While the IDC is not funded by the DTIC per se, it receives transfers for off-budget incentive programmes that it administers on behalf of the DTIC. Transfers to the DTIC's entities are as follows:

Table 3: Transfers to entities

R thousand	Adjusted appropriation 2019/20)	Medium-term expenditure estimate			Average growth rate	Average: Expenditure/ Total
		2020/21	2021/22	2022/23	2019/20 - 2022/23	
Companies Tribunal	17 352	18 227	19 233	19 952	4,8%	0,2%
Competition Commission	295 438	331 559	348 695	360 915	6,9%	3,9%
Competition Tribunal	36 172	37 403	39 460	45 927	8,3%	0,5%
Export Credit Insurance Corporation of South Africa	193 511	204 153	215 381	223 387	4,9%	2,4%
Industrial Development Corporation	942 149	953 862	740 780	771 653	-6,4%	9,9%
International Trade Administration Commission	111 428	112 384	118 597	123 027	3,4%	1,4%
National Consumer Commission	58 304	61 270	64 649	67 069	4,8%	0,7%
National Consumer Tribunal	56 639	54 948	56 982	59 100	1,4%	0,7%
National Credit Regulator	86 580	82 278	86 803	90 030	1,3%	1,0%
National Gambling Board	33 797	35 051	37 265	38 217	4,2%	0,4%
National Metrology Institute of South Africa: Operations	115 057	119 384	126 922	130 165	4,2%	1,4%
National Regulator for Compulsory Specifications	139 501	144 230	152 163	157 818	4,2%	1,7%
Small Enterprise Finance Agency	241 453	246 908	260 541	270 164	3,8%	3,0%
South African Bureau of Standards	420 384	319 411	336 319	348 375	-6,1%	4,2%
South African National Accreditation System	31 669	32 731	34 532	35 816	4,2%	0,4%

R thousand	Adjusted appropriation 2019/20)	Medium-term expenditure estimate			Average growth rate	Average: Expenditure/ Total
		2020/21	2021/22	2022/23	2019/20 - 2022/23	
Capital	**129 979**	**134 995**	**142 465**	**147 867**	**4,4%**	**1,6%**
National Metrology Institute of South Africa	129 979	134 995	142 465	147 867	4,4%	1,6%

Source: National Treasury (2020a: 643)

Most of the entities will experience decreases between 1% and 8% in real terms compared to the previous financial year. One of the entities whose budget will significantly decrease is the NCR, the transfer will decrease by 8% (approximately R7,7 million) in real terms. Additionally, the transfer to the South African Bureau of Standards will decrease by 27,7%. Only four entities (the CT, the Competition Commission, the Export Credit Insurance Corporation of South Africa, and the NCC) will get an increase in their transfers. However, the increases are not significant except for the increase of the Competition Commission, which is 7,5%.

In the Committee's 2018 Budget Vote Report, the former DTI had indicated that it would commit to extending the annual grant to National Metrology Institute of South Africa (NMISA) over the next 25 years from the baseline at the time by an amount of R130 million annually.[12] This was to support the NMISA's infrastructure recapitalisation project. This project was considered critical as the NMISA underpinned the country's metrology standards. The NMISA will continue to receive this funding for its capital expenditure related to the requisite infrastructure and equipment upgrades and will be receiving R425,3 million over the MTEF period to enable it to upgrade its critical infrastructure.

[12] Portfolio Committee on Trade and Industry (2018: 412)

4. Key issues raised by the Committee during its deliberations

The Committee raised a number of concerns during its deliberations, including:

4.1 ***Contraction of the South African economy:*** The Committee noted that the impact of COVID-19 on the economy should not be underestimated, as a global economic contraction would require that South Africa revisits its economic projections in light of the impact of the pandemic. Thus far, the International Monetary Fund and the South African Reserve Bank have predicted that the South African economy would contract in 2020 by -5,8% and -6,1% respectively[13]. The Committee enquired whether the DTIC shared the view that the South African economy would contract by about -6%. The phenomenon of country level ‘lockdowns’ was unprecedented in recent economic history. The DTIC acknowledged that although many analysts have provided forecasts of the potential damage to the global and South African economy, the reality was that all these forecasts contained a significant margin of error. However, the DTIC was of the view that the South African economy would experience a substantial contraction in 2020 and that it would continue to monitor and assess the forecasts from a wide range of economic analysts. Therefore, it would caution against focusing on any one specific forecast until such time Statistics South Africa published actual data reflecting the key economic indicators such as the Manufacturing Sales and Production, Employment, Investment, Exports and Imports data.

4.2 ***Invoking section 11 of the National Credit Act (Act No. 34 of 2005) (NCA):*** A view was expressed in the Committee that section 11 of the NCA (Act No. 34 of 2005), which deals with public interest credit agreements should be invoked during the COVID-19 pandemic. This provision allows the Minister to declare specific credit agreements under grave public interest circumstances to be extended to the public with specific conditions and without being considered reckless credit lending. This may assist individuals and small businesses to access credit, which they would under normal circumstances not be able to access due to unavoidable temporary loss of income as a result of the lockdown. The Committee enquired whether the DTIC had considered invoking section 11 of the NCA to provide affordable credit to such consumers or small businesses. The DTIC informed the Committee that it was in receipt of the proposal for the public

[13] South African Reserve Bank (2020)

interest credit agreements. However, the proposal was still under consideration and undergoing internal consultations.

4.3 ***Compliance with the B-BBEE provisions:*** Recently AfriForum and the trade union movement, Solidarity, challenged the decision by the Minister of Tourism to apply B-BBEE codes when providing relief to distressed businesses in the tourism sector. The Committee implored the DTIC to ensure that all provisions of the B-BBEE Act (Act No. 53 of 2003) were complied with and whether it was considering measures to strengthen the Act during the COVID-19 pandemic. The DTIC informed the Committee that it would ensure compliance to the B-BBEE Act and its Codes of Good Practice during the COVID-19 pandemic. Measures to strengthen compliance and redirect resources to where the greatest needs are had been considered.

4.4 ***Broader production of medical equipment**:* Ensuring the continued supply of medical equipment and products is critical during the COVID-19 pandemic. The Committee enquired whether any of the production of medical supplies and of personal protective equipment (PPE) had been given to companies located in provinces other than Gauteng, KwaZulu-Natal and the Western Cape and whether small, medium and micro enterprises (SMMEs), especially women in rural areas would be prioritised to produce these products. The DTIC informed the Committee that there had been a huge effort from Government and Private Sector to support legitimate and compliant South African manufacturers from all provinces. Also, the DTIC had enabled support for COVID-19 essential products including PPE through the IDC. All companies that met the criteria (as stipulated in the guidelines) were eligible for support irrespective of their location. For example, in the Clothing and Textile sector, the procurement of consumer masks for public entities had specifically been opened up further to SMMEs to produce fabric face masks in addition to the already existing requirement of 100% designation.

4.5 ***Exports of raw materials:*** While the Committee welcomed the promotion of exports and of outward investment through its foreign trade offices; it remained concerned that the majority of South Africa's raw materials were still being exported and that no or little economic value was being extracted in the process. It enquired whether the DTIC would be developing measures that would limit the export of raw materials to ensure that beneficiation takes place in South Africa. The DTIC informed the Committee that the RIS identified mineral beneficiation as a priority outlining:

- the use of export taxes;
- development of local fuel cells and battery manufacturing industries; and
- the rejuvenation of the iron-ore and steel value chain.

The current situation characterised by the weak rand and the capability of South African manufacturers to supply domestic demand during the COVID-19 pandemic presented an opportunity to ramp up production. A number of beneficiation initiatives that were being pursued by government, inclusive of the IDC, and industry to increase the production of value-added products from South Africa's raw materials for the domestic and export market, included:

- In the steel sector, the DTIC was leading the development of the Masterplan with industry and labour to develop and implement measures that could support the growth and development of the sector. Parliament would be updated once the Masterplan was signed off by all social partners.
- In the Energy Storage and Fuel Cells sub-sectors, there were interventions being put in place to leverage the resource endowment of vanadium, lithium, cobalt, manganese, nickel and rare-earths. These were sought after metals in the battery materials market, while the platinum group metals were used in fuel cell applications.

4.6 ***Amalgamation of the DTI and EDD:*** With the sixth administration. the President of South Africa had announced the amalgamation of the Department of Trade and Industry with the Economic Development Department to establish the DTIC. This required the reconfiguration of the organisational structures to effectively support and implement the mandate of the new department. In phase 2 of this process, the DTIC alluded to the fact that "a robust rotation programme will also be introduced to deepen the skills and capability at senior management level". The Committee enquired how the DTIC would implement the rotation programme and ensure that it retained and deepened the skills and capability of its senior management. The DTIC informed the Committee that the principles that would underpin the job rotation programme were that:

- The approach to be adopted would be approved by the DTIC's Executive Board.
- The programme would be rolled out incrementally to assess its efficacy and manage emerging risks.

- Senior managers whose areas of work were similar would be identified.
- Senior managers with similar skills and competency profiles would be identified.
- There should be buy-in from those targeted and therefore job rotation cannot be coerced.

The benefits to be derived would be:

- The broader development of the leadership capability.
- Leadership succession and continuity of operations.
- Improved job engagement and satisfaction, particularly for those who had been in the same posts for numerous years.

It should be noted that the implementation of Phase 2 of the National Macro Organisation of Government would be delayed due to the prioritisation of response measures to COVID-19.

4.7 ***Ease of doing business:*** The Committee enquired what measures the DTIC would initiate to further reduce the administrative burden on business and improve the ease of doing business to create an enabling environment for investment and improve global competitiveness. The DTIC informed the Committee that the measures being considered for implementation were the following:

- Enhancement of BizPortal and rolling out to SMMEs through local banks;
- Improving transparency of information at Deeds Office on its website and indicating its turnaround times;
- Automation of Construction Permits at the City of Johannesburg (CoJ);
- Automation of e-Rates Clearance at CoJ; and
- Improving efficiencies at Ports.

4.8 ***Support offered to communities by the SEZs during the COVID-19 pandemic:*** The Committee asked whether the SEZs had initiated any programmes to support the surrounding communities during the lockdown period. The DTIC informed the Committee that the COVID-19 pandemic has had devastating effects on the management accounts of the various SEZ Operators, as most tenants had been unable to honour their rental obligations. As a result, some of the tenants had submitted requests for a 3-months rental holiday from their respective SEZ Operators. As a direct consequence of the pandemic, different SEZs are currently under serious financial strain. Furthermore, most of the SEZs efforts to effectively fulfil some of the planned construction activities for investments, had been hampered as a result of the restrictions placed by the Lockdown Regulations under Level 4. This impacted negatively on the income opportunities of all the affected community workers. As a result of the currently challenges posed by the COVID-19 pandemic, the SEZs indicated that they were planning various activities to alleviate the plight of their communities through:

- The acceleration of construction of projects relating to infrastructure, internal roads and security features. This would create and sustain a sizeable number of construction jobs - with an immediate boost to the livelihoods of the surrounding communities.
- Ensuring that the under-utilised supply-chains/logistics infrastructure (owned by some of the tenants) were leveraged towards the distribution of emergency relief goods and services (e.g. the distribution of food parcels; and the manufacturing of COVID-19 related protective gear or medical equipment, etc.).
- Distribution of food hampers to various Provincial COVID- 19 Command Centres.
- Prioritising high-impact community projects, where possible.

4.9 ***Statement issued by the World Trade Organization (WTO):*** The WTO had released a statement on COVID-19 and the multilateral trading system to secure and ensure the continued flow of medical supplies and other essential goods and services including maintaining the agricultural supply chain and securing food security of its Members, among others, during the pandemic. It would appear that South Africa was not a signatory to this statement despite many of its leading trading partners doing so. If so, the Committee enquired what the rationale was for South Africa not being a signatory to this statement as its aims were to ensure sustainability and stability within the trading system during the pandemic. The DTIC informed the Committee that the Joint Statement referred to in the question was signed by only 21 of 165 Members of the WTO. In referring to measures that have already been put in place on exports of medical supplies and other essential goods and services, the Statement makes a pledge to lift them as soon as possible. It also contains a commitment "Not to impose agriculture export restrictions and refrain from implementing unjustified trade barriers on agriculture and agri-food products and key agricultural production inputs." It is noteworthy that 141 countries have implemented trade measures overall.

According to the DTIC, 12 of the sponsors of the Statement implemented export restrictions on medical products; with two implementing export restrictions on agricultural products. It should also be noted that trade, in general, had been interrupted in many countries not by trade measures *per se* but by lockdowns, disruption to logistics and transport, and by border closures all of which were the result of measures to address the COVID-19 pandemic. The DTIC informed the Committee that South Africa, along with most other Members, did not sponsor the Joint Statement as it was an undertaking inconsistent with existing WTO rules. Article XI of the General Agreement on Tariffs and Trade on 'Export Restrictions' provides for the application of export prohibitions to prevent or relieve critical shortages of foodstuffs or other essential products. It should be recalled that the current proposal contained in the Joint Statement was the latest of ongoing efforts by many of the same WTO Members to completely prohibit export restrictions even for developmental objectives. The DTIC was of the view that many of the same Members continue to distort agricultural trade in more significant ways through the provision of massive domestic support that undermines prospects for agricultural development in many developing countries, including in Africa. According to the DTIC, it was important to leave the possibility of resorting to export restrictions open to promote food security or manage shortages of foodstuffs and other essential products.

4.10 ***Discontinuation of 12i tax allowance:*** A concern for the Committee was that in its presentation, the DTIC projected that the number of enterprises/projects to be approved for financial support across all incentives would only be 600 for the 2020/21 financial year. This reduction, according to the DTIC, was due to the discontinuation of the 12i tax allowance and the economic impact of the COVID-19 pandemic. The Committee enquired, notwithstanding the economic impact of COVID-19, what informed the decision to discontinue the 12i tax allowance designed to support greenfield investments and whether alternative financial support measures would be considered. The DTIC informed the Committee that the 12i tax allowance programme was legislated under Section 12i of the Income Tax Act, 1962 (Act No. 58 of 1962), which incorporated the termination date of the 12i tax allowance programme. This was based on a budget allocation which was aligned to the termination date. However, an amendment of the termination date would not be allowed unless supported by an allocated budget in order to allow for the receipt and the processing of applications. According to the DTIC, alternative support measures may be considered via a Generic Manufacturing Support Programme should an additional budget be allocated.

4.11 ***Decline in allocation of incentive funding for public corporations and private enterprises:*** The DTIC incentive allocation to public corporations and private enterprises would decline by more than R1,2 billion from the 2020/21 financial year to the 2021/22 financial year. The Committee enquired what informed the continued decline in providing incentive funding for public corporations and private enterprises. The DTIC informed the Committee that the reduction of incentive allocations was due to budget constraints as indicated by National Treasury that led to the discontinuation of the economic competitiveness support package.

4.12 ***Application of B-BBEE levels when allocating relief funds:*** Financial support to stimulate and support the industrial drive in line with national priorities should not be underestimated. However, the Committee enquired that with the allocation of relief funds whether the DTIC would strictly apply B-BBEE levels when providing relief or consider the needs of companies given the impact of COVID-19 pandemic on the economy. The DTIC informed the Committee that the current B-BBEE levels within the incentives programmes were between Level 4 and Level 8. These levels were determined after consultation with industry on what should ideally be the B-BBEE level that companies applying for incentives should adhere to, based on the transformation imperatives of the country. The DTIC, as custodian of the B-BBEE legislation, informed the Committee that it remained committed to adhere to the application of B-BBEE levels when providing funding to companies given the impact of COVID-19 pandemic on the economy. This was to ensure that during and after the pandemic the country had an economy that reflects economic inclusion.

4.13 ***Automotive industry:*** The Committee acknowledged the contribution of the automotive industry to the broader economy and job creation. It recognised the need to support national priority sectors, such as the automotive sector, to stimulate industrialisation and foster the deepening of localisation to enhance economic transformation and job creation. It enquired about the measures being considered by the DTIC to continue to support the industry given the impact of the COVID-19 pandemic and its contribution to the broader economy and job creation. The DTIC informed the Committee that the impact of COVID-19 would manifest through reductions in Sales and Production volumes leading to job losses all due to shrinking demand as global economies continue to struggle. As a result of this, it was reviewing the Automotive Production Development Programme with the purpose of accommodating the industry following COVID-19. Some of the issues under consideration included the relaxation of production volume requirements and extending submission timelines for Automotive Investment Scheme applications and claims. Therefore, the Department was in constant engagement with the industry in efforts to understand the COVID-19 impact as it unfolds and also to formulate appropriate responses.

4.14 ***Alignment of the RIS with previous policies:*** Collaboration among industry, labour and government would be critical to develop an effective RIS ensuring a partnership with the private sector that would release job-creating investment. The Committee welcomed the approach to operationalise the RIS through Master Plans in the National Key Priority sectors. However, it enquired whether the RIS would align with the objectives of the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP). According to the DTIC, the Government policy set out in the NGP, the IPAP and the RIS seeks to ensure a restructuring of the economy to set it on a more value-adding, labour-intensive and environmentally sustainable growth path. The RIS provides a new integrated approach to economic development underpinned by five growth engines which are industrialisation through the Masterplans; leveraging private investment and infrastructure; innovation through strengthening the digital economy; regional integration through the AfCFTA to promote exports; and inclusion through the revitalisation of rural and township economies, boosting SMMES, and creation of jobs for youth and women. In essence, the RIS is aligned to and reinforces the objectives of preceding policies such as IPAP and NGP and further places greater emphasis on collaboration and partnerships with the private sector and labour in developing and implementing programmes to reposition the sectors.

4.15 ***Industrial Park Revitalisation Programme:*** The continued support for Industrial Parks through the Industrial Park Revitalisation Programme contributes to the stimulation of rural and township economies and acts as a critical vehicle to promote industrialisation and manufacturing. The Committee enquired whether the DTIC would consider increasing its incentive support for industrial parks thereby stimulating rural and township economies. The DTIC informed the Committee that the Industrial Parks Revitalisation Programme was implemented under the Infrastructure Development Programme which includes the SEZs and the Critical Infrastructure Programmes. Discussions were under way with National Treasury for a possible increase of the current funding support for industrial parks to stimulate investment in rural and township areas. The DTIC had also been engaging other partners, including other departments, such as the Department of Cooperative Governance and Traditional Affairs; the Provincial Governments; and the Municipalities, to participate and contribute towards the Industrial Parks Revitalisation Programme.

4.16 ***Reviewing of the B-BBEE Act:*** The primary purpose of B-BBEE is to address the legacy of Apartheid and to ensure the economic participation of previously disadvantaged individuals in the South African economy. Given the current economic environment caused by the COVID-19 pandemic, the Committee enquired whether government would be considering reviewing the Act for a more inclusive approach. Currently, the DTIC is reviewing the B-BBEE Act as part of the MTSF which started during the 2020/21 financial year to, amongst others, strengthen participation of marginalised groups (women, youth, workers etc.) in the mainstream economy.

4.17 ***Trade deficit with Brazil, Russia, India and China (BRIC countries):*** A major concern for the Committee was the significant increase in South Africa's trade deficit with the BRIC countries valued at R26 billion. The Committee enquired what measures were being considered in order to reduce the trade deficit with its BRIC trading partners. According to the DTIC, South Africa has trade deficits with many trading partners but also surpluses with many others. Over the last three years the aggregate trade balance has been in surplus: R88.1 billion, R15.2 billion, and R24.7 billion respectively. With respect to the BRIC countries, the overall trade deficit narrowed over the period 2015 to 2019, from R130 billion to R112 billion. With China, it narrowed from R105,5 billion to R95,7 billion. With India, it narrowed from R12,2 billion to R2,9 billion and with Russia it narrowed from R2,5 billion to R2,2 billion. However, the DTIC acknowledged that with Brazil, the deficit widened from R10,02 billion to R10,97 billion.

Beyond trade balances, the basket of products traded was of greater strategic importance. In general, while 55,3% of South African exports were manufactured products, South African imports of manufactured products were 92,9% of its total imports. This indicated that South Africa was not exporting a large proportion of value-added products. With a significant decline in global commodity prices, the terms of trade moved against economies that were heavily dependent on commodities in their export basket. This underlined the importance of industrial development and value-addition in South Africa to diversify the export basket to include a greater share of higher value-added manufactured products.

The WTO rules govern the measures South Africa may take on trade. The rules prohibit the imposition of import restrictions or quotas against other WTO members. South Africa was able to increase tariff duties up to the legal bound levels set out in its WTO commitments, in general, or to limits agreed with specific trading partners in bilateral and regional agreements (SADC or European Union (EU) for example). In general, proposals to raise tariffs came from industries and firms. Such proposals were assessed in light of their possible impact on broader industrial development objectives and employment effects in the relevant value chain. The procedures and criteria are set out in the International Trade and Administration (ITA) Act. Similarly, in cases of unfair trade, trade remedies (e.g. safeguards, anti-dumping, and countervailing duties) could be used if affected industries follow the process and criteria set out in the ITA Act.

The DTIC informed the Committee that trade imbalances were also being addressed through the DTIC's export promotion initiatives. Support was being provided to outward selling missions to the BRIC countries, via the Export Marketing and Investment Assistance incentive. The DTIC's Foreign Economic Representatives and Marketing Officers stationed at South African embassies in the BRIC countries provide ongoing in-country support. The DTIC also collaborates with the South African chapter of the BRICS[14] Business Council, in facilitating manufactured exports to BRIC countries and improving awareness of trade opportunities in BRIC markets. Finally, it runs the Export Barriers Monitoring Mechanism, which supports businesses in resolving barriers to exports for BRIC markets.

4.18 ***Implementation of Trade Agreements:*** At the end of 2019, the WTO had revised its global merchandise trade volumes estimate downwards for 2019, which indicated a slowdown in global trade due to trade tensions and uncertainty around the withdrawal of the United Kingdom (UK) from the EU (Brexit) negotiations, among others. The outbreak of the COVID-19 pandemic would further slowdown world trade and disrupt global supply chains. The Committee enquired what would the impact of the COVID-19 pandemic be on the implementation of the AfCFTA and on the out-of-cycle review of South Africa's continued participation in the United States' (US) African Growth and Opportunity Act (AGOA).

[14] BRIC countries and South Africa

In terms of the AfCFTA, the DTIC responded that while Africa had so far avoided the worst of the health crisis (as compared to Europe and North America), the economic impact had been devastating. Large parts of African economies were closed, exports have ceased, and there has been capital flight and currency depreciation. Intra-African trade had been hit hard too with border closures and other lockdown measures being implemented across the continent.

The DTIC informed the Committee that African countries were far more vulnerable to the economic impact of the crisis, had less financial resources and fiscal space to respond, and these already distressed economies were set to confront elevated debt levels. While the trade response was important, it would be dependent on a broader agenda for financial support and debt relief across Africa. The large gap between the international support currently on offer and financing needs would not only weaken the effectiveness of developing countries' responses to the crisis, but it would also delay the economic recovery and dampen prospects for trade.

According to the DTIC, the COVID-19 pandemic also compelled the AU Commission (AUC) to suspend all meetings in March 2020. This meant that the negotiating process had to be delayed and the 13th Extra-Ordinary Summit that had been proposed for 30 May 2020, to adopt the outcomes of the work, had to be postponed.

The DTIC informed the Committee that President M Ramaphosa, as Chair of the AU, was conducting consultations to consider options for convening the Extra-Ordinary Summit, while AU Ministers of Trade were engaging with the AUC to consider alternate ways to make progress in the negotiations including through virtual meetings. There were many practical constraints to this option considering the negotiations required the participation of 55 AU Members.

Currently, the negotiations were at a critical phase. Further negotiations on tariff concessions and accompanying rules of origin must be concluded to establish the technical and legal prerequisites for preferential trade under the AfCFTA. On trade in services, many Members were still to make offers that would be the starting point for those negotiations.

In terms of AGOA, the DTIC noted that while the possibility for an out-of-cycle review continues to apply, South Africa remains eligible for tariff preferences under AGOA. The out-of-cycle provision allows any US lawmaker, at any time, to raise concerns on whether South Africa meets AGOA eligibility requirements. At this stage, no such concerns have been raised. It should be noted that, on 13 May 2020, the US Government initiated an overall review of sub-Saharan African countries' eligibility for AGOA preferences.

Two-way trade between the US and South Africa had been severely impaired by the border measures taken by both sides to address the health crisis brought on by COVID-19. These measures include lockdowns in many sectors of the economy, restrictions on logistics and transport and border closures. Of course, this was a global phenomenon and the DTIC expected that trade would re-start as production and transport restarted and as border measures and closures were scaled back.

On a related matter, South Africa had been part of a US country review process under the US Generalised System of Preferences (GSP) since October 2019. That review was initiated by a petition from US stakeholders in respect to concerns they have had with South Africa's pending Copyright Amendment and the Performers' Protection Amendment Bills.

The South African Government had participated in the review process and was in ongoing discussions with the United States Trade Representative (USTR) on the matter. South Africa had argued that the review was mistimed and misdirected as these Bills were not yet law in South Africa and were being assessed for their constitutionality by the President. To date, he had not yet made a determination. The DTIC informed the Committee that it had clarified that the Bills would be the subject of further consideration if the President signs them into law or if he decides to return them to Parliament for further work. If they were to be signed into law, it would become operational only through secondary legislation/regulations which required further consultations with stakeholders. If the Bills were to be referred back to Parliament, Parliament would be limited to only consider and respond to matters the President highlighted in terms of the procedures followed or other constitutional concerns.

The South African and US Government would continue to engage on these matters, as the process on South Africa's copyright law unfolds and would engage on the GSP country review. The DTIC informed the Committee that a decision on the country review may be made by the

USTR in November 2020. These were important matters as eligibility for trade preferences under AGOA were predicated on continued eligibility for preferences under the GSP.

4.19 ***Additional relief funding:*** Given the negative impact of the COVID-19 pandemic on the broader South African economy, the Committee enquired whether the DTIC would consider additional relief funding for companies in distress, especially companies that are labour-intensive to reduce the negative impact on the labour market. The DTIC informed the Committee that it was considering additional relief support to companies in distress in the productive sector of the economy to sustain existing jobs and productive capacity. It had proposed that support provided would be based on companies having a business case/turnaround strategy that demonstrates that the entity could prove that it could be viable with support and lead to future sustainability within a period of 18-24 months. Specific conditionalities would be considered with regards to support given, such as the safe-guarding of employment. The package would be implemented once National Treasury allocated those funds.

5. Conclusions

Having considered the information shared and reports from the Department of Trade, Industry and Competition with respect to its strategic and annual performance plans, the Committee has reached the following conclusions:

5.1 The Committee welcomed the amalgamation of the two departments and appreciated the merged mandate that led to the rearrangement of programmes that complements/improves co-ordination and enhances the former roles of the two departments.

5.2 Industrial financing remains a critical vehicle for the development of sustainable enterprises through the provision of incentives in support of national priorities. Given the importance of industrial financing (therefore, it receives the bulk of the budget allocation), especially in a contracting economy, the Committee noted with concern that the budget allocation for this programme will decrease significantly in the outer years of the Medium-Term Expenditure Framework.

5.3 The Committee noted the discontinuation of the 12i tax allowance, as the DTIC indicated that this was related to a legislated termination date, and that an amendment to the termination date would only be possible if an additional budget was allocated by National Treasury. However, the Committee welcomed the undertaking of the DTIC to source alternative support measures that may be considered via a Generic Manufacturing Support Programme should an additional budget be allocated.

5.4 The Committee welcomed continued efforts by the DTIC and the CIPC to ensure improved ease of doing business through business registration through the BizPortal. It also noted collaboration with the City of Johannesburg to improve other processes such as getting construction permits. In this regard, the Committee called on the DTIC to extend its efforts to other government departments and across all spheres of government to ensure ease of doing business.

5.5 Reducing the administrative burden on business and improving the ease of doing business to create an enabling environment for investment and improve global competitiveness had been a major concern for this Committee. The Committee welcomed the initiatives by the DTIC, among others, to enhance the digital platform that would enable small, medium and micro enterprises to access the BizPortal through local banks.

5.6 The Committee welcomed the collaborative approach in developing the Master Plans as part of the Reimagined Industrial Strategy, as only through a partnership with industry, labour and government could an environment be established to facilitate investment that leads to job-creation.

5.7 The Committee urged the DTIC to finalise the negotiations on the modalities for the African Continental Free Trade to enable the implementation of the trade agreement, which is expected to increase intra-African trade.

5.8 The Committee welcomed the DTIC's commitment to multilateralism and efforts to ensure that the developmental agenda remains a priority and in cases where the developmental agenda is compromised, South Africa should be guided by principles of regional economic integration and national security during the pandemic.

5.9 Notwithstanding the clear objectives of section 11 of the National Credit Act, the Committee welcomed the cautionary approach the DTIC had taken in this regard.

5.10 The Committee welcomed the DTIC’s commitment that it would ensure compliance to the Broad-based Black Economic Empowerment Act and its Codes of Good Practice during the COVID-19 pandemic. It noted the fact that the DTIC is considering further measures to strengthen compliance and to redirect resources where necessary.

5.11 Notwithstanding the approval of the budget and Annual Performance Plan as tabled, the Committee noted that an adjustment appropriation budget would be tabled to factor in the interventions to mitigate the impact of the COVID-19 pandemic. This may lead to a revision of the DTIC and its entities’ Annual Performance Plans. It looked forward to engaging the DTIC on the new Annual Performance Plans once tabled.

6. Acknowledgements

The Committee would like to thank Mr E Patel, the Minister of Trade and Industry, and Mr L October, the Director-General of the Department of Trade, Industry and Competition, 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, the Committee Secretary, 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.

7. Recommendations

The Portfolio Committee on Trade and Industry, having considered the 2020 proposed Budget Vote 39: Trade, Industry and Competition, recommends that the House adopts Budget Vote 39: Trade, Industry and Competition.

The Committee further recommends that the House request that the Minister of Trade and Industry should consider engaging the Minister of Finance to enhance industrial and developmental financing to stimulate the economy in support of the Reimagined Industrial Strategy as implemented through the Master Plans.

Report to be considered.

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4. REPORT OF THE DELIBERATIONS OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS, WATER AND SANITATION ON BUDGET VOTE 41, 2020/21 ANNUAL PERFORMANCE PLAN AND STRATEGIC PLAN: WATER AND SANITATION AND ENTITIES, DATED 7 JUNE 2020

The Portfolio Committee on Human Settlements, Water and Sanitation (the Portfolio Committee), having considered Budget Vote 41, 2020/21 Annual Performance Plan and 2020 – 2024 Strategic Plan of the Department of Water and Sanitation and its Entities, that of, the Water Research Commission (WRC), the Trans-Caledon Tunnel Authority (TCTA), and two (2) Catchment Management Agencies (Inkomathi-Usuthu Catchment Management Agency and Breede-Gouritz Catchment Management Agency), reports as follows:

1. Background

The Portfolio Committee on Human Settlements, Water and Sanitation considered Budget Vote 41, the Annual Performance Plan and Strategic Plans/Corporate Plans of the Department of Water and Sanitation and Entities in May 2020. Budget Vote 41: Water and Sanitation, 2020/21 Annual Performance Plan and Strategic Plan of the Department of Water and Sanitation was held on 26 May 2020; the Trans-Caledon Tunnel Authority and Water Research Commission on 28 May 2020 and the two Catchment Management Agencies on 26 May 2020.

2. Introduction

The supremacy of the Constitution of the Republic of South Africa founded on the values of human dignity, the achievement of equality and the advancement of human rights and freedoms is the foundation of South Africa’s democracy. This supremacy requires that all other South African legislation must adhere to making provisions for the state to respect, protect, promote and fulfil the rights in the Bill of Rights.

Section 24 and 27 of the Bill of rights in the Constitution grant specific rights to access to sufficient water, and environment not harmful to health and well-being and the environment from degradation. The right to basic sanitation is not an explicit constitutional right, but the right to sanitation could be derived from the right to a clean environment, read together with the right of access to clean water.

The Constitution provides for three spheres of government and sets out the functions of these three distinctive, interdependent and interrelated spheres. The principles of cooperative governance provide that all interactions between the three spheres of government must play out in a coordinated and cooperative manner.

Since South Africa is a water scarce country, the budgetary, legislative, policy and regulatory framework placed much emphasis on water scarcity and the effective management of national resources, coupled with the need to rectify historical inequities and promote justice and equality in the availability and use of water resources.

In addition to the Constitution and relevant pieces of legislation such as the National Water Act, the Water Services Act and the Water Research Act, the work of the Department is strongly linked to the national, such as the National Development Plan, Medium-Term Strategic Framework and international obligations such as the United Nations Sustainable Development Goals[1] to meet the requirements of the provision of clean water and dignified sanitation to all citizens in South Africa.

3. Legislative Mandate

South Africa's status as a water-scarce country is reflected in the formulation of the legislative framework pertaining to water. This legislation has placed emphasis on water scarcity and the effective management of national resources coupled with the need to rectify historical inequities and promote justice and equality in the availability and use of water resources. The three principle sources of national water legislation are the Constitutions of South Africa, No 108 of 1996, the National Water Act, No 36 of 1998 and the Water Services Act, No 108 of 1997.

[1] At the conclusion of the Millennium Development Goals in 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development, which announced the Sustainable Development Goals (SDGs). Goal 6 deals with the right to water and sanitation for all. Goal 6: 'Ensure availability and sustainable management of water and sanitation for all".
6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all, and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

The Department's legislative mandate, in the National Water Act, is to ensure that the country's water resources are protected, managed, used, developed, conserved, and controlled by regulating and supporting the delivery of effective water supply and sanitation. This is done in accordance with the requirements of water-related policies and legislation that are critical for delivering on the people's right to have access to sufficient food and water, growing the economy, and eradicating poverty.

The main aim of the Water Services Act is to assist municipalities to undertake their role as Water Services Authorities, and also to look after the interests of the consumer. It also clarifies the role of other water services institutions, especially water services providers and water boards. According to the Act, it is the responsibility of Water Services Authorities to ensure access to both water supply services and sanitation services.

The executive power to deliver water and sanitation services falls, in terms of the Constitution, on local government. The statutory legislative framework for effective management of local government consists of the Local Government: Municipal Structures Act, No 117 of 1998, the Local Government: Municipal Systems Act, No 32 of 2000, and the Local Government: Municipal Finance Management Act, 56 of 2003.

4. National Priorities for Water and Sanitation as set out in the National Development Plan and Medium-Term Strategic Framework

4.1 The National Development Plan 2030 Vision

The National Development Plan 2030 Vision is for investment in a strong network of economic infrastructure designed to support the country's medium- and long-term economic and social objectives. This economic infrastructure is a precondition for providing basic services such as electricity, water, sanitation, telecommunications and public transport, and it needs to be robust and extensive enough to meet industrial, commercial and household needs.

4.2 Medium Term Strategic Framework (MTSF)

The Medium-Term Strategic Framework (MTSF) sets out the actions that government will take and targets to be achieved. The MTSF is an implementation plan and monitoring framework for achieving the National Development Plan (NDP) 2030 priorities.

4.2.1 Overview of work of the Department for the 2014 – 2019 Medium-Term Strategic Framework

An assessment of the work of the Department for the 2014 – 2019 Medium-Term Strategic Framework period by the Department of Planning, Monitoring and Evaluation[2] in respect of the water and sanitation sector, encompassed the following:

South Africa has more than 500 government-owned dams with a total capacity 37 000 million cubic metres (m^3). Government has made significant strides in reducing the backlog in access to potable water that it inherited in 1994. By 2017, over 88% of the 14.8million households had access to potable water.

However, the development and maintenance of bulk-water systems particularly in the past 5 years, have become a major challenge in many parts of the country, at times aggravated by droughts, the impact of climate change and rapid urbanisation. A number of bulk water infrastructure projects have been complete.

A number of water treatment works with linked distribution and reticulation systems have been completed in every province. An emergency acid mine drainage neutralisation project was also implemented in the Witwatersrand region.

National Government has also supported Water Services Authorities to deliver improved water and wastewater services through the establishment of new funding mechanisms and related allocations through the Regional Bulk Infrastructure Grant (RBIG), the Municipal Infrastructure Grant (MIG) and the Water Services Infrastructure Grant (WSIG). The Equitable Share is targeted to subsidise the operations and maintenance costs for water services infrastructure in municipalities.

[2] Information that follows was sourced from: Department of Planning, Monitoring and Evaluation, 'Twenty Year Review, South Africa, 1994 -2014: Rural Transformation" and 'Toward a 25-Year Review, 1994 – 2019.

However, the problems and challenges in the sector have multiplied. Institutions have weakened with loss of skills and weakened governance. Local-level investment in water infrastructure has either been too low or characterised by poor planning and excessive prices. Maintenance of existing water infrastructure remains a challenge, which increases the risk of sustainable water supply into the future. In fact, the SA Institute of Civil Engineering rates water infrastructure across the country as at risk of failure.

4.2.2 Imperatives for the Medium-Term Strategic Framework, 2019 – 2024 for the water and sanitation sector

Over the next five years, the work of the Department of Water and Sanitation will be closely monitored by the MTSF 2019 – 2024 and the seven priorities that emanate from it. These include:

- **Priority 1:** Capable, ethical and developmental state;
- **Priority 2:** Economic transformation and job creation;
- **Priority 3:** Education, skills and health;
- **Priority 4:** Consolidating the social wage through reliable and quality basic services;
- **Priority 5:** Spatial integration, human settlements and local government;
- **Priority 6:** Social cohesion and safe communities
- **Priority 7:** A better Africa and world.

In addition to being a five-year implementation plan, the MTSF 2019-2024 is also an integrated monitoring framework. It promotes alignment, coordination and, ultimately, full integration of all development planning instruments into an integrated framework, bearing results without duplication, role conflict or development contradictions, as well as better coordination of implementation through the district based delivery model.

As a five-year building block towards achieving Vision 2030, all national sector plans, provincial growth and development strategies, municipal integrated development plans, departmental strategic plans and annual performance plans *must be* aligned to the MTSF 2019-2024.

4.2.3 Priorities of the Department of Water and Sanitation aligned to the Medium-Term Strategic Framework, 2019 – 2024

The implications for the Water and Sanitation sector over the Medium-Term Strategic Framework, 2019 – 2024 for the Department of Water and Sanitation is to provide a leading and supporting role for the water and sanitation sector as an enabler for economic transformation and job creation (Priority 2), as well as provision of basic services (priority 5).

The growth potential GDP and the economy is affected by the state of infrastructure as well as a sustainable source of water supply. According to the Global Competiveness Index of 2019, South Africa ranked 87th out of 141 countries for reliability of water supply. Water resources are a critical component of the country's ecological infrastructure system that needs to be managed and protected. In 2018, 89 per cent of households had access to piped or tap water in their dwelling and 83 per cent of households had access to improved sanitation services.

5. Department of Water and Sanitation – Strategic Plans and Annual Performance Plans

5.1 Strategic and Performance Plans

The focus of Strategic Plans must be on issues that are strategically important, linked to and flowing from various plans developed within institutions to fulfil their mandates, especially Performance Agreements between the President and Ministers and Service Delivery Agreements entered into in terms of the broad strategic outcomes.

Operational issues such as an institution's finances, supply chain management, information systems or human resources can be considered strategic priorities if they have to be addressed to facilitate improved performance. Similarly, if an institution delivers services inefficiently, improving productivity would be a legitimate strategic priority.

An Annual Performance Plan (APP) sets out what the institution intends doing in the upcoming financial year and during the Medium Term Expenditure Framework (MTEF) to implement its Strategic Plan. The document sets out performance indicators and targets for budget programmes, and sub-programmes where relevant, to facilitate the institution realising its goals and objectives set out in the Strategic Plan.

5.2 Consideration by the Department in drafting its Strategic Plan and Annual Performance Plan aligned to Budget Vote 41

5.2.1 Situational analysis of the Department as delineated in the Annual Performance and Strategic Plan

The planning process toward developing of the Strategic Plan and Annual Performance Plan had to take into consideration the current situation in South Africa. Statistics have shown that three (3) million households do not have access to reliable drinking water; and 14.1 million people did not have access to safe sanitation. 41 per cent of municipal water did not generate revenue; and 35 per cent of water was lost through leakages, representing an annual loss of R9.9 billion. In terms of wastewater treatment works, 44 per cent of water treatment works were in a poor or critical condition, with 11 per cent being dysfunctional. A funding gap of R33 billion is needed each year for the next ten (10) years which had to be closed through improved revenue generation and reduced costs, as articulated in the National Water and Sanitation Master Plan. The lack of funds for the National Master Plan must be considered and monitored by the Portfolio Committee. Another critical issue within the scope of work of the Department is the serious challenge posed by debt owed to water boards by municipalities; debt owed by Department to water boards and Entities, which impedes and impacts on the financial functioning of the various role-players in the entire water value chain.

There are six major water use sector, namely, irrigation, urban use, rural use, mining and bulk industrial, power generation and afforestation. Studies done by the Department show that the vast majority of water in South Africa is used in agriculture, with over 60 per cent of all available water going into the sector for irrigation. As much as 30 per cent of water in South Africa is for urban and rural use (including domestic use), while the rest is split among industrial, power generation and afforestation uses. Only 5 per cent of water was used by black farmers.

The 2019 national demand for water requirements was 10 233 million m³/a, with the current reliable national yield of surface water at an acceptable assurance of supply at approximately

10 137 million m³/a. This meant there was a national deficit of 96 million m³/a -- in other words, the demand was exceeding supply. Although there was a national deficit, there were certain areas with surpluses, and water was transferred through the transfer schemes to service the demand areas. However, South Africa was facing a projected 3 per cent water deficit by 2040 if it did not successfully implement the planned measures.

5.2.2 Interventions to assist with COVID-19 pandemic

The COVID-19 pandemic exposed the lived realities of citizens without adequate access to potable water and decent sanitation in certain parts of the country. As part of its constitutional mandate, and urgency to respond to the impact of the pandemic, the Department established a Water and Sanitation Command Centre which had started operating on 23 March 2020. This emergency water and sanitation intervention had provided water tanks to vulnerable communities, water tankers to supply tanks with water, and health and hygiene material distributions. The interventions were funded with reprioritised RBIG funding of R306.5 million, and had registered the following progress:

- Water storage tanks were delivered to a total of 158 municipalities and districts between 28 March and 3 May 2020.
- 196 Ml of water had been delivered by water tankers over the same period, at a daily average volume of 8.3 Ml.

To sustain the COVID-19 emergency water and sanitation intervention, a further R625.6 million of grant funding would be reprioritised. This funding would be used to continue supplying tanker services in interim, implementing a tanker dependency reduction strategy, source development in the areas where storage tanks were installed, convert tanks to rudimentary water supply schemes, and initiate an asset transfer process to relevant water services authorities.

IT SHOULD BE NOTED THAT THE IMPLICATIONS OF THE COVID-19 PANDEMIC MAY REQUIRE ADJUSTMENTS TO THE BUDGET OF THE DEPARTMENT OF WATER AND SANITATION AND ITS ENTITIES.

5.3 Sector priorities for the Department of Water and Sanitation as outlined in the Strategic Plan and Annual Performance Plan

The sector priorities for the Department of Water and Sanitation over the Medium-Term Expenditure Framework period relate to the following:

5.3.1 Water resources management, infrastructure planning and development

The water and sanitation master plan details the requirements for appropriate investment into water resources and services, and sets targets for adequate water conservation and demand management. To support the implementation of the master plan, the Water Infrastructure Development programme is expected to receive allocations amounting to R41.6 billion over the MTEF period.

These allocations will provide funding to the regional bulk infrastructure grant, the water services infrastructure grant and transfers to the Water Trading Entity for the development of key water infrastructure. Funding in the regional bulk infrastructure grant and the water services infrastructure grant for new and existing projects amount to R33.2 billion over the medium term. Funding from these grants will be used to implement 2 mega projects and 26 large regional bulk infrastructure projects. Over the medium term, 280 small regional bulk and water services infrastructure projects will be implemented.

To address water infrastructure backlogs and improve operational sustainability, over the medium term, the department will continue to plan and maintain infrastructure. Related activities will be carried out in the Water Planning and Information Management programme, spending in which is expected to increase at an average annual rate of 7.6 per cent, from R907.9 million in 2019/20 to R1.1 billion in 2022/23. To continue funding short term and long-term interventions in new and existing projects, the Water Trading Entity will receive transfers amounting to R7.2 billion over the medium term. Projects include acid mine drainage operations in Gauteng, phase 2D of the Olifants River water resources development project, the Mokolo-Crocodile River water augmentation project, the raising of Tzaneen Dam, the Umdloti River development project, and the raising of the Hazelmere Dam.

5.3.2 Regulating water services

Over the period ahead, the department plans to reintroduce regulatory quality valuations on the provision of water services. These valuations are intended to measure the level of compliance with the green drop and blue drop standards. Accordingly, the department plans to assess 963 waste water in 2020/21 and 1 010 water supply systems in 2021/22. To improve equitable access to water resources, the department plans to process 80 per cent of the water use licence applications it receives within 120 days. In addition, the department plans to assess and determine the resource quality of the uThukela River system. These activities will be carried out in the Water Sector Regulation programme, which is expected to receive allocations amounting to R1.3 billion over the medium term.

The policies are aligned to departmental policies with the national (National Development Plan and SONA 2020, among others), regional, continental and global development agenda.

6. Budget Vote 41: Department of Water and Sanitation and Entities

6.1 Main Account and Water Trading Entity

To effectively optimise its work, the Department has two accounts, under which it operates. The Main Account is the appropriated funds from the fiscus, and the Water Trading Entity. Funding for the Water Trading Entity, to undertake operations and maintenance as well as development of new infrastructure, comes from revenue that is generated from raw water charges in terms of the water pricing strategy. The Water Trading Entity also receives augmentation from the fiscus, via the Department through Programme 3: Water Infrastructure Development.

The Department of Water and Sanitation, as part of its systematic financial and non-financial planning of work over the medium-term organised its work into four programmes – Programme 1: Administration; Programme 2: Water Planning and Information Management; Programme 3: Water Infrastructure Development; Programme 4: Water Sector Regulation.

It should be noted that the financial and non-financial performance of the Main Account and Water Trading Entity are audited by the Auditor-General South Africa. The Water Trading

Entity, together with the Trans-Caledon Tunnel Authority are key to the development of sustainable water and sanitation infrastructure for the country.

6.2 Overview and Analysis of Budget Vote 41: Water and Sanitation and Annual Performance Plan 2020/21

6.2.1 Overview of the Main Account

As can be seen from table 1 below,[3] the overall budget of the Department increases from R16 467.4 billion in 2019/20 to R17 216.4 billion in 2020/21. This represents a nominal increase of R748.8 million (4.55 per cent), but a little increase of R23.2 million (0.14 per cent) in real[4] terms.[5]

Table 1. Budget Allocations

Programme	**Budget**				**Nominal Rand change**	**Real Rand change**	**Nominal % change**	**Real % change**
R million	**2019/20**	**2020/21**	**2021/22**	**20222/23**	**2019/20-2020/21**		**2019/20-2020/21**	
Programme 1: Administration	1 836,2	1 976,5	2 114,9	2 192,8	140,3	57,0	7,64	3,10
Programme 2:Water Planning and Information Management	907,9	1 026,4	1 088,1	1 129,9	118,5	75,2	13,05	8,29
Programme 3: Water Infrastructure Development	13 287,0	13 795,8	13 643,0	14 160,0	508,8	- 72,6	3,83	-0,55
Programme 4: Water Sector Regulation	436,3	417,5	424,4	442,3	- 18,8	- 36,4	-4,31	-8,34

3 National Treasury (2020a).
4 That is, considering inflation.
5 The information that follows was sourced from a research paper compiled by Mr T Manungufala, entitled ‘Analysis of Budget Vote 41: Water and Sanitation, Parliament of South Africa, April 2020.

TOTAL	**16 467,4**	**17 216,2**	**17 270,4**	**17 925,0**	**748,8**	**23,2**	**4,55**	**0,14**

Table 1 above shows that Programme 3: Water Infrastructure Development dominates expenditure under this Vote, consuming 80 per cent of the total allocation to the Vote. This is followed by Programme 1: Administration (11.5 per cent); Programme 2: Water Planning and Information Management (6 per cent) and Programme 4: Water Sector Regulation (2.4 per cent). It is worth noting that Programme 1: Administration and, Programme 2: Water Planning and Infrastructure Management are the only two programmes that experience positive significant real increases of 3 and 8.3 per cent, respectively. The significant real increase experienced by these 2 programmes is in line with the Department's plans to strengthen integrated planning and regulatory oversight during the year under review. Whilst Programme 3 and 4 appear to be the priority programmes of the Department, they are the only programmes that experienced a significant decrease in real terms. This is a concern as the Department plans to among others, assess 963 wastewater treatment systems in 2020/21. This target could not be achieved in 2018/19 and was revised in 2019/20 APP due to among other budgetary constraints.[6]

6.2.2 Overview of the Water Trading Entity[7]

The Water Trading Entity was established in 1983 for the management of water infrastructure and resources, and the sale of raw water. It was converted into a trading entity in 2008 in terms of the Public Finance Management Act, 1999. Over the medium-term, the Entity will continue to focus on maintaining existing water resource infrastructure, to support the long-term sustainability of water resources, and supplying bulk water to strategic users such as large industrial companies to stimulate and support economic development. Over the period ahead, the Entity anticipates the completion of three (3) raw water projects (Tzaneen Dam; Clanwilliam Dam and Hazelmere Dam). Spending on these projects is expected to increase at an average annual rate of 8.7 per cent, from R12.8 billion in 2019/20 to R16.4 billion in 2022/23.

[6] Department of Water and Sanitation (2020a)

[7] Estimates of National Expenditure, Budget Vote 41: Water and Sanitation, National Treasury, 2020

Capital expenditure is expected to increase at an average annual rate of 10.5 per cent, from R1.6 billion in 2019/20 to R2.2 billion in 22/23. Revenue is expected to increase at an average annual rate of 9.6 per cent, from R14.7 billion in 2019/20 to R19.3 billion in 2022/23. Revenue from the sale of raw water is expected to increase at an annual average rate of 10.7 per cent, from R11.9 billion to 2019/20 to R16.1 billion in 2022/23. Revenue derived from transfers from the Department of Water and Sanitation amounts to R7.2 billion over the medium-term. These funds will be used to finance the Trans-Caledon Tunnel Authority.

It is worth noting that the Department has organised its expenditure into four programmes, which are outlined below with their respective budget allocations.

- **Programme 1: Administration**

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The programme also develops and promotes international relations on water resources management with neighbouring countries.

This Programme, which consumes 11.5 per cent of the overall departmental budget, is allocated R1 976.5 million in the 2020/21 financial year, up from R1 836.2 in 2019/20. This reflects a nominal rand increase of R140 million, which translates into a nominal percentage change of 7.6 percent. In real terms, the budget allocation to this programme increased by R57 million or 3.4 per cent between 2019/20 and 2020/21.

Four sub-programmes under this Programme experience real increases, with the most significant increases experienced by the Financial Management and Project Management Unit sub-programmes, refer to figure 2. In this regard, the Department intends to implement its financial recovery and turnaround plan while ensuring that it spends its entire budget as it has failed to do so in the past two years.[8] This is also a priority as the Department has been plagued by financial management challenges such as unqualified audits, unauthorised, wasteful and fruitless expenditure for the past four years. Although PMU receives second largest portion of the programm1 budget allocation, it has no targets in the APP.[9]

[8] Department of Water and Sanitation (2020b)
[9] Ibid.

- **Programme 2: Water Planning and Information Management**

The purpose of this programme is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment. This is done by developing a knowledge base and implementing effective policies, procedures and integrated planning strategies for water resources and water services.

This Programme, which constitutes 6 per cent of the overall departmental budget, is allocated R1 026.4 million in the 2020/21 financial year, up from R970.1 million in 2019/20. This reflects a nominal rand increase of R118.5 million and a nominal percentage change of 13 percent. This translates into a real rand increase of R75.2 million or 8.3 per cent between 2019/20 and 2020/21. As mentioned earlier, this is one of only two of the Department's programmes that experienced significant real increases.

Expenditure under this programme is dominated by sub-programme 4: Water Information Management, consuming 56 per cent of the total budget allocated to the Programme, refer to figure 3. This is in line with the Department APP which among other, seeks to review and maintain four (4) water resources monitoring programmes on Ground Water, Surface Water, NCMP and NEM, and implement River Eco-Status Monitoring Programme at 83 rivers during the year under review. It also plans to maintain six (6) water and sanitation information systems, (namely NIWIS, HYDSTRA, NGIS, WMS, GIS, and FMFS) and refurbish Liverpool gauging station this financial year.[10] All these activities entail or hinge on water information management.

In as far as the Policy and Strategy is concerned, the Department intends to submit a draft National Water and Sanitation Bill for cabinet approval and table it to Parliament in the 4th quarter. It also intends to develop and adopt the National Water Resources Strategy 3 during the year under review.[11]

- **Programme 3: Water Infrastructure Development**

[10] Ibid.
[11] Ibid.

The purpose of this programme is to develop, rehabilitate and refurbish the raw water resources and water services infrastructure to meet the socio-economic and environmental needs of South Africa.

This appears to be the priority Programme of the Department, as it receives the highest allocation of the entire departmental budget, refer to figures 1 and 4. Briefly, this programme has received R13 795.8 billion in the 2020/21 financial year, which constitutes 80 percent of the overall departmental budget. However, this Programme that reflects a nominal rand increase of R508 million over the 2019/20 financial year, indicating a nominal change of just 3.8 percent. In real terms, the budget allocation to this Programme decreases by R72.6 or 0.55 per cent between 2019/20 and 2020/21.

The regional bulk water infrastructure grant and water services infrastructure grant sub-programmes seem to be the priority sub-programmes under this programme, consuming 49 per cent and 30 per cent of the overall allocation to this programme, as shown in figure 4 above. Water Services Infrastructure Grant provides for, amongst others, the construction of new infrastructure and the rehabilitation of existing water and sanitation infrastructure through the grant transfer of water services schemes to water service institutions. The allocation prioritises the poorest district municipalities. In this regard, the Department intends to replace 10 798 bucket sanitation systems at formal settlements in the Free State (10 202) and Northern Cape (596) with adequate sanitation services by the 2nd quarter of 2020/21.

In addition, the Department plans to undertake the following mega projects, among many others – Mokolo and Crocodile water augmentation project phase 2A (MCWAP) in Waterberg District in Limpopo province. The allocation for this project for the current year is R263 750 million. The total cost for this project is R11.9 billion. The current stage of the project is at Environmental Impact Assessment stage.

- **Programme 4: Water Sector Regulation**

The purpose of this programme is to ensure the development, implementation, monitoring and review of regulations across the water supply value chain in accordance with the provisions of the National Water Act (1998) and the Water Services Act (1997).

This programme is allocated R417.5 million in the 2020/21 financial year, which constitutes 2.4 per cent of the overall departmental budget. This reflects a nominal rand decrease of R18.8

million from the 2019/20 financial year, indicating a significant nominal change of 4.3 per cent. In real terms, the budget allocation to this programme decreases by R36.4 million or 8.3 per cent between 2019/20 and 2020/21. This Programme receives the smallest allocation of the overall departmental vote. It is therefore unfathomable in light of the priorities for the medium term especially the one on regulating water services, which among others, seeks to improve turnaround time for water use licence applications to 120 days. This target alone will require a lot of human and financial resources during the year under review.[12] For example, regulation need to be developed to factor in the 120 days and the circumstances under which this timeframe will be applicable.

Apart from the water use licences, the Department intends to gazette two catchment management agencies in Breede-Gouritz, and Vaal areas; conduct green drop assessments at 963 wastewater treatment systems and finalise the business case for the establishment of the National Water Resources and Water Services Agency, among many other targets.[13]

In conclusion, the budget allocation for 2020/21 has increased by R23.2 million when compared to the 2019/20 financial year. The PMU sub-programme under the Administration appear to have no planned targets on the APP despite having an allocation in budget for the year under review. Regulation of water services is a government priority which would be achieved through the development and adoption of the NWRS-3, and the tabling of the NWS bill to Parliament during the year under review. It is also worth noting that a total of 10 798 bucket toilets systems will be eradicated in the FS and NC.

Lastly, the shortage in funding for infrastructure development is a cause for concern. For example, the estimated cost of the mega infrastructure projects is around R132 billion and the available budget is R3.2 billion, which is about 2.4 per cent. This means it will take decades to fully achieve the infrastructure development targets.

6.3 Entities supporting the work of the Department of Water and Sanitation

The Entities supporting the work of the Department of Water and Sanitation are:

[12] Ibid.
[13] Ibid.

6.3.1 Trans-Caledon Tunnel Authority

The Trans-Caledon Tunnel Authority was established in 1986 as a specialised liability management entity, and it derives its mandate from the National Water Act, 1998. It is responsible for financing and implementing the development of bulk raw water infrastructure and providing treasury management services to the Department and water boards. The authority also plays an important role in providing financial advisory services (structuring and raising project finance, debt management and tariff settings), project implementation services, and other technical support to the Department and water boards.

The TCTA was currently busy with the following project – acid mine drainage (AMD) short-term interventions in five (5) provinces; the uMhomazi Water Project, the Berg River Voelvlei Augmentation Scheme and the Mzimvubu Water Project, amongst others.

The TCTA as a DWS entity was funded through Budget Vote 41. This specific budget vote's aim was geared towards ensuring the availability of water resources to facilitate equitable and sustainable socio-economic development and ensure universal access to water and sanitation services.

The TCTA had a clear transformation strategy in place that covered procurement policies, employment opportunities for the previously disadvantaged, black economic empowerment, localisation, skills development and study opportunities.

The TCTA has thus far funded and implemented the following projects – infrastructure project in Lesotho for the Lesotho Highlands Water Project; Berg River Project; Vaal River Eastern Subsystem; Phase 2C of the Olifants River Water Resources Development Project; and funding and implementation of the Komati Water Scheme Augmentation Project.

The economic impact of these TCTA projects were significant. Phase 2 of the LHWP that fed the Vaal River System supported 50-60% of South Africa's GDP. The uMkhomazi Water Project that was part of the uMgeni System provided water services to 5 million Kwazulu Natal citizens whereas the Berg River Voelvlei scheme that formed part of the Western Cape Supply Chain supported between 10-13% of South Africa's GDP.

The TCTA had experienced problems with some projects. The Olifants River scheme that costed about R6, 6 billion had stalled. The project had been placed on hold due to mines not signing the off-take agreements. The TCTA was busy exploring alternative funding avenues such as the Development Bank of Southern Africa (DBSA).

6.3.2 Breede-Gouritz Catchment Management Agency

The Agency plays a key role in the use, protection and development of water resources in the Breede-
Gouritz water management area. The goals and budget outlined in the Annual Performance Plan are illustrated in the table below:

Goals	Budget
1. To ensure the legal use of water, where the target was to comment on 90 per cent of land use planning and rezoning applications. To manage water use, there is a plan to sign on off 3 700 water registrations; and validation and verification letters being captured, dealing with backlogs, issuing 400 audit reports for water use compliance, and completing 20 water quality compliance reports of municipal wastewater treatment works that discharge into water resources. 2. To create awareness and promote integrated water resources management (IWRM), training of 25 000 learners and stakeholders. 3. Water allocation reform would be focused on historically disadvantaged individuals and resource-poor farmers,	The proposed budget for the year under review is R68.1 million, increasing to R85.2 million by 2023/4. The current cost of employment was set at R44.2 million, and Goods and Services at R21.9 million. Included in Goods and Services was R2.3 million for river rehabilitation, R2 million for rainwater harvesting tanks, and R877 128 for verification and validation of water use. 56.81 per cent of the budget would be funded through augmentation from the Department, and included the transfer of water to the Berg-Olifants Water Management Area. The balance of the budget (43.19 per cent) would be funded through direct

4. Strategic support would be directed at broad-based black economic empowerment (BBBEE) initiatives.	billing and collection of water resource charges.

6.3.3 Inkomati-Usuthu Catchment Management Agency

The Agency plays a key role in the use, protection and development of water resources in the Inkomati Usuthu water management area. The vital attributes of the Agency's water management area were agricultural use, industries, mining, forestry, nature conservation and tourism, trans-boundary water resources, and strategic source waters. The key projects, and budgets underpinning the work of the Agency for the 2020/21 financial year are:

Key projects	**Budget**
Preventing and remedying water resource pollution through integrated water quality management; verification of existing lawful water use; river system operations – river operations and rainfall data loggers; verification of existing lawful water use; billing of water users for water resource management; technology support through information technology software and hardware; implementation of a groundwater strategy; water use authorisations and clean river campaign.	The budget for the current year was R156.8 million, increasing to R165.9 million and R175.6 million over the next two years. The Water Trading Entity's current contribution would be a grant of R106 million, and R47.2 million for water resource charges. The balance would be income generated from interest.

The key challenges facing the Agency were the implications of the Schedule 3 delegation, the need for redress and equitable access through the transformation of water allocation, insufficient water use charges, and climate change impacts, which would affect water quality and availability, storage infrastructure, matching supply with demand, solid waste management, and disaster and risk management.

6.3.4 Water Research Commission – 2020/21 Annual Performance Plan and proposed Budget

The Water Research Commission was established in terms of the Water Research Act, 1971, and is listed as a schedule 3A public entity. The commission's mandate is to conduct research on water by determining needs and priorities for research, stimulating and funding water research, promoting the effective transfer of information and technology, and enhancing knowledge and capacity building in the water sector. Research is informed by government policies, needs and international trends. The WRC served a broad range of government departments such as Science and Innovation, the environment, agriculture, public enterprises and trade and industry amongst others.

He added that Covid-19 had already affected the WRC as well. The strategic plan would have to be changed and research had been adversely affected as well. The suspension of the academic calendar had also impacted the work of the WRC.

The WRC also had a significant portfolio of community based projects. Community based projects have all stalled as a result of the lockdown. The major impact areas of the WRC were water security, proper sanitation, food security, energy security and water quality.

The commission's total budget for 2020/21 is R332 million; R349 for 21/22 and R364 million for 22/23 over the medium-term expenditure framework. On financial matters, the inflationary impact on the income and expenditure budgets over the planning period had been pegged at around 5% in line with the National Treasury 2020 MTEF technical guidelines. The levy income had been impacted by the consumption volumes which in general had shown declined trends.

6.3.5 Water boards

Water boards derive their mandate from the Water Services Act, 1997 and categorised as national Government business enterprises in terms of schedule 3B of the Public Finance Management Act, 1999. The primary activity of water boards is to provide bulk water and sanitation services to water service institutions in the designated areas in which they operate.

Although the water boards do not receive funding from the voted amount, the Department uses water boards as implementing agents for bulk water projects in their areas of jurisdiction.

Please note that the financial reporting period of water boards are aligned with that of the municipalities, and therefore, submissions of annual performance plans, proposed budgets and strategic plans are tabled in Parliament at the end of June each year. Once these are tabled, the Portfolio Committee would then undertake oversight of the projected budgets, targets and indicators highlighted in documents.

7. Observations and Recommendation

The Portfolio Committee, after deliberating on the inputs by the Department and its Entities makes the following recommendation:

7.1 Implementation of the Annual Performance Plan

The Portfolio Committee noted the impact of COVID-19 and the interventions by the Department in combating the spread of this virus. For example, distribution of water tanks, water tankers, drilling and refurbishment of boreholes and other water, sanitation and hygiene interventions. The committee further noted complaints around the distribution of water tanks that they remain empty in some areas. The Portfolio Committee notes that this will negatively affect the implementation of the Annual Performance Plan 2020/21 in its current form. There will be a need to revise the Annual Performance Plan during the course of the financial year. In this regard, the Portfolio Committee requested the Department to table the revised Annual Performance Plan 2020/21 by 31 August 2020.

7.2 Financial and Supply Chain (Procurement) Management

The Portfolio Committee raised a number of issues in relation to the capacity of the internal audit committee and the Department to deal with supply chain management and procurement transgressions; irregular expenditure, accruals and payables, overdraft and loans, corruption and other related financial malfeasance in both main and water trading accounts that pose challenges to the functioning of the Department and its Entities. In this regard, it is recommended that the Department should develop a financial and supply chain management plan for both Main and Water Trading Accounts that clearly outlines how these issues will be managed and prevented during the year under review. This plan should be presented to the Portfolio Committee by 30 October 2020.

7.3 Oversight of COVID-19 interventions

Although the Portfolio Committee commended the Department of Water and Sanitation and Entities on its interventions in assisting communities with limited or no access to water with tanks, tankering and drilling of boreholes, the Portfolio Committee has to undertake oversight on whether the use of RBIG toward COVID-19 interventions complied with the Public Finance Management Act in respect to supply chain management and procurement processes. To this end, the Portfolio Committee recommends that the Minister should undertake efficient oversight on how the Regional Bulk Infrastructure Grant was utilised on interventions toward COVID-19 pandemic, more especially in compliance with the Public Finance Management Act.

7.4 Programme 4: Water Sector Regulation budget decrease

The Portfolio Committee noted with concern the decrease in budget for Programme 4 which in real terms, decreases by R36.4 million or 8.3 per cent between 2019/20 and 2020/21. This Programme receives the smallest allocation of the overall departmental vote. It is therefore unfathomable in light of the priorities for the medium term, especially the one on regulating water services, which among others, seeks to improve turnaround time for water use licence applications to 120 days. This target alone will require a lot of human and financial resources during the year under review. For example, regulations need to be developed to factor in the 120 days and the circumstances under which this timeframe will be applicable.

Apart from the water use licences, the Department intends to gazette two catchment management agencies in the Breede-Gouritz and Vaal areas; conduct green drop assessments at 963 wastewater treatment systems and finalise the business case for the establishment of the National Water Resources and Water Services Agency, among many other targets.

In this regard, the Portfolio Committee recommends that the Department should address this concern during the revision of the Annual Performance Plan and report accordingly when presenting the revised Annual Performance Plan.

7.5 Capacity of Department to develop essential legislation and policies

The Portfolio Committee raised concerns about the uncertainty in respect of the capacity of the Department to develop essential legislation and policies; such as the finalisation of the Water and Sanitation Bill; the National Infrastructure Agency and the Independent Economic Regulator determining tariff tariffs, and the challenges in light of the prolonged period it takes to finalise and/or implement policies and legislation, required urgency as these issues have been with the Department and Entities, for a number of years. The Portfolio Committee recommends the Department prioritizes the finalization and implementation of essential legislation and policies.

7.6 Challenges related to infrastructure grant funding

The Portfolio Committee noted the challenges of infrastructure grant funding and lack of intergovernmental relations associated with infrastructure development. Currently there is a lack of practical synergy between municipal and departmental infrastructure grants. However, the Portfolio Committee welcomes the introduction of the District Development Model which calls for One Plan, One Budget implemented jointly by all spheres of government. In this regard, the Portfolio Committee commends the Department for taking a leading role in water and sanitation issues in the District Development Model initiatives across the country. It is therefore recommended that the Department provides quarterly reports on district development model initiatives where it is participating starting from fourth quarter of 2020/21.

7.7 Budget allocation for the implementation of the National Water and Sanitation Master Plan

The Portfolio Committee noted that the implementation of the newly developed National Water and Sanitation Master Plan will cost in excess of R900 billion, among other issues associated with the Master Plan, such as development of provincial master plans to align with the national master plan. To this end, there seems to be lack of information on costing and implementation of this plan. In this regard the Portfolio Committee recommends to the Minister of Finance and the Department that a sound costing of the implementation of the National Water and Sanitation Master Plan which among others should include the identification of funding sources for the implementation of the master plan and associated activities by 26 February 2021.

7.8 Municipal debts

The Portfolio Committee notes with concern the ever-increasing municipal debt owed to water boards for bulk water supply. The Department and Water Boards are unable to collect this debt on due dates; and in some instances, the municipalities do not have capacity to pay as they serve poor communities particularly in rural areas. Furthermore, the Committee notes the efforts of the Inter Ministerial Task Teak (IMTT) to assist municipalities to find ways to pay for the outstanding debts to water boards. However, the committee has learnt, during a briefing in October 2019, which these efforts have resulted in insignificant results as the debts kept growing. In this regard, the Portfolio Committee recommends to the IMTT to develop a collection mechanism that will be mutually beneficial to both the Department and municipalities and should provide a report to the Committee by 30 November 2020.

7.9 Transformation of the water sector

Transformation of the water allocation to support historically disadvantaged individuals, especially black farmers had not yielded the desired output. Transformation in the water sector is non-negotiable; therefore, the Portfolio Committee recommends that this must be prioritised and fast-tracked by the Department and its Entities and a report should be provided to the Committee by January 2021.

7.10 Diversity of water mix and costs of desalination

The Portfolio Committee observed that the Department is overlooking the potential of desalination as a source of water supply in its water supply mix as majority of water supply sources are surface and groundwater based. It is therefore recommended that the Department should consider desalination as a source of water for coastal areas. The Department should prepare a report in conjunction with the WRC on the feasibility of supplying coastal areas with desalinated water by 26 February 2021.

7.11 Contribution of the Department and Entities toward the triple challenges

The Portfolio Committee highlighted issues that required further attention on the work of the Department and Entities with regard to addressing the triple challenges of poverty, unemployment and inequality. The Portfolio Committee recommends that the Department prioritizes programmes with a clear emphasis on 30% set-aside for women, youth and persons with disabilities through targeted action plans.

7.12 Filling of vacant posts

The Portfolio Committee noted the vacancy rate 14% as reported, and the fact that short-listing has been done for the Chief Financial Officer position. In this regard, the Portfolio Committee recommends that the Department should fill all critical vacant positions in the Department, particularly the Director General and Chief Financial Officer, by 31 January 2021.

7.13 Financial and non-financial performance of the TCTA in the 2018/19 financial year

The TCTA presentation was silent on the findings and recommendations made by the Auditor-General in respect of its financial and non-financial performance in the 2018/19 year under review. The Portfolio Committee recommends that TCTA should provide an addendum on the way in which they will implement the findings and recommendations Auditor-General in relation to the Lesotho Treaty between Lesotho and South Africa, as well as financing and budgeting between the two countries.

7.14 Trans-Caledon Tunnel Authority

The Portfolio Committee noted with concern the financial implications and costs incurred to the Lesotho Highlands Water Project due to border closure as a result of COVID-19 lockdown restrictions. The Portfolio Committee further noted the 2018/19 TCTA's qualified audit opinion which among others negatively affects TCTA credit rating which would ultimately affect TCTA borrowing ability and current status of credit agreements. In addition, the Portfolio Committee appreciates the agreement between TCTA and its creditors that they will not exercise their rights to call for full payment of all loans in the event that TCTA gets qualified opinion. In this regard, the Portfolio Committee notes the agreement between TCTA, AGSA and their Lesotho counterparts to address areas of qualification together. It is therefore, recommended that the Department, TCTA and AGSA provide progress report to the Portfolio Committee on quarterly basis, starting from January 2021.

7.15 TCTA Project Delays

The Portfolio Committee noted with concern the delays on the implementation of Crocodile River Augmentation Scheme which was a consequent of delays in negotiations around the size of pipes that had to be installed. In the regard, the Portfolio Committee recommends that the TCTA provides a report on all project delays and their impacts on socio-economic development programmes. The report should among others include remedial actions as well. The report should be provided to the Committee by January 2021.

7.16 Eradication of bucket toilets

The Portfolio Committee notes the Department’s plan to replace 10 798 bucket sanitation systems at formal settlements in the Free State (10 202) and Northern Cape (596) with adequate sanitation services by the 2nd quarter of 2020/21. In this regard, the Portfolio Committee recommends that the Department should also prioritise eradication of bucket toilets in the Eastern Cape Province and should provide a plan for eradication of bucket toilets systems in the Eastern Cape which among others should indicate the number of bucket toilets, budget and time frame for eradication by January 2021.

7.17 Polluter Pays Principle

The Portfolio Committee raised a concern about the devastating pollution of water resources. It further acknowledges that polluter must pay the repair costs and these costs include, among others, cost to the environment, costs to human health and wellbeing, and the costs of reducing or preventing any further damage to water resources and the environment. In this regard the Portfolio Committee recommends that the Department should enforce the polluter pays principle without fear or favour and provide quarterly reports to the committee starting from February 2021.

8. Conclusion

The Report on the deliberations of the Portfolio Committee on Human Settlements, Water and Sanitation on Budget Vote 41, 2020/21 Annual Performance Plan and 2020 – 2024 Strategic Plan of the Department of Water and Sanitation and its Entities was considered and duly adopted with amendments on the 07 June 2020.

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE STRATEGIC PLAN, ANNUAL PERFORMANCE PLAN AND BUDGET OF THE DEPARTMENT OF WOMEN, YOUTH AND PERSONS WITH DISABILITIES; DATED 3 JUNE 2020

The Select Committee on Health and Social Services (hereinafter, the Committee), having considered Budget Vote 20, the Strategic Plan 2020-2025 and Annual Performance Plan (APP) for 2020/2021 of the Department of Women, Youth and Persons with Disabilities, together with the Portfolio Committee on Women, Youth and Persons with disabilities, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa (No. 108 of 1996) and section 27(4) of the Public Finance Management Act (No.1 of 1999) sets out the role of Parliamentary committees in overseeing the performance of government departments and entities.

This report provides a summary of the presentation received from the Department of Women, Youth and Persons with Disabilities (hereinafter referred to as the Department) on the Strategic Plan 2020-2025, Annual Performance Plan 2020/21 and its Budget for 2020/21. The report details the deliberations, observations and recommendations made by the Committee relating to Budget Vote 20.

In performing the constitutional oversight mandate, the Select Committee on Health and Social Services together with the Portfolio Committee on Women, Youth and Persons with disabilities, engaged with the Department on 05 May 2020.

2. OVERVIEW OF KEY POLICIES AND STRATEGIES

The Department was established following the 2019 national elections and receives its first standalone budget allocation in 2020. On 29 May 2019, the President announced the National Executive and their respective portfolios of the sixth Administration. The announcement set the basis for the reconfiguring of government departments: merging of departments, name changes and transfer of certain functions.

2.1 Mandate, Vision and Mission of the Department

The mandate of the Department is to lead on socio-economic transformation and implementation of the empowerment and participation of women, youth and persons with disabilities (WYPD) through mainstreaming, advocacy, monitoring and evaluation (M&E).

The mission of the Department is to provide strategic leadership, coordination and oversight to government departments and the country, in mainstreaming empowerment programmes on WYPD. Its vision is to have a transformed, inclusive society free from all forms of discrimination and capable of self-actualization.

The Department derives its priorities from the National Development Plan (NDP), 2020-2025 Medium-Term Strategic Framework (MTSF) and State of the Nation Address (SoNA). The Department responds to the following priorities:

2.2 Strategic focus of the Department

The key focus areas of the Department in terms of its Strategic Plan and Annual Performance Plan (APP) entail promotion of strategic leadership; good governance; and the effective, efficient and economical use of public resources for the empowerment of WYPD.

MTSF Priority 1: A capable, ethical and developmental State – In response, the Department plans to do the following:

- Coordinate gender-responsive planning, budgeting, monitoring, evaluation and gender auditing.
- Provide policy support and research on government priorities
- Monitor progress in relation to cross-cutting areas on WYPD and proposing corrective interventions.
- Improve alignment between MTSF priorities on WYPD and institutional plans strategic plans.
- Facilitate evaluations in relevant areas.
- Conduct advocacy and outreach.

MTSF Priority 2: Economic transformation and job creation – In response the Department plans to:

- Ensure mainstreaming of women's participation in the economy, with specific attention given to accessing of financial and non-financial resources, and opportunities for women and girls.
- Form partnerships with the private sector across various industries for roll-out of meaningful women empowerment programmes
- Align various government interventions to support enterprise and entrepreneurship development amongst women.
- Participates in women empowerment through the public procurement programme which seeks to drive the 40% procurement target for awarding women state-related tenders.

MTSF Priority 3: Education, skills and health - This relates to ensuring that all women and girls, youth and persons with disabilities enjoy good quality health care and better life opportunities and educational outcomes

MTSF Priority 4: Consolidating the Social Wage through reliable and quality basic services - The Department intends to work with the Departments of Social Development and Health to co-develop and ensure implementation of a core package of essential psychosocial support and norms and standards for substance abuse, violence against women and children. Through the core package the Department will ensure that 90% of victims of gender-based violence and Femicide (GBVF) have access by 2024. Further, the Department plans to develop different interventions (such as a monitoring framework) to reduce GBVF among WYPD.

MTSF Priority 5: Spatial integration, human settlements and local government **-** The Department intends to lobby and support other department's infrastructure and neighbourhood development grants and tax rebates and new structures to incorporate universal design norms and standards. This will include retrofitting existing buildings, transport and Information and Communication Technology (ICT) systems and infrastructure to ensure universal design. Further, the Department plans to monitor compliance with the universal design, norms and standards; and develop Frameworks on Disability Rights Awareness Campaigns.

MTSF Priority 6: Social cohesion and safe communities - This relates to ensuring that all WYPD are and feel safe and enjoy freedom and a better life.

MTSF Priority 7: A better Africa and world – The Department plans to advance and comply with gender, youth and disability obligations.

3. THE DEPARTMENT'S FIVE-YEAR STRATEGY

There has always been much contestation about what the Department is meant to be doing which is clarified in the Strategic Plan as follows:

> "Whereas the initial intention was that the Department would oversee the implementation of supporting programmes, the Department's mandate has subsequently been clarified that its *strategic posture is not as a service delivery institution,* and that it is rather engaged in the *advocacy and mainstreaming, institutional support and capacity building, and monitoring and evaluation* of considerations related to the equality and empowerment of WYPD."[1]

The Department has five programmes:

[1] Department of Women, Youth and Persons with Disabilities (2020) Strategic Plan 2020 – 2025, p. 37.

- Programme 1: Administration, with three sub-programmes namely - Departmental Management, Corporate Services, and Financial Management. The purpose of the programme is to provide effective leadership, management and support services to the Department.

- Programme 2: Social Transformation and Economic Empowerment, with five sub-programmes which are Social Transformation and Economic Empowerment; Social Empowerment and Transformation; Governance Transformation, Justice and Security; Economic Empowerment and Participation; and the Commission for Gender Equality. The purpose of the programme is to manage policies and programmes that mainstream the social transformation and economic empowerment of women in South Africa.

- Programme 3: Policy, Stakeholder Coordination and Knowledge Management, with five sub-programmes which are Policy Coordination and Knowledge Management; Research, Policy and Knowledge Management; Stakeholder Coordination and Outreach; International Relations; and Monitoring and Evaluation. The purpose of the programme is to ensure policy and stakeholder coordination; and knowledge management for the transformation of women in South Africa.

- Programme 4: Rights of Persons with Disabilities, which entails the Rights of Persons with Disabilities sub-programme. The purpose of Programme 4 is to oversee the implementation of programmes pertaining to the rights of persons with disabilities.

- Programme 5: National Youth Development, with two sub-programmes which are Management, and Youth Development. The purpose of the programme is to promote development and empowerment of young people by reviewing the legislative framework and other interventions to advance youth rights over the medium-term.

4. BUDGET ANALYSIS

Over the medium-term the Department intends to focus on the following:

- Reducing GBVF; and strengthening the national gender machinery;
- Making interventions for economic empowerment;
- Engaging in responsive government-wide planning, budgeting, monitoring and evaluation;
- Ensuring compliance with international commitments;
- Promoting the rights of people with disabilities; and
- Supporting the development of young people.

4.1 Analysis of the Department's budget for 2020/21

The Department's budget structure has changed to align with the reconfigured Department following the incorporation of the National Youth Development Programme from the Department of Planning, Monitoring and Evaluation, and the Rights of Persons with Disabilities sub-programme from the Department of Social Development.

The expenditure of the Department is expected to increase from R737.5 million to in 2019/20 to R853 million in 2022/23. The major areas of spending are transfers and subsidies followed by compensation of employees. The allocation for compensation of employees constitute 15.68% of the total budget over the 2020 MTEF period. The increase in the compensation of employees' budget is due to the annual inflationary adjustment increases aligned to National Treasury budget guidelines. The allocation is earmarked for funded posts in the establishment of the Department.

The Department receives an annual appropriation of R778.5 million[2]. This is a 5.5% increase from the adjusted allocation of R737.9 million in the 2019/20 financial year. It is worth noting that the Department's budget includes an allocation which is earmarked for transfers to the two entities, namely: The Commission for Gender Equality (CGE) and National Youth Development Agency (NYDA). During the 2020/21 financial year, the Department will transfer R89.9 million to the CGE. In 2019/20, the allocation was R85.9 million and is expected to increase to R98.7 million in 2022/23. The NYDA will receive R478.7 million, which is an increase from the allocation of R515.8 million in 2019/20. The NYDA allocation will increase to R591.2 million in 2022/23.

[2] National Treasury (2020).

This means that the Department is left with an actual operating budget of R209.7 million to undertake its programmes and meet its targets for 2020/21. Of this allocation, a significant portion of goods and services budget is allocated to consultants, property payments and travel and subsistence. The allocation on payments for capital assets is set aside for procurement of laptops, office furniture and computer equipment.

Table 1 provides a visual representation of the overall budget allocation, as well as allocations per programme. Post allocations as per the ENE have also been included.

Table 1: Budget allocation by programme for the 2020/21 financial year

Programmes	**2019/20 Adjusted Appropriation**	**2020/21 Budget**	**2020/21 increase/ (decrease)**	**2021/22 Estimates**	**2021/22 increase/ (decrease)**	**2022/23 Estimates**	**2022/23 increase/ (decrease)**
	R'000	**R'000**	**%**	**R'000**	**%**	**R'000**	**%**
Programme 1: Administration	93 343	93 319	(0.02%)	98 632	5.69%	101 825	3.24%
Programme 2: Social Transformation & Economic Empowerment	112 923	124 769	10.49%	132 409	6.12%	137 366	3.74%
Programme 3: Policy Stakeholder, Coordination & Knowledge Management	43 504	49 156	12.99%	51 591	4.95%	54 572	5.78%
Programme 4: Rights to Persons with Disabilities	18 752	19 945	6.36%	21 522	7.91%	22 450	4.31%
Programme 5: National Youth Development	469 465	491 301	4.65%	517 306	5.29%	536 822	3.77%
Total payments and estimates:	**737 987**	**778 490**	5.49%	**821 460**	5.52%	**853 035**	3.84%

For the MTEF period, the Department receives an additional allocation amounting to R15 million, for the establishment of a National Council on GBVF. This allocation falls under the Social Transformation and Economic Empowerment programme.

***The budget analysis per programme will be included in the Portfolio Committee on Women, Youth and Persons with disabilities budget vote report.*

5. COMMITTEE FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

5.1 Findings and Observations

- *Mandate –*
  - The Committees were concerned by the Department's reference to its oversight role in the mandate requested clarity in this regard.
  - The Committees also requested the Department to clarify the difference between the current Department compared to the previous Department of Women, Children and Persons with Disabilities and the Department of Women in the Presidency.
  - The Committees were concerned that the Department's monitoring and evaluation role was not clear in the APP and the Strategic Plan for 2020/21 *vis-à-vis* the emphasis placed on advocacy.
  - The Committees also enquired about the manner in which the Department fulfilled its advocacy role.

- *Department's response to impact of Covid-19 pandemic -*
  - The Committees enquired as to what assistance has been provided to informal traders and how many cooperatives have benefitted from Government's relief packages in amidst the impact of Covid-19.

  - The Committees were concerned that the community in rural areas such as in North West province do not have access to water during this Covid-19 period and that mine workers do not have personal protective equipment (PPE) in rural areas.

  - The Committees were concerned that communities in rural areas such as in North West province were not receiving food parcels.

- Particular concerns were raised about living conditions of foreign nationals at the Strandfontein shelter, homeless people in Cape Town and; persons living on the farms in the Boland Region.

- The Committees noted that the Department is part of the National Command Centre, and raised questions about the role the National Command Centre plays in ensuring WYPD are not left behind in interventions that the Government has put in place since the outbreak of the pandemic. Role clarity was required.

- Concern was raised about the Department's working arrangements during the Covid-19 period, as well the readiness of provinces to deal with Covid-19 relates issues.

- *Human Resources -*
  - The Committees wanted to know how many strategic vacancies in the Department and when will these vacancies be filled if these are vacant. Further, the Committee was concerned that the Department has increased the use of consultants.
  - Tracking system: The Committees applauded the gender analysis that was developed, which is a tracking system during Covid-19,

- *Substance abuse and HIV/AIDS -*
  - The Committees queried what the role of the Department was in dealing with substance abuse as well as HIV/AIDS amongst youth in rural areas.

- *Law Reform -*
  - The Committees raised concern about the amount of time it was taking to draft legislation on WYPD and develop legislation on a Disability Rights Bill.

- *Co-ordination: Women, Youth, Disability -*
  - The Committees questioned how the Department has ensured co-ordination and collaboration between the women, disability and youth programmes. The Committee also wanted to know how the Department has advocated for inclusion of youth and persons with disabilities issues in other Departments.

- *Reprioritisation -*
  - The Committees queried how the Department will be re-prioritising the allocation of human and financial resources under the stakeholder and research programme. The Committees also questioned what has been prioritised in each programme.

- *Youth Development -*
  - The Committees questioned what the Department was doing with regards to youth development in terms of its programmes.

- *Gender-Based Violence and Femicide (GBVF)-*
  - The Committee noted with concern the reports that the incidence of GBVF has increased amidst the lockdown and impact of Covid-19.
  - The Committee noted that R5 million has been allocated to establish the National Council against gender-based violence and enquired as to what the funds will be used for. The Committee questioned what the role of the Department will be in the Council, what criteria has been used to establish the Council and select members to serve on the Council and how is the Council going to account.
  - The Committee acknowledged the development of the National Strategic Plan on GBV and Femicide, the Emergency Response Plan and the National Council on GBVF but was concerned that the Department has not reported on these issues to Parliament.

- *NYDA -*
  - The Committee noted that the term of office of the Board Members on the National Youth Development Board has ended and enquired about the steps taken by the Department to deal with the matter.

- *Sanitary Dignity Programme -*

- The Committee wanted to know how does the Department monitor and evaluate the Sanitary Dignity Programme allocation as outlined in the abridged ENE (2020) of R209 million within provinces and what the impact has been on the programme since the lockdown.

- *Disability rights* -
  - The Committee questioned what the tangible outcomes and recommendations from the Disability Rights Programme are.

5.2 Recommendations

National Command Centre: The Department should monitor that WYPD access interventions made by Government especially in the Western Cape Province which is now the epicentre of Covid-19. Further, the Department should ensure that issues for WYPD are mainstreamed into the work of various government departments.

Strandfontein Shelter: The Department should intervene and provide support to the homeless, foreign nationals and farm workers.

Economic Stimulus Package: The Committees indicated that youth are mostly affected by unemployment, thus the Department should assess whether they have been able to benefit from the social relief package that was announced by Government. Further, the economic stimulus package should be monitored and evaluated to determine the extent to which women and persons with disabilities are benefiting.

*GBVF***:** The Department should provide (updated) statistics on cases of gender-based violence and femicide since the lockdown was implemented. Further, the Department should provide a detailed report of its interventions in this regard.

Tracking system: The Department's tracking system during the pandemic should not only focus on women, but also apply to youth and persons with disabilities.

Education sector: The Department should develop programmes to assist learners and students with special needs that are in higher and basic education institutions, during this period.

Donation of sanitary products: The Department should provide the Committees with a detailed report on provinces which received sanitary products, and the Sanitary Dignity Programme.

6. CONCLUSION

The Committees commended the work of the Department and its support of programmes related to the Covid-19 pandemic. However, the Committees emphasized that the Department should be more visible, strengthen its monitoring systems, and minimize the use of Consultants.

Unless otherwise indicated, the Department should respond to the Committees' recommendations in three months, from the day the report is adopted in the House.

Report to be considered.

2. REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE STRATEGIC PLAN, ANNUAL PERFORMANCE PLAN AND BUDGET OF THE DEPARTMENT OF HEALTH; DATED, 03 JUNE 2020

The Select Committee on Health and Social Services (hereinafter, the Committee), having considered Budget Vote 18, the 2020/21-2024/25 Strategic Plan and 2020/21 Annual Performance Plan (APP) of the Department of Health (the Department), together with the Portfolio Committee on Health, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa (No. 108 of 1996) and section 27(4) of the Public Finance Management Act (No.1 of 1999) sets out the role of Parliamentary committees in overseeing the performance of government departments and entities.

This report summarises a presentation received from the Department focusing on its 2020/21-2024/25 Strategic Plan, Annual Performance Plan and Budget for 2020/21 and allocations over the medium-term expenditure framework (MTEF) period. The report entails the deliberations, observations and recommendations made by the Committees relating to Budget Vote 18.

On 20 May 2020, the Portfolio Committee on Health and, the Select Committee on Health and Social Services engaged the Department on its Strategic Plan, Annual Performance Plan and budget for 2020/21.

2. OVERVIEW OF KEY POLICIES AND STRATEGIES

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.

2.1. The Basis and Context of the National Department of Health Strategic Plan and APP

The National Department of Health derives its Strategic Plan and Annual Performance Plan from the following strategies and policy initiatives:

- Government's 2030 vision outlined in the National Development Plan (NDP) 2030 and Sustainable Development Goals (SDGs).
- Medium-Term Strategic Framework (MTSF) 2019-2024.
- Recognizes the National Health Insurance (NHI) policy directive of government, noting the consultations on the NHI Bill led by Parliament.
- Responds to key diagnostics provided by the Presidential Health Summit Compact; recommendations from the Lancet quality commission; recommendations by the Health Market Inquiry; and the South African Demographic and Health Survey.
- Rationalized the number of indicators to be monitored in the APP 2020/21 through the National Indicator Data Set (NIDS) in line with the revised 2020-2024 strategic objectives and the growing need to reduce data collection burden on facilities.

2.2. State of the Nation Address (SoNA)

The 2020 SoNA highlighted the following main health-related issues:

- Health is a fundamental condition for growth and development.
- South Africa continues to be impacted by HIV and AIDS. About 6.8 million South Africans were tested. Approximately 5 million people have been initiated on antiretroviral treatment, and as a consequence, the HIV viral load of 4.2 million people is undetectable.
- In preparation for NHI, more than 44 million people at over 3,000 clinics have been registered on the electronic Health Patient Registration System (HPRS), and are now implementing this system in hospitals.

2.3. National Development Plan Vision 2030

The National Development Plan forms an integral part of policy plans within all government departments to chart a path to prosperity and improving the lives of all South Africans within various sectors. The Department is guided by the goals, indicators and actions of Chapter 10 of the NDP which highlights the need to reduce the disease burden, strengthen the health system and addressing the social and environmental determinants of health to improve the life expectancy of the country's citizens. The nine goals for the health sector that must be reached by 2030 are as follows:

- Increase life expectancy at birth to 70 years.
- Improve evidence-based preventative and therapeutic interventions for HIV.
- Progressively prevent and treat tuberculosis (TB).
- 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.

2.4. Sustainable Development Goals (SDGs)

The Department of Health is also committed to working towards achieving the health-related United Nations SDG targets Goal 3 (which is to ensure healthy lives and promote well-being for all at all ages). 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.

3. THE DEPARTMENT OF HEALTH FIVE-YEAR STRATEGY

3.1. Strategic Goals 2020/21-2024/25

The Department's Strategic Plan is firmly grounded in strengthening the health care system and improving quality of care. The strategic outcome-orientated goals for the next five years, which are in line with Government's 2019-2024 Medium-Term Strategic Framework (MTSF), are:

Strategic Goal 1: Increase life expectancy, improve health and prevent disease – Improve health outcomes by responding to the quadruple burden of disease in South Africa; and address the social determinants of health through inter-sectoral collaboration.

Strategic Goal 2: Achieve universal health coverage by implementing NHI Policy – Progressively achieve universal health coverage through NHI.

Strategic Goal 3: Quality improvement in the provision of care – Improve quality and safety of care; provide leadership and enhance governance in the health sector for improved quality of care; improve community engagement and re-orientate the system towards PHC through community-based health programmes to promote health; improve equity training and enhance management of HRH; improve the availability of medical products and equipment; and ensure robust and effective health information systems to automate business processes and improve evidence-based decision making.

Strategic Goal 4: Build health infrastructure for effective service delivery – Execute the infrastructure plan to ensure adequate, appropriately distributed and well maintained health facilities.

4. ANNUAL PERFORMANCE INDICATORS FOR 2020/21

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 Department. 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 (2020/21) are:

- Progressively implement an equitable budgeting system and reduce fragmentation.
- Review the equitable share model for financing health, as well as conditional grants of the health sector.
- Obtain an unqualified audit opinion for 2020/21 and six Provincial departments to achieve improvements in audit outcomes with no significant matters.
- Strengthen the management of the medico-legal cases in the health sector.
- Resources are made available to frontline managers and providers with flexibility to manage in line with local needs.

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. Under Programme 2, the Department plans to achieve the following:

- Expand the package of services available to the population on the basis of cost-effectiveness and equity. This will include ensuring that 46 million people are registered on the Health Patient Registration System (HPRS).

- Ensure information systems that are responsive to local needs to enhance data use and improve quality of care by developing an electronic platform for the Master Health Facility List.
- Improve the monitoring of the availability of medicine by ensuring that 3 765 health facilities are reporting stock availability at national surveillance centre.
- Improve quality and safety of care by ensuring that 3.5 million patients are registered to receive medicines through the centralised chronic medication dispending and distribution (CCMDD) system.

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 (2020/21) include the following:

- Reduce maternal, child, infant and neonatal mortality through the launch of the Side-by-Side radio campaign promoting child health; and the monitoring the implementation of Early Childhood Development (ECD) programmes.
- Ensure that 98 hospitals obtain 75% or more on the food service quality assessments.
- Reduce HIV incidence among youth by ensuring that 800 PHC facilities has youth zones.
- Reduce premature mortality due to non-communicable diseases (NCDs) by 10%, by marketing 100 health promotion messages through social media; and ensuring the development of implementation plans for the National Strategic Plan for Non-Communicable Diseases by the nine provincial departments.

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 2020/21 financial year include the following:

- Improve quality and safety of care at health care facilities by ensuring that 350 PHC facilities and 50 hospitals are implementing the National Quality Improvement Programme.
- Improve quality and safety of care at clinics by ensuring that 2,100 PHC facilities qualify as Ideal Clinics.
- Improve quality and safety of care by ensuring that 25 ports of entry are compliant with international health regulations.
- Ensure improved quality of water, sanitation, waste management and food by ensuring that 16 metropolitan and district municipalities are assessed for adherence to environmental norms and standards.
- Ensure that services are integrated and delivered at most appropriate level, with continuity of care and appropriate referrals by ensuring that 10 districts have integrated referral system.
- Promote community participation to ensure health system responsiveness and effective management of health needs by developing training material for public hospital boards; tracing of 600 000 patients by Community Health Workers (CHWs) and linking them to care; and ensuring that 2,000 PHC facilities have Community Outreach Services.

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.

Further, the programme is 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 2020/21 under Programme 5 are to:

- Improve the financing and delivery of infrastructure projects by ensuring that 78 public health facilities are constructed or revitalised; and 150 are maintained, repaired and /or refurbished.
- Improve quality of care by ensuring that nine provinces are compliant with Emergency Medical Services (EMS) Regulations and have developed quality improvement plans.
- Ensure that resources are available to managers and frontline providers, with flexibility to manage according to their local needs by ensuring that organisational structures for tertiary, regional and specialised hospitals are developed.

Programme 6: Health System Governance and Human Resources – The purpose of this programme is threefold, namely:

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 (2020/21) include the following:

- Improve quality and safety of care by ensuring that nine public nursing colleges are accredited and registered to offer basic nursing and midwifery programmes; and the clinical governance system is assessed and implementation plans for three provinces are developed.
- Ensure that staff is equitably distributed and have right skills and attitudes by:
  - Ensuring capacity for Human Resources for Health (HRH) policy development, planning and monitoring.
  - Implementing HR information system at national and provincial head offices.

   - Reviewing and publishing the Community service policy.
   - Implementing and monitoring of OSD (Occupational Specific Dispensation), commuted overtime and RWOPS (Remunerative Work Outside the Public Service) policies.
   - Developing the implementation plan for an automated employees time management system (with biometrics and automated notifications) for all health establishments.
- Implementation Guideline on the use of the Health Patient Registration Number (HPRN) on clinical stationery in public health facilities published.
- Revised version of the Interoperability Norms and Standards for Digital Health published and two priority cases for applying standards identified.
- Performance dashboards for national, provincial and district levels completed.
- National Health Research priorities published.
- 90% of blood alcohol tests completed within 90 days.

5. BUDGET ANALYSIS

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 for 2020/21 totals R229.7 billion, up from R222.6 billion in the previous financial year.

Economic classification:

- A significant portion of the consolidated health expenditure 63.2%, down slightly from 63.3% in the previous financial year, is dedicated to Compensation of Employees, which totals R145.1 billion, up from R140.8 billion.
- Consolidated health expenditure on Goods and Services totals R67.1 billion, up from R64.7 billion, which constitutes 29.2% of overall health expenditure.
- Consolidated health expenditure also makes provision for R11.4 billion (4.9%) allocated to Capital spending and transfers, and R6.1 billion for Current transfers and subsidies (2.7%).

5.2. National Department of Health Budget (2020/21)

For the 2020/21 financial year, the Department has been allocated a budget of R55.5 billion, up from R51.2 billion for 2019/20. This represents an increase of 8.4% in nominal terms (3.9% in real terms).

Table 1: Budget allocation by programme for the 2020/21 financial year

Programme R million	Budget 2019/20	Budget 2020/21	Nominal Increase / Decrease in 2020/21	Real Increase / Decrease in 2020/21	Nominal Percent change in 2020/21	Real Percent change in 2020/21
Programme 1: Administration	660,2	672,2	12,0	- 16,3	1,82 per cent	-2,5 per cent
Programme 2: National Health Insurance	1 094,9	1 392,4	297,5	238,8	27,17 per cent	21,8 per cent
Programme 3: Communicable and Non-communicable Diseases	22 797,1	25 188,4	2 391,3	1 329,7	10,49 per cent	5,8 per cent
Programme 4: Primary Health Care	220,9	238,3	17,4	7,4	7,88 per cent	3,3 per cent
Programme 5: Hospital Systems	20 435,2	21 774,7	1 339,5	421,8	6,55 per cent	2,1 per cent
Programme 6: Health Systems Governance and Human Resources	5 986,9	6 250,0	263,1	- 0,3	4,39 per cent	0,0 per cent
TOTAL	51 195,2	55 516,0	4 320,8	1 981,0	8,4 per cent	3,9 per cent

The two largest programmes, namely Programme 3: *Communicable and Non-Communicable Diseases* (R25.2 billion) and Programme 5: *Hospital Systems* (R21.8 billion), jointly constitute 84.6% of the total budget allocation to the Department. Programme 4: *Primary Health Care Services*, receives the smallest allocation (R238.3 million), which is less than half a percent (0.4%) of the Department's budget.

Economic classification:

The bulk of the National Department of Health budget (R51.3 billion or 92.4%) consists of transfers and subsidies. This figure includes R49.3 billion to provinces and municipalities, R193.4 million to non-profit organisations (NPOs), and R1.8 billion to departmental agencies and accounts.

Current payments constitute a total value of R3.0 billion, which represents 5.4% of the total budget allocation. R905.8 million (30.1% of the current payments budget) is allocated to Compensation of employees. However, most of the current expenditure (R2.1 billion) is allocated to Goods and Services, constituting approximately 70% of the total current payments.

Expenditure items that received the largest share of the Goods and Services budget are Contractors at R808.2 million; Consultants: Business and advisory services at R295 million; Agency and support/outsourced services at R192.2 million; Medical Supplies at R115.6 million; and Operating leases at R185.2 million; and Travel and subsistence at R113.3 million. Capital assets is allocated R1.2 billion. Buildings and other fixed structures are allocated R892.1 million, and Machinery and Equipment is allocated R343.2 million.

Spending priorities for the 2020 MTEF:

Over the 2020 medium-term, the Department will continue to focus on the implementation of the NHI, HIV and AIDS, and TB treatment and prevention programmes, and investing in public health infrastructure.

- Over the MTEF, the non-personal component of the NHI Indirect Grant is allocated R2.2 billion to, amongst other things, strengthen health information systems, the Ideal Clinic initiative, as well as the CCMDD.
- The Personal Services component of the NHI Indirect Grant is allocated R935.9 million over the MTEF, mainly to contract General Practitioners (GPs) to provide PHC services in their own practises. The GPs will be paid according to the number and risk profile of patients treated. Approximately R1.4 billion of this grant has been reallocated towards direct conditional grants, which are transferred to provinces. Of this amount, R900.1 million is reallocated to the Direct NHI Grant to fund the contracting of GPs to do sessional work in public PHC facilities, and R452 million is reallocated to provinces to strengthen mental health and oncology services.
- The HIV, AIDS and STIs sub-programme of the Communicable and Non-Communicable Diseases programme is allocated R75.9 billion over the medium-term. Spending will increase with an additional R1 billion allocated in 2021/22, resulting in an increase from R20 billion in 2019/20 to R24.5 billion in 2021/22.
- The new TB component of the HIV, TB, Malaria and Community Outreach Grant is thus allocated R1.6 billion over the medium-term.

- The Malaria component of the HIV, TB, Malaria and Community Outreach Grant amounts to R345.4 million over the MTEF.
- The Community Outreach component of the HIV, TB, Malaria and Community Outreach Grant aims to address the standardisation of training, performance monitoring and remuneration of Community Health Workers (CHWs). Approximately R800 million is reprioritised from the HIV and AIDS component to the Community Outreach Services component in 2020/21 to ensure the standardised stipend of R3 500 per month is implemented throughout the country for all CHWs.
- The Human Papillomavirus (HPV) vaccine programme is allocated R701.7 million over the MTEF period.
- The National Tertiary Services Grant is allocated R14.1 billion in 2020/21.
- A developmental allocation is introduced from 2020/21 to increase equitable access to tertiary service with the aim of bringing services closer to patients in provinces such as the Eastern Cape, Limpopo, Mpumalanga and the North West.

***The budget analysis per programme is included in the Portfolio Committee on Health budget vote report, dated 28 May 2020.*

5.3. Allocations to Provincial Departments

Provincial governments receive two forms of allocations from the nationally raised revenue, the equitable share and conditional grants. Sections 214 and 227 of the Constitution require that an equitable share of nationally raised revenue be allocated to provincial government to provide basic services and perform its allocated functions. The equitable share is an unconditional transfer to provinces and constitutes their main source of revenue. Due to their limited revenue-raising abilities, provinces receive 43% of the nationally raised revenue[1]. In addition, they receive conditional grants to help them fulfil their mandates. It is important to note that transfers to provinces account for over 90% of provincial revenue.

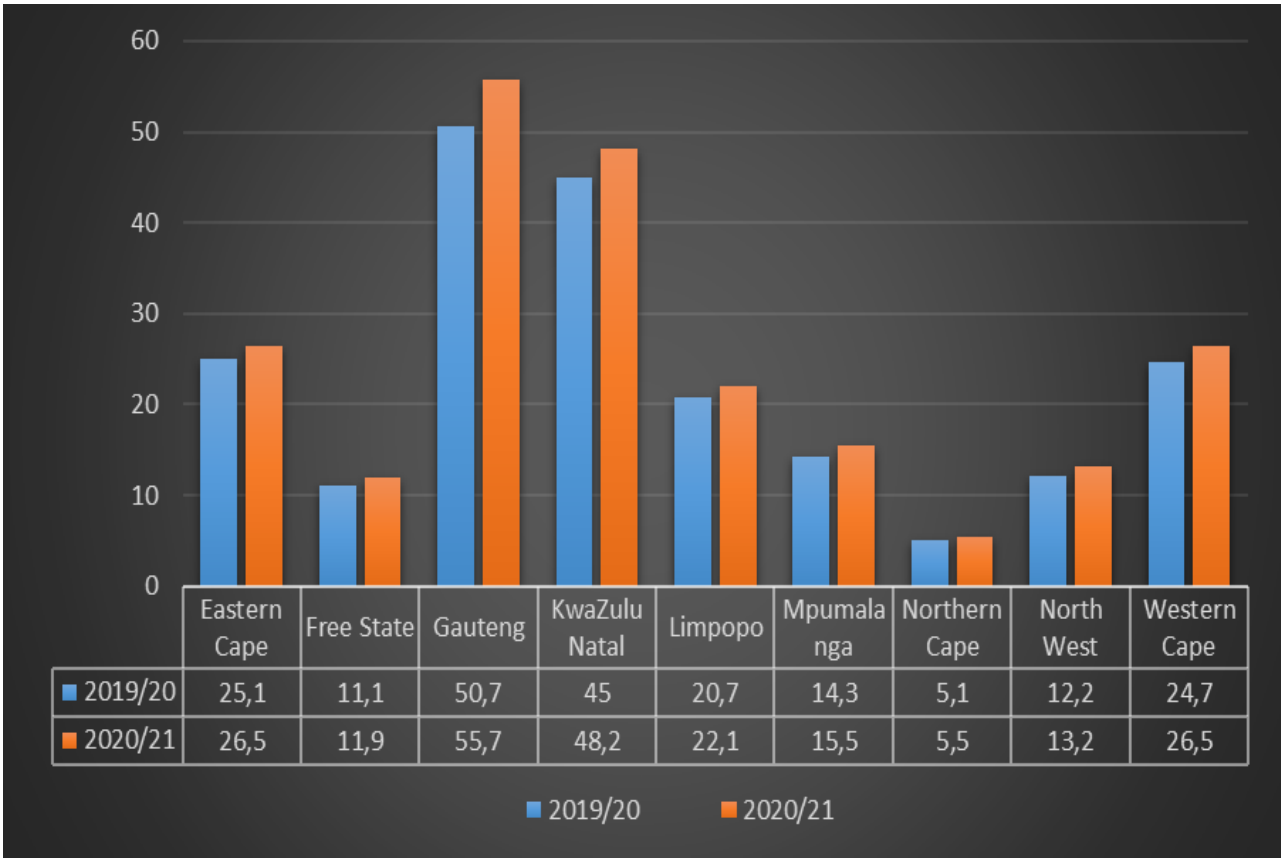
The Division of Revenue (DoRA) sees revenue divided between the national, provincial and local spheres of government. The equitable share formula sees the largest percentage

[1] National Treasury (2020).

share going to national departments, followed by provinces and in a distant third, local government. In this regard, for 2020/21, national departments receive 49.2%, provinces receive 43.2% and local government receives 8.6%[2].

According to the 2020 Estimate of National Expenditure (ENE), the national transfers to provinces will increase[3] and, at an average annual rate of 6% to R730.7 billion in 2022/23, over the MTEF period provincial transfers will rise[4]. However, due to the outbreak of Covid-19, Government will be forced to reprioritise its resource allocation for the year under review. Subsequently, the Minister of Finance is expected to table an updated Budget[5] in order to deal with the effects of Covid-19.

Figure 1: The proportion of the equitable share budget allocations for provincial health departments for the 2020/21 financial year



	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
2019/20	25,1	11,1	50,7	45	20,7	14,3	5,1	12,2	24,7
2020/21	26,5	11,9	55,7	48,2	22,1	15,5	5,5	13,2	26,5

[2] Division of Revenue Bill (2020).
[3] Medium-Term Expenditure Framework (MTEF) sets out three-year spending plans of the national and provincial governments.
[4] National Treasury (2020).
[5] Ramaphosa, C. (2020a) 23 April 2020.

Of the R229.7 billion total budget of the public health sector, the provincial health departments receive a share of R224.7 billion (a 97.6 percent of the total health sector budget) in the 2020/21 financial year. The transfers to the provinces increases by R15.5 billion in 2020/21 from the R209.5 billion allocated in the previous financial year.

Figure 1 above indicates that Gauteng and KwaZulu-Natal receive the bulk of the provincial health budget, which is R55.7 billion and R48.2 billion for 2020/21 financial year respectively. These are followed by two provinces, Eastern Cape and Western Cape, which receive R26.5 billion respectively.

Mpumalanga, North West and Limpopo receive R15.5 billion, R13.2 billion and R22.1 billion for 2020/21 respectively. Whereas Northern Cape receives the smallest share of the budget, to the value of R5.5 billion for the 2020/21 financial year.

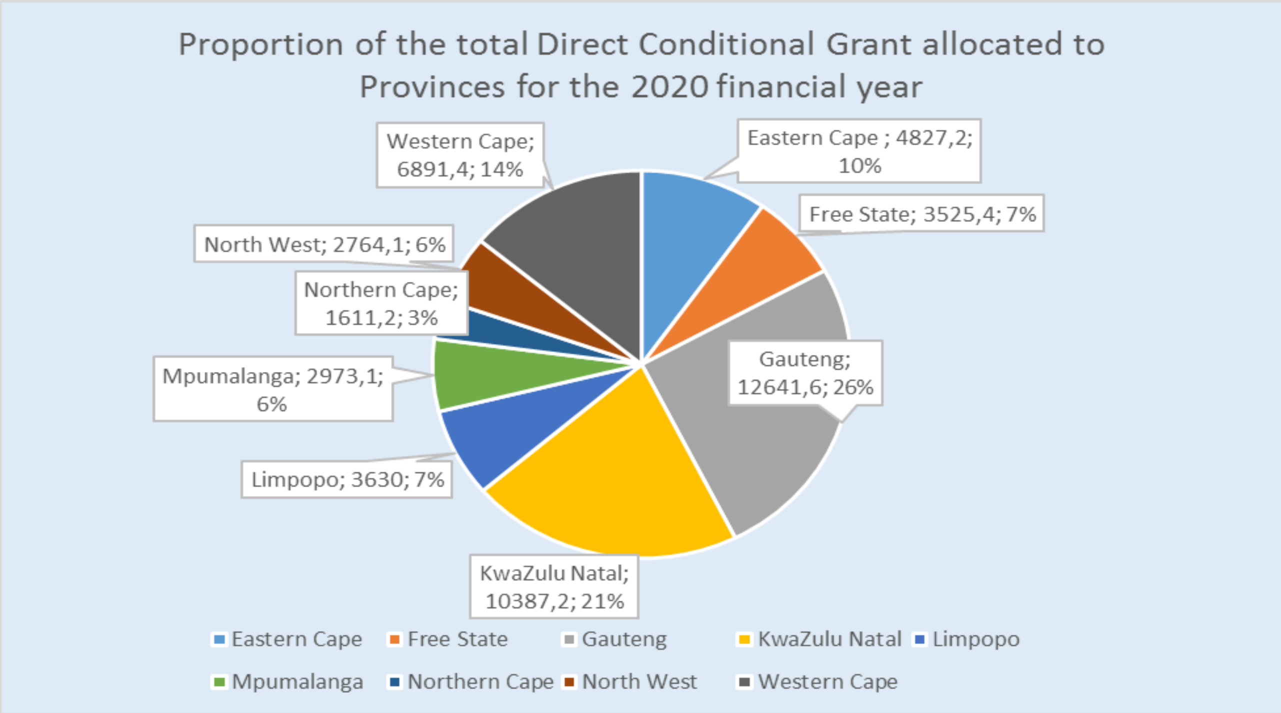
5.4. Direct conditional grants

As cited earlier, the 2020/21 budget allocation for the Department amounts to R55.5 billion of which R51.3 billion (92.4%) is transferred to provinces or other institutions to provide services on behalf of the Department. Transfers to provinces are in the form of conditional grants (direct and indirect grants).

For the direct conditional grants, the provincial health departments receive a share of R49.2 billion in 2020/21, up from R46.1 billion allocated in 2019/20 financial year. This is an overall increase of 7% or R3.1 billion from the previous year allocation.

Figure 2 shows the allocation of the Direct Conditional Grant, per province.

Figure 2: The division of the Direct Conditional Grant allocations per province for the 2020/21 financial year



6. COMMITTEE FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

Having considered the Strategic Plan, APP and the budget of the Department, this section summarizes the Committees' findings, observations and recommendations.

7.1 Findings and Observations

- The Committees welcomed the Strategic Plan and APP of the Department and indicated the need to understand how emerging issues due to the corona virus (Covid-19) pandemic will be addressed. There are concerns regarding the impact of Covid-19 on the implementation of strategies and programmes of the Department.

- The Committees flagged various concerns around the Covid-19 pandemic, particularly in the Western Cape, including:
    - General management of patients;
    - Testing capacity that is under strain;

- Reduced capacity of nursing care in hospitals and its impact on the overall quality of care;
- Occupational health and safety concerns of nursing staff;
- Unavailability of personal protective equipment (PPE) for EMS personnel;
- Factories not adhering to protocols; and
- The need for inter-sectoral collaboration.

- The Committees commended the National Institute for Communicable Diseases (NICD) for the role it has played in the Covid-19 pandemic.

- The Committees noted with concern the high number of Covid-19 infections coming from private health facilities.

- The Committees observed the concern highlighted by the Auditor-General regarding the Department's stagnation in key control areas, including financial management, information technology and compliance management.

- On the performance of provincial departments, the Committees observed that the Auditor-General identified eight (of nine) key control areas that needed to be addressed for improved audit outcomes.

- The Committees noted with concern the Auditor-General's continuous finding on the quality and reliability of performance information.

- The Committees expressed concern that fruitless and wasteful expenditure in the health sector continue to rise.

- The Committees was concerned that the programmes of the Department were not aligned to the organizational structure of the Department.

- The Committees noted that health care facilities that meet quality standards are central to the achievement of universal health coverage. However, concerns were raised in relation to the low target for hospitals (60%) to be certified by the Office of

Health Standards Compliance (OHSC); and the 100% of PHC facilities that will only qualify as Ideal Clinics in 2024/25.

- The Committees observed with concern the low budget allocation for PHC for this financial year.

- The Committees noted that mental health care remains a critical issue in South Africa, and highlighted the need for improved budget allocation to implement the Mental Health Policy Framework and Strategic Plan (2013-2020) in provinces, through improving mental health human resources, setting up District Mental Health Care Teams, improving mental health infrastructure and strengthening awareness campaigns.

- The Committees raised the issue of the integration of CHWs into the public health sector workforce.

- The Committees noted with concern the slow progress in meeting targets of some of the key health indicators, in particular the reduction of mortality rates.

- The Committees commended the Department in the provision of contraceptives in public health facilities, however, highlighted the need to strengthen sexual and reproductive health services amongst the youth.

- The Committees observed the integration of grants, in particular the merging of the HPV grant with the HIV Grant and was concerned that this may impact on progress of the human papillomavirus vaccination (HPV) programme.

- The Committees raised the need for a collaborative approach to address the scourge of TB.

- The Committees raised the need for efficient use of the Health Facility Revitalization Grant to address health infrastructure challenges.

- The Committees raised the need for plans to address premature mortality linked to social determinants of health.

- The Committees raised the filling of vacant posts with suitably qualified personnel.

- The Committees expressed a concern around the use of the Civitas Building by the Department when it was found to be unsuitable.

7.2 Recommendations

The Committees recommend the following to the Department:

- *Response to Covid-19:* The Department should ensure that the Western Cape is supported in its fight against the spread of Covid-19 and that progress is monitored and reported on timeously.

- *Cross-sectoral interventions on Covid-19*: The Department should engage with relevant stakeholders in the fight against Covid-19 to ensure improved health care services.

- *Private health sector:* The Department should ensure that private health facilities are monitored and ensure that they comply with infectious control and prevention guidelines.

- *Entities:* The Department should ensure that entities such as the NICD and the National Health Laboratory Services (NHLS) are strengthened and capacitated to ensure effective response to epidemics.

- *Mental health services*: The Department should develop a Mental Health Monitoring Policy to monitor and evaluate the implementation of the Mental Health Policy Framework and Strategic Plan (2013-2020). Further, the Department should consider a collaborative approach to mental health care in order to strengthen the accessibility and delivery of mental health services.

- *Financial management in provinces*: The Department should assist provincial departments to strengthen financial planning and management. In addition, the Department should monitor provincial budget expenditure against approved plans.

- *Audit outcomes:* The Department should ensure that systems and measures are put in place and internal controls strengthened to prevent fruitless and wasteful expenditure at the national and provincial departments.

- *Monitoring*: The Department should ensure oversight and monitoring of the implementation of the Auditor General's findings on key areas of internal controls and financial management.

- *Community Health Workers (CHWs)*: The Department should provide the Committees with an update on the implementation of the National Community Health Care Worker Policy in ensuring the integration of CHWs.

- *Improving 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 health sector.

- *Primary Health Care (PHC)*: The Department should update the Committees on the extent of the implementation of norms and standards for PHC in ensuring that funding is sufficiently allocated for PHC services. Additionally, should continue to support provincial departments in implementing the Ideal Clinics programme.

- *Social determinants of health*: The Department should present to the Committees, plans developed in collaboration with other government departments in addressing the social determinants of health.

- *Response to TB*: The Department should ensure inter-sectoral collaborations for effective response to TB.

- *Health infrastructure*: The Department should ensure improved performance on health infrastructure spending through the prioritisation of critical infrastructure needs and facilities that require urgent revitalisation.

- *Human Resources for Health (HRH)*: The Department should finalize and monitor the implementation of the HRH Strategy and Plan 2019-2024, in ensuring that vacancies are timeously filled, including all clinical, non-clinical and senior level positions.

- *Civitas building:* The Department should ensure that a suitable building is secured.

7. CONCLUSION

The Committees commend the hard work of the Minister, MECs, national and provincial Departments of Health in the country's response to the Covid-19 pandemic.

Unless otherwise indicated, the Department of Health should respond to the Committees' recommendations in three months from the day the report is adopted by the House.

Report to be considered.

3. REPORT OF THE SELECT COMMITTEE ON HEALTH AND SOCIAL SERVICES ON THE STRATEGIC PLAN, THE ANNUAL PERFORMANCE PLAN AND BUDGET OF THE DEPARTMENT OF SOCIAL DEVELOPMENT; DATED 03 JUNE 2020

The Select Committee on Health and Social Services (hereinafter the Department) having considered and deliberated on Budget Vote 19, the 2020/21-2024/25 Strategic Plan and 2020/21 Annual Performance Plan (APP) of the Department of Social Development (the Department), together with the Portfolio Committee on Social Development, reports as follows:

1. INTRODUCTION

Section 5(2) of the Constitution of South Africa (No. 108 of 1996) and section 27(4) of the Public Finance Management Act (No.1 of 1999) sets out the role of Parliamentary committees in overseeing the performance of government departments and entities.

The Committees' 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.

This report summarises a presentation received from the Department focusing on its 2020/21-2024/25 Strategic Plan, Annual Performance Plan and Budget for 2020/21 and allocations over the MTEF period. The report entails the deliberations, observations and recommendations made by the Committees relating to Budget Vote 19 on 7 May 2020.

2. AUDITOR-GENERAL OF SOUTH AFRICA INPUT

Prior to the Committees receiving a presentation of the Department's plans, it received a briefing from the office of the Auditor-General of South Africa (AGSA). The briefing was on the review AGSA conducted on the social development sector.

The briefing emphasized the importance in the planning stage to set measurable targets and sufficient budget to implement the targets. Adequate controls and effective monitoring measures, including consequence management, should be in place to ensure effective implementation of targets. These adequate plans would enable the department and its entities to be in a position to address any implementation challenges that may arise.

The review was only limited to the measurability of the indicators and not on their relevancy. It also did not review the plans against all the Medium-Term Strategic Framework (MTSF) priorities because the MTSF was not yet available at the time of the review, and did not include a review on the strategic plan and APP of the Department. The Department missed the deadline of 31 January 2020 to submit the plans.

The AGSA reported on the recurring findings that it made for the 2019/2020 financial year. The key findings included lack of oversight and monitoring and filling of vacant posts, including the Director–General position at the Department.

3. OVERVIEW OF KEY POLICIES AND STRATEGIES

3.1 Mandate, Vision and the Mission of the Department

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

The Department 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 a caring and self-reliant society. The Department's mission is to transform society by building conscious and capable citizens through the provision of comprehensive, integrated and sustainable social development services.

3.2 Key Focus Areas of the Department

The key focus areas of the Department in delivering social security and protection involve programmes to address gender-based violence and femicide (GBVF), poverty alleviation, income support, unemployment, substance abuse, child protection services, services to older persons, people with disabilities and HIV and AIDS. The department thus implements these interventions to address the aforementioned, through the following:

- Victim Empowerment Programmes - psychosocial services, skills development and sheltering for victims of GBV.
- Food security and nutrition programmes provided by both the Department and the National Development Agency (NDA).
- Social assistance programme administered by the South African Social Security Agency (SASSA).
- Income generation and skills development programmes implemented by the NDA.
- Prevention, early intervention and treatment of substance abuse programmes provided at treatment centres and through outpatient programmes.
- Prevention and early intervention and alternative care programmes for children - early childhood development (ECD) programmes for 0-4 years (ECD centres), children's homes, Child and Youth Care Centres, drop in centres, foster care and adoption services,
- Employment, capacity building and leadership programmes for youth, women and persons with disabilities.
- Support to old age homes, active ageing programmes, and community-based programmes.
- Support HIV and AIDS social and behaviour change programmes which are aimed at reducing risky sexual behaviours among young people, men and women.

3.3 Policy Priorities for MTSF

The Department derives its priorities from the government's wide Medium Term Strategic Framework priorities. The department responds to the following priorities:

- *Priority 1: A capable, ethical and developmental State*: This priority calls for improved governance, functionality, coordination between national, provincial and district spheres, accountability and productivity in the public sector. It also calls for elimination of wasteful and fruitless expenditure.

The Department plans to professionalise the Not-for-Profit (NPO) sector, the Social Services Professionals and standardise norms and standards and ensure compliance.

- *Priority 2: Economic transformation and job creation:* All government Departments are required to create a conducive environment that enables industrialisation and localisation that leads to increased exports, employment, youth and women owned SMMEs participation. Departments are also required to develop, implement, support and monitor programmes for equitable job creation, representation and ownership by women, youth and persons with disabilities. They must expand access to finance, incentives and opportunities for women, youth and persons with disabilities including those in the informal sector.

The Department will contribute towards the achievement of this priority by increasing the absorption of Social Workers and expand social services professionals, pay social grants, link graduates to economic opportunities and continue to support NPOs and co-operatives.

- *Priority 3: Education, skills and health:* The Departments of Social Development, in partnership with the Department of Basic Education, Community-Based Organisations (CBOs) and Non-Profit Organisations (NPOs) have to work on the migration of early childhood development (ECD) services. This will require amendments to the existing legislation and regulations. Further, these two Departments together with the Departments of Health; Higher Education and Training; and Women, Youth and Persons with Disabilities have to develop programmes targeted at adolescent sexual and reproductive health and rights including addressing teenage pregnancies and risky behaviours.

The Department of Social Development will ensure universal access ECD services for children aged younger than 5 years as this remains its key priority over the medium term. The Department also contributes to this priority by providing HIV and reproductive health programmes, social worker scholarship programme and training.

- *Priority 4: Consolidating the social wage through reliable and quality basic services:* The whole chapter on this priority speaks to the provision of comprehensive, inclusive and responsive social protection. Interventions listed under this priority area encompass the five-year strategic plan of the Department.

- *Priority 5: Spatial integration, human settlement and local government:* This priority calls for improved and integrated provision of housing, access to public transport, access to land, and improved rural economy. Even though it does not directly apply to the Department of Social Development, it will contribute through the provision of ECD centres, shelters for victims of GBV and shelters for child protection programmes.

- *Priority 6: Social cohesion and safe communities:* This priority area calls for the implementation of the below interventions:
    - Establishment of the gender-based violence and femicide (GBVF) Council.
    - Development and coordination of the implementation of the National Strategic Plan (NSP) to end GBVF,
    - Development of a system to ensure consistent barrier free access for people with disabilities to justice across the justice value chain,
    - Strengthening and expansion of protection measures to protect children and adults with disabilities in institutionalized settings such as school boarding facilities, mental health care facilities and residential facilities,

The Department will contribute towards the achievement of this priority area by scaling up provision of shelters, expanded and reformed social welfare services in line with the Revised White Paper on Social Welfare.

- *Priority 7: A better Africa and world*: This priority area calls for the following interventions:
    - Contribution to the implementation of the identified Agenda 2063 flagship projects.
    - Advancement of, and compliance to South Africa's obligations towards the United Nations (UN), African Union (AU) and the Southern African Development Community (SADC), including institutions hosted in South Africa – Pan African Parliament, New Partnership for Africa's Development (NEPAD), African Peer Review Mechanism (APRM), African Commission on Nuclear Energy (AFCONE).

Further, the department has an obligation to compile progress reports on interventions and priorities set by the aforementioned bodies.

3.4 The Department's Five Year Strategy

The Department identified three key outcomes for the MTSF period, which are in line with the above mentioned priorities:

- Reduced levels of poverty, inequality, vulnerability and social ills,
- Empowered, resilient individuals, families and sustainable communities,
- Functional, efficient and integrated sector.

4. BUDGET ANALYSIS AND ALLOCATIONS FOR 2020/21

4.1 National Department of Social Development Budget

The budget of the Department is shared amongst five programmes as indicated in Table 1.

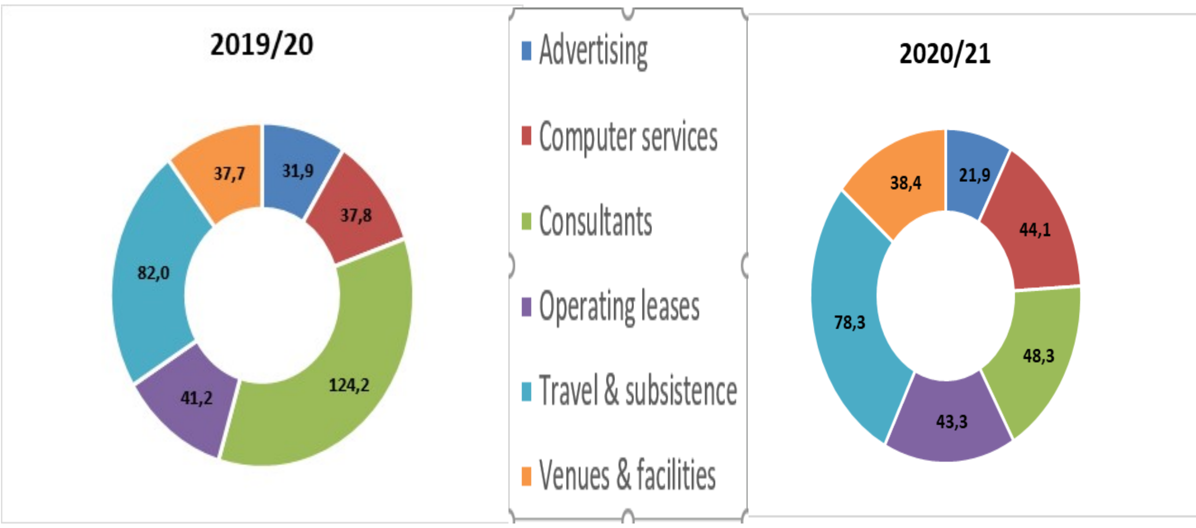
Table 1 indicates that the department receives a total budget of R197.7 billion for 2020/21. This is a real increase of 2.54% from the adjusted allocation of R184.7 billion in 2019/20 financial year. It is worth noting that about 95% of the Departmental budget goes to social grants transfers under Programme 2: Social Assistance to the value of R187.8 billion.

Table 1: Budget allocation by programme for the 2020/21 financial year

Programme	Budget		Nominal Increase / Decrease in	Real Increase / Decrease in	Nominal Percent change in	Real Percent change in 2020/21
R million	2019/20	2020/21	2020/21	2020/21	2020/21	
Programme 1: Administration	403,0	426,7	23,7	5,7	5,88 per cent	1,42 per cent
Programme 2: Social Assistance	175 155,6	187 835,8	12 680,2	4 763,7	7,24 per cent	2,72 per cent
Programme 3: Soc Security Policy & Administr	7 688,9	7 832,0	143,1	- 187,0	1,86 per cent	-2,43 per cent
Programme 4: Welfare Services Policy Dev & Ir	1 037,1	1 256,7	219,6	166,6	21,17 per cent	16,07 per cent
Programme 5: Soc Policy & Integrated Service	413,3	367,2	- 46,1	- 61,6	-11,15 per cent	-14,90 per cent
TOTAL	**184 697,9**	**197 718,4**	**13 020,5**	**4 687,5**	**7,0 per cent**	**2,54 per cent**

In terms of economic classification, R537.9 million is allocated to compensation of employees (COE) for 2020/21 financial year. This represents a real increase of 0.6% from R512.1 million allocated to COE in 2019/20.

Figure 1: Selected goods and services (R' million)



Expenditure on goods and services decreases from R497.2 million in 2019/20, to R401.7 million in the current financial year. This represents a 22.6% decline in real terms from the previous year. The biggest shift is recorded for consultants: business and advisory services, which decreases from R124.2 million previously to R48.3 million in 2020/19. This is a real decrease of 62.75%.

Departmental travel and subsistence also declines from R82 million in 2019/20, to R78.3 million in the current financial year. Advertising also decreases in real terms with 34.2% from the previous year; down from R31.9 million previously to R21.9 million in the current year.

Programme 1: Administration provides leadership, management and support services to the department and the sector. COE for the programme increases from R208.4 million to R221.9 million – staying above inflation. Furthermore, travel and subsistence (S&T) also increases from R24.3 million previously to R25.9 million in 2020/21- staying above inflation with 2.1%.

Programme 2: Social Assistance provides for the payment of social assistance grants to beneficiaries who qualify for social assistance in terms of the Social Assistance Act (No. 13 of 2004). Expenditure under this programme is dominated by the Old Age and Child Support grants, which are allocated R83.1 billion and R69.8 billion, respectively. Both grant-types record above-inflation increases, i.e. 3.45% and 2.86% real growth, respectively. The strongest growth in expenditure is projected for the Grant-in-Aid (i.e. 26.34% 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.

Programme 3: Social Security Policy and Administration provides for social security policy development, administrative justice, administration of social grants and the reduction of incorrect benefits payments. The Social Grants Administration sub-programme provides for SASSA operational costs related to administering social grants, the management information systems and the reimbursement of payment contractors.

Programme 4: Welfare Services Policy Development and Implementation Support creates an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards and best practices. Government has to ensure and make sure that it meets its obligations to observe, protect, realise and safeguard all children's rights. Hence, the Department plans to promote, coordinate, facilitate and monitor the implementation of children's constitutional rights through the Office on the Rights of the Child by March 2023.

Some of the developmental-social welfare issues identified in the 2020 State of the Nation Address are located in this programme. These include: Gender-Based Violence and Disability. However, the voted allocations to the Social Crime Prevention and Victim sub-programmes is below inflation, that is, it is declines by 56.23% in real terms.

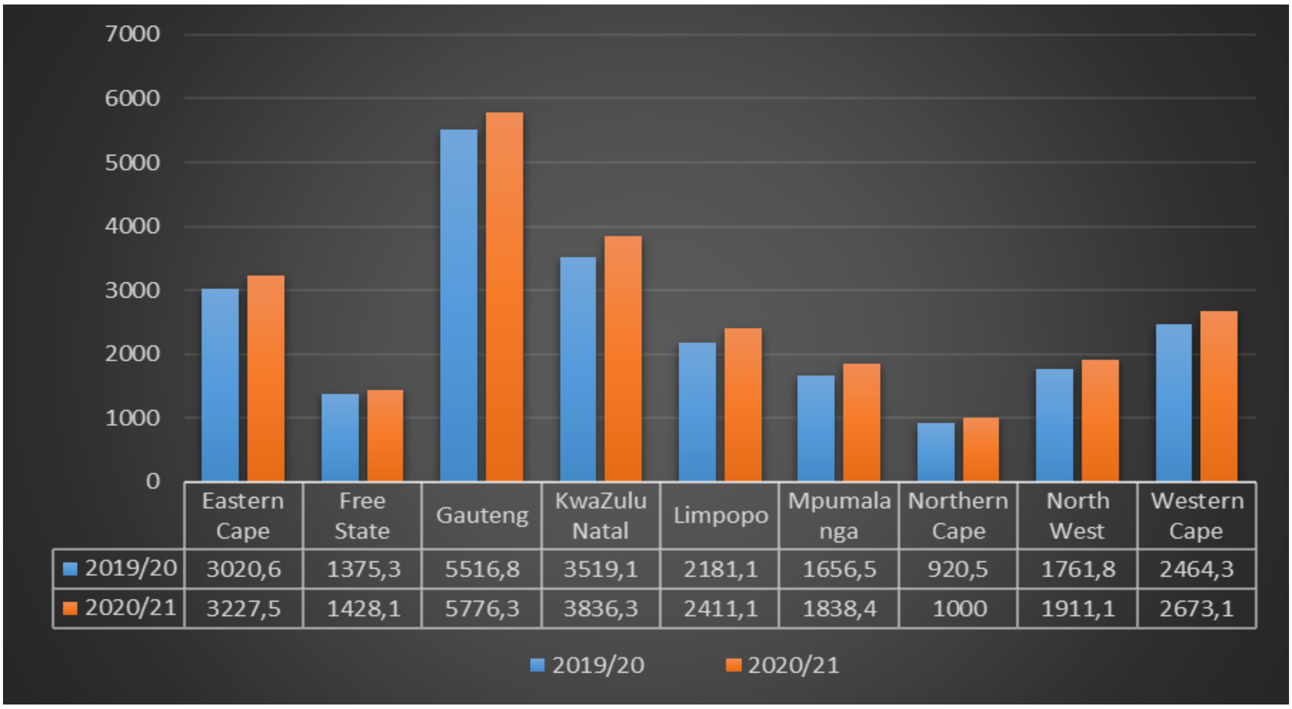
Programme 5: Social Policy and Integrated Service Delivery provides support to community development and promotes evidence based policy making in the department and the social development sector. The NDA, is located within this programme. Programme 5 is designated to the entity to support sustainable, community-driven programmes that serves poor and vulnerable communities.

*****The detailed budget analysis per programme is included in the Portfolio Committee on Social Development budget vote report, dated 22 May 2020.*

4.2 Allocation to provincial Departments

The total equitable share to provincial social development Departments amounts to R24.1 billion for 2020/21, as compared to the allocation of R22.4 billion in 2019/20. This shows a nominal increase of R1.6 billion (or 7.5%), but when the inflation rate is considered this allocation shows a real increase of R670.1 million (or 2.99%).

Figure 2: The proportion of the equitable share budget allocations for provincial social development departments for the 2020/21 financial year



All the provincial social development Departments show increases in both nominal and real terms. Gauteng, Eastern Cape, KwaZulu-Natal and Western Cape receive the biggest share of the provincial social development budget allocation than other provinces. After inflation, the following real increases/decreases are recorded per province:

- Eastern Cape: 2.35%
- Free State: -0.54%
- Gauteng: 0.9%
- KwaZulu-Natal: 4.42%
- Limpopo: 5.89%
- Mpumalanga: 6.30%
- Northern Cape: 4.06%
- North West: 3.90%
- Western Cape: 3.90%

4.3 Direct Grant Allocation

In recognising that a good foundation of learning and capacity development forms part of a long-term solution to reducing inequality, ensuring universal access to ECD services for children younger than 5 remain a key priority for the Department of Social Development over the medium-term, as indicated earlier.

An estimated 70.4% (R3.2 billion) of spending in the Welfare Services Policy Development and Implementation Support programme over the medium-term is allocated to the ECD Grant, to provinces. This results in an increase in spending in the programme from R1.0 billion in 2019/20 to R1.5 billion in 2022/23 at an average annual rate of 14.2%[1].

Table 2: Early Childhood Development Grant allocation over the MTEF

Conditional grants	**2020/21**	**2021/22**	**2022/23**
	R' million		
ECD	R552.9	R583.3	R609.9

As can be seen from Table 2, the national Department of Social Development allocates an amount of R552.9 million for ECD Grant in the 2020/21 financial year. This shows a nominal increase of R37.4 million compared to the R518.2 million allocated in 2019/20 financial year. The ECD Grant is directed towards ECD subsidy expansion and ECD centre maintenance.

The increase in allocation of the ECD Grant over the MTEF will enable the Department to increase the subsidy rate per child from R15 in 2019/20 to R18.57 in 2022/23, and provide access to ECD services to an estimated 692 469 children by 2022/23.

[1] National Treasury (2020).

It must be kept in mind that, in the midst of the Covid-19 pandemic, Government will have to reprioritise the allocation of resources. To this end, the budget of the Department of Social Development and that of provincial health departments may also be affected.

5. COMMITTEE FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

Having considered the Strategic Plan, APP and the budget of the Department, this section summarizes the Committees' findings, observations and recommendations.

5.1 Findings and Observations

- The Committees commended the Department for improvement in the language of reporting and accountability. The strides the Department has taken were also noted as they will strengthen governance and oversight in the sector.

- The Committees expressed concern that the Department failed to meet the deadline of 31 January 2020 to submit its APP to the AGSA for a review. Further, the Committees raised concerns over the repeat audit findings, with the key findings being lack of oversight by the department over its entities.

- The Committee reiterated its concern over the AGSA's 2017/2018 finding that senior management failed to respond to the internal audit unit reports. It maintained that this unit is important as it provides early warning signs of weaknesses in the implementation of internal controls and non-compliance.

- The Committees were concerned that the Department's APP and Five Year Strategic Plan were silent on GBVF issues. It strongly felt that the Department needs to prioritize this area.

- The Committees wanted to know the total number of trained Social Workers are, and if the Department will absorb the 1809 temporary Social Workers it will employ as a response to the Covid-19 pandemic. *The Department explained that there were 4*

597 unemployed social worker graduates. The budget for the social work scholarship would be cut to finance the employment of Social Workers. The Department needs 7 1 00 Social Workers.

- The Committees were concerned that anti-gangsterism and anti-substance abuse programmes or campaigns are not focused on family strengthening interventions and youth skills development.

- The Committees were concerned over the lack of clear communication on the application requirements and processes for the Social Relief of Distress Grant. It was also concerned that the WhatsApp number for application for this Grant was not working. It was stated that applications *via* the email were not responded to with regard acknowledgement of receipt.

5.2 Recommendations

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

- *Strengthening good governance and accountability:* The Minister should ensure that the Department submits its APP to the office of the AGSA for a review within the prescribed or agreed deadline. This is in spirit of upholding good governance and effective planning, improvement of accountability and transparency.

- *GBVF:* The Minister should ensure that the department in its annual plans set clear targets aimed at addressing issues of GBVF and violence and murder of children.

- *Internal controls:* The Minister should ensure that the Department's senior management effectively use reports of the internal audit units. This will ensure that the Department responds timeously to any issues identified by these units. Any weaknesses to the internal controls and systems and non-compliance to legislation and policies can be addressed on time.

- *Gangsterism and Substance Abuse*: The Minister should ensure that the Department in its anti-gangsterism and anti-substance abuse campaigns have clear emphasis on family strengthening interventions and youth skills development.

- *Collaboration with civil society:* The Minister should ensure that the Department within this financial year develops clear guidelines that will direct its collaboration with CBOs, Faith-Based Organisations (FBOs) and non-government organizations (NGOs) and corporate organizations in the distribution of food parcels or cooked meals. This will ensure better coordination and the strategy should be bottom up.

- *Monitoring and reporting*: The Department should strengthen its monitoring and reporting systems.

- Greater care should be taken in the spending the ECD Grant. The Department should report more regularly to Parliament in order to ensure transparency and accountability.

6. CONCLUSION

Overall, the Committees noted a number of areas that require strengthening in the Department's plans and response to the Covid-19 pandemic, but commended its hunger alleviation efforts.

Unless otherwise indicated, the Department should respond to the Committees' recommendations in three months, from the day the report is adopted in the House.

Report to be considered.

4. Report of the Select Committee on Education and Technology, Sports, Arts and Culture on Budget Vote 16: Basic Education, dated 03 June 2020.

The Select Committee on Education and Technology, Sports, Arts and Culture, having considered Budget Vote 16: Basic Education, together with the Basic Education 2020/21 – 2024/25 Strategic Plan and 2020/21 Annual Performance Plans of the Department of Basic Education and its Statutory Bodies, reports as follows:

1. Introduction

The Select Committee on Education and Technology, Sports, Arts and Culture, considered the 2020/21 Annual Performance Plan (APP) and 20/21 – 2024/25 Strategic Plan of the Department of Basic Education on Tuesday, 5 May 2020 as well as the review of its two statutory bodies i.e. the South African Council for Educators (SACE) and the Council for Quality Assurance in General and Further Education and Training (Umalusi) on 12 May 2020 and 19 May 2020 respectively. Due to the current COVID-19 Lockdown, all meetings were held virtually via Microsoft TEAMS jointly with the Portfolio Committee.

The budget review briefings served to acquaint the 6th Parliament Committees with the mandates, programmes and priorities of the Department. Those that appeared before the Joint Committees during the Budget Review sessions included the following:

Department of Basic Education (DBE): Hon A Motshekga: Minister of Basic Education, Hon M R Mhaule: Deputy Minister of Basic Education, Mr H M Mweli: Director-General, Mr P R M Khunou: Chief Finance Officer, Dr M Maboya: Deputy Director-General, Mr S G Padayachee: Deputy Director-General, Ms S Naiken: Deputy Director-General, Dr G Whittle: Deputy Director-General, Dr J Joshua: Deputy Director-General, Ms S Ramohapi, Ms S Geyer: Director, Ms N L Mbonambi: Director, Mr E Mhlanga: Chief Director, Mr D Van Der Westhuijzen: Director, Ms C Nuga-Deliwe: Chief Director, Adv. S D Misser: Chief Director, Ms E Mmola: Director, Ms L Matshaba, Ms N Molai: Director, Ms T Mohlala: Parliamentary Liaison Officer, Mr L Mahada: Director , Ms L Carolissen: Liaison Officer,.

South African Council for Educators: Ms E Mokgalane: Chief Executive Officer, Mr M Mapindani: Chief Finance Officer, Ms T Sophethe: Manager, Mr N Ntantala and Mr M Cele.

The Council for Quality Assurance in General and Further Education and Training (Umalusi): Dr M Rakometsi: Chief Executive Officer, Prof J Volmink: Chairperson, Mr E Sibanda: Member of Council, Ms Z Modimakwane: Member of Council, Mr B Keets: Member of Council, Mr D Maluleke: Acting Chief Finance Officer, Mr L Ditaunyane: Member of Council and Ms S Mosimege: Senior Manager.

This report gives a brief summary of the presentation made by the Department of Basic Education (DBE) to the Committees, focusing mainly on the Department's 2020/21 Annual Performance Plan, the 2020-24 Medium Term Expenditure Framework (MTEF) allocations, and the overview of allocations per programme. The report also provides the Committee's key deliberations and recommendations relating to the Vote.

Copies of all presentations on the Budget Review of the Department of Basic Education (DBE), SACE and Umalusi were available from the office of the Committee Secretary.

2. Overview of 2020 Division of Revenue Bill (DoRB)

Slow and declining economic growth, declining tax revenues and increasing debt costs over the past few years have strained the country's public finances. The Government's past efforts to place the fiscus on a more sustainable path have been focused on cutting expenditure and raising tax revenue, however; these interventions couldn`t stabilised the debt. The Government's fiscal consolidation efforts over the 2020 Medium Term Expenditure Framework (MTEF), continues to target expenditure with the aim of reducing expenditure as a share of the Gross Domestic Product (GDP), as well as improving the composition of expenditure (i.e. reduce non-interest spending).

The 2020 Budget, therefore, proposes a net non-interest expenditure reduction of R156.1 billion over the medium term, which is largely to be derived from the proposed cut of R160.2 billion on compensation spending over the same period. Other measures include baseline reductions of R66 billion in 2020/21, R88.1 billion in 2021/22 and R106.8 billion in 2022/23, which will be effected to Government programmes across all three spheres.

The Budget amounts to R1.77 trillion in 2020, which is an increase of R82.6 billion or 4.9 per cent from the adjusted allocation of R1.68 trillion in 2019. The R1.77 trillion budget for 2020/21 is allocated as follows: National Government receives R1.2 trillion, Provinces receive R538.5 billion and the Local Government receives R74.7 billion. The National Government allocation of R1.2 trillion constitutes the bulk of nationally raised revenue, at 65.3 per cent in 2020/21. When the Contingency Reserve, Debt Service Costs and the Provincial and Local Government Conditional Transfers are excluded, the national equitable share amounts to 49.2 per cent. Out of that, Provinces receive 42.2 per cent and the Local Government receives 8.6 per cent in 2020/21 financial year.

2.1. Provincial Transfers

Provincial transfers (i.e. both the equitable share and conditional grants) have been cut in line with the Government's fiscal consolidation efforts. Provinces had to identify a number of cost-saving measures without compromising services and these include:

- Maintaining compensation limits;
- Reduced costs by merging provincial public entities so as to improve integrated planning to avoid the duplication of services and enhanced contract management to ensure the correct pricing of projects; and
- Identified savings of 5 to 7 per cent in their Budget for each year over the medium term.

There are, however, limitations in the ability of Provinces to effect cost reductions, savings and reprioritisation. Given that 80 per cent of the provincial transfers are allocated through the equitable share, more needs to be done to identify new revenue sources, or alternatively assessing the effectiveness of current revenue sources for optimal revenue generation. In 2020/21, total transfers to Provinces amount to R649.3 billion which includes the equitable share of R538.5 billion and conditional grants of R110.8 billion. Included in the total conditional grant allocation of R106.7 billion is an unallocated amount of R433 million, which is the funding that is set aside for Provincial Disaster Relief (i.e. R138.5 million for 2020/21) and Emergency Housing (i.e. R294.9 million). These funds are only released once a disaster has been declared. Despite the cuts, the Provincial Equitable Share (PES) grows on average by 6.3 per cent, which is above the projected average inflation rate of 4.5 per cent over the 2020 MTEF period.

The Table 1 below shows the estimated budget allocations for all nine provinces over the 2020 MTEF.

Table 1: Budget allocations over 2020 MTEF

Province R`million	*Equitable Share*	*Conditional Grants*	*Total Transfers 2020/21*	*Equitable Share 2021/22 est.*	*Equitable Share 2022//23 est.*
Eastern Cape	71 415	12 488	83 903	75 306	78 841
Free State	30 017	8 239	38 256	31 897	33 657
Gauteng	112 118	23 935	136 053	121 121	129 908
KwaZulu-Natal	111 442	22 011	133 453	117 755	123 544
Limpopo	62 239	9 890	72 219	66 256	69 935
Mpumalanga	44 105	8 312	52 417	46 996	49 724
Northern Cape	14 290	4 542	18 832	15 207	16 068
North West	37 548	7 743	45 291	40 174	42 682
Western Cape	55 208	13 191	68 399	59 276	63 194

2.1.1. Conditional Grant Transfers to the Provinces

Conditional grants are used in most decentralized systems of government to enable specified national objectives. This implies that there is a trade-off between increasing conditional grants to provinces and municipalities and the total amount available for equitable sharing between the three spheres of government.

The extent to which conditional grants are used and their design depend very much on the constitutional, institutional and fiscal circumstances of the country. In the most general sense, the purpose of conditional grants is to influence the fiscal decisions of the provincial government, presumably with the express intent of achieving some objective of national government.

2.1.1.1. Conditional Grant Transfers to the Eastern Cape

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.

- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.2 Conditional Grant Transfers to the Free State

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.3. Conditional Grant Transfers to the Gauteng

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.

- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.4. Conditional Grant Transfers to the KwaZulu-Natal

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.5. Conditional Grant Transfers to the Limpopo

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.6. Conditional Grant Transfers to the Mpumalanga

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.7. Conditional Grant Transfers to the Northern Cape

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.8. Conditional Grant Transfers to the North West

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

2.1.1.9. Conditional Grant Transfers to the Western Cape

(a). Reprioritisation of grant funding:

- None for Basic Education sector.

(b). Reductions to baselines:

- The Education Infrastructure Grant's baseline has been reduced by 4 per cent, 5 per cent and 5.9 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R1.9 billion over the medium term.
- The National School Nutrition Programme Grant's baseline has been reduced by 0.4 per cent, 0.5 per cent and 0.6 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R123 million over the medium term.
- The baseline of the Maths, Science and Technology Grant has been reduced by 3 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R39 million over the medium term.

3. Strategic overview by the Department of Basic Education (DBE)

The Minister of Basic Education, Hon A Motshekga, Deputy Minister Hon M R Mahaule and the Director-General, Mr. H Mweli led a delegation from the DBE to present on the 2020/21 Annual Performance Plan and the Budget of the Department of Basic Education. The context of the presentation is reported the following sub-headings.

3.1. Overview of the Annual Performance Plan (APP) for 2019/20

The Joint Committees received a presentation on the background and context of the 2020/21 APP. Legally, the Department has only been able to only present on what was tabled to Parliament in March 2020 (pre-

COVID-19) and the report would have to be adjusted to make provision for the impact of the COVID-19 Lockdown on the Budget of the Department. The revised Budget will be presented to the Committees once adjustments have been approved and implemented.

The Annual Performance Plan (APP) sets out what the Department intends doing in the financial year and during the Medium-Term Expenditure Framework (MTEF) period to implement its Strategic Plan. In fulfilling its legal obligation, the Department must produce and table an APP annually to Parliament. The Strategic Plan should cover a period of at least five years and can be amended during the five-year period it covers. The 2020/21 APP represents the first year of activities towards achieving the objectives contained in the DBE Strategic Plan 2020/21-2024/25. The DBE's Strategic Plan is anchored on the Government's long-term plan; the *National Development Plan 2030: Our future – make it work,* the MTSF 20192024 and the draft Action Plan to 2024.

The Department gave a detailed overview by outlining the shape and the size of the basic education sector giving a comprehensive breakdown of the number of learners, educators and schools in the ordinary school sector by province for 2019. In respect of education statistics, the Department further outlined the size of the schooling system with figures for the number of learners, educators, schools and languages.

3.1.1. Progress on Selected Key Deliverables

The Department further listed the progress on selected key deliverables as follows:

- Performance of the Class of 2019 NSC;
- NSC performance from 2013 – 2019;
- Bachelor passes per province in 2019;
- Children 0 – 4 years-old attending Early Childhood Development (ECD) facilities (2009 – 2018);
- Percentage of learners in Grade 1 who attended Grade R (2009 – 2018);
- Equity;
- Percentage of primary school and secondary school combined with a teacher who received specialised training in Learners with Special Educational Needs (LSEN) by province (2017);
- Filling of teacher posts;
- Funza Lushaka placements 2019;
- National School Nutrition Programme (NSNP) Quarter 1 – Quarter 3 of 2019-20
- Volume 1 Grade 1 to Grade 9 and Grade R (2017); and
- Volume 2 Grade 1 to Grade 9 (2020).

3.1.2. Key Government Priorities

The MTSF 2019–2024 translates the ruling party's electoral mandate into government's priorities over a five-year period. Basic Education is critical in priority 2, 3, and 6:

- Priority 1: A capable, ethical and developmental state.
- Priority 2: Economic transformation and job creation.
- Priority 3: Education, skills and health.
- Priority 4: Consolidating the social wage through reliable and quality basic services.
- Priority 5: Spatial integration, human settlements and local government.
- Priority 6: Social cohesion and safe communities.
- Priority 7: A better Africa and world.

3.1.3. Alignment of the 2019 – 2024 MTSF Outcomes to the Education Sector

The Department also detailed the following Education Outcomes for the 2019 – 2024 MTSF:

- Outcome 1: Improved school-readiness of children.
- Outcome 2: 10-year-old learners enrolled in publicly funded schools read for meaning.
- Outcome 3: Youths better prepared for further studies and the world of work beyond grade 9.
- Outcome 4: Youths leaving the schooling system more prepared to contribute towards a prosperous and equitable South Africa.
- Outcome 5: School physical infrastructure and environment that inspires learners to learn and teachers to teach.

3.1.4. The State-of-the-Nation Addresses (SONAs)

3.1.4.1. The State-of-the-Nation Address June 2019

The Department considered the announcements made by the President in the previous SONA. On 20 June 2019, the President announced the implementation of the Early Grade Reading Programme, which consisted of an integrated package of lesson plans, additional reading materials and professional support to Foundation Phase teachers. This formed part of the broader efforts to strengthen the basic education system by empowering school leadership teams, improving the capabilities of teachers and ensuring a more consistent measurement of progress for grades three, six and nine. There was a need to prepare young people for the jobs of the future.

3.1.4.2. The State-of-the-Nation-Address (SONAs) February 2020

In the February 2020 address, the Honorable President Ramaphosa highlighted the following, amongst others:

- The investments made in Early Childhood Development and early grade learning would yield great economic benefits in the next two decades and beyond;
- There was progress with the introduction of the three-stream curriculum model, heralding a fundamental shift in focus towards more vocational and technical education;
- Various technical vocational specialisations have already been introduced in 550 schools and 67 schools were now piloting the occupational stream;
- There were plans to issue tablet computers to school students and the distribution process was underway;
- Every 10 year-old needed to be able to read with meaning and early reading programmes were gathering momentum;
- The Department would be introducing Coding and Robotics in Grades R to 3 in 200 schools, with a plan to implement fully by 2022; and
- Following recognition by the Department of Basic Education in 2018 of South African Sign Language (SASL) as a home language and the recommendation by the Parliamentary Constitutional Review Committee that it be the 12th official language, government was poised to finalise the matter.

3.2. Strategic Objectives, Indicators and Targets in the 2019/20 APP

3.2.1. The Action Plan to 2024

The Action Plan to 2024: Towards the Realisation of Schooling 2030 was the sector plan for basic education. The Action Plan is grounded on 27 national goals that are intended to improve basic education across all levels. Thirteen (13) of these goals, were output goals, dealing with better school results and better enrolment of learners in schools. The remaining 14 goals dealt with things that had to happen for the output goals to be realised.

3.2.2. Council of Education Ministers (CEM) Priorities for the 6th Administration

These priorities were approved by the Council of Education Ministers to lay a solid foundation for quality education, in support of improved reading and learning outcomes:

- Improving foundational skills of Numeracy and Literacy, especially reading as underpinned by the Reading Revolution;
- Immediate implementation of a curriculum with skills and competencies for a changing world in all public schools (Three Stream Model, Fourth Industrial Revolution, Entrepreneurship, Focus Schools, etc.);
- Deal decisively with quality and efficiency through the implementation of standardised assessments to reduce failure, repetition, and dropout rates and introduce multiple qualifications such as General Education Certificate before the Grade 12 exit qualification;
- Urgent implementation of two years of ECD before Grade 1, and the migration of the 0 - 4 year olds from Social Development to Basic Education;
- Complete an integrated Infrastructure Development Plan informed by infrastructure delivery and regular maintenance which is resourced; and
- Work with Sport and Recreation, Arts and Culture, Health, and South African Police Services to teach and promote Social Cohesion, Health and School Safety.

3.2.3. Performance Measurement

3.2.3.1. Strategic Plan 2020/21 – 2024/25

The Department gave a detailed overview of the impact statement, outcomes and indicators (including baseline and five-year target) for the following:

- **Outcome:1:** Maintain and develop the system of policies, including the curriculum and assessment, governing the basic education sector to advance a quality and inclusive, safe and healthy basic education system;
- **Outcome 2:** Maintain and develop information and other systems which enable transformation and an efficient and accountable sector;
- **Outcome 3:** Maintain and develop knowledge, monitoring and research functions to advance more evidence-driven planning, instruction and delivery;
- **Outcome 4:** Advance the development of innovative and high-quality educational materials; and
- **Outcome 5:** Conduct strategic interventions to assist and develop provincial education systems.

3.2.3.2. Department of Performance Monitoring and Evaluation (DPME) Analysis of the APP 2020/21

The DPME provided feedback on the Strategic Plan and APP on 31 January 2020 respectively. Subsequently, the Auditor General South Africa (AGSA) also provided feedback on the Strategic Plan and APP on 17 March 2020 after tabling which took place on 11 March 2020. The inputs by both DPME and AGSA have been processed and shared with relevant Managers within Branches. An addendum has been prepared to address AGSA findings with Audit implications. The Minister will submit the addendum to Parliament with relevant pages after approval.

4. DBE programmes and performance targets

The Annual Performance Plan (APP) summarised the priorities of the Department as aligned to the delivery agreement of Outcome 1: Improving the quality of Basic Education and the Action Plan to 2019: Towards the Realisation of Schooling 2030. The activities of the Department are structured into five programmes as elaborated in the Annual Performance Plan:

- Programme 1: Administration;
- Programme 2: Curriculum Policy, Support and Monitoring;
- Programme 3: Teachers, Education Human Resources and Institutional Development;
- Programme 4: Planning, Information and Assessment; and
- Programme 5: Educational Enrichment Services.

For the 2020/21 Annual Performance Plan there is a combined total number of 70 performance indicators across all five programmes of the Department and could be broken down into 56 (80 percent) annual targets, 11 (16 percent) quarterly targets, two (3 percent) bi-annual targets and 1 (1 percent) bi-ennial target.

4.1. Programme 1: Administration

Outcome 2: Maintain and develop information and other systems which enable transformation and an efficient and accountable sector.

4.1.1The Annual Outcome Indicators are as follows:

- **Annual Performance Plan approved by 31 March each financial year** – The Department’s target is to have the 2020/21 APP approved by March 2020 which they achieved; and.

- **Number of capacity building programmes offered to the DBE officials –** The target set by the Department stood at 10 capacity building programmes for 2020/21.

Quarterly Outcome Indicators:

- **Percentage of valid invoices paid within 30 days upon receipt by the Department –** The target set by the Department stood at 100 percent;
- **Number of reports on misconduct cases resolved within 90 days –** The quarterly target set by the Department stood at four (4) reports; and
- **Quarterly Reports submitted to National Treasury (NT) and the DPME 30 days after the end of each quarter –** The Department's target is to submit four (4) quarterly reports to National Treasury and the Department of Performance Monitoring and Evaluation (DPME) 30 days after the end of each quarter.

4.2. Programme 2: Curriculum Policy, Support and Monitoring

Outcome 1: Maintain and develop the system of policies, including the curriculum and assessment, governing the basic education sector to advance a quality and inclusive, safe and healthy basic education system. For this programme, the Department have 29 annual targets, 1 quarterly target and 1 bi-annual target as follows:

Annual Outcome Indicators:

- **Number of Children/ Learners with Profound Intellectual Disability (C/LPID) using the Learning Programme for C/LPID using the Learning Programme for C/LPID –** The Department's target is set at 3 527 children/learners;
- **A National Report produced on monitoring of the implementation of the Policy on Screening, Identification, Assessment and Support (SIAS) as a mechanism for early identification and intervention –** The target is for an approved National Report on monitoring of the implementation of the SIAS as a mechanism for early identification and intervention;
- **Amend legislation to regulate the new ECD landscape –** The Department's target is an amendment of the National Education Policy Act (NEPA), SASA and Children's Act completed within 9 months of Cabinet proclamation on change;
- **Develop new funding models for ECD delivery –** The target is a report on investigation into ECD funding models;

- **Develop and operationalise an ECD Education Management Information System (EMIS) –** The Department's target is an approved report on the national audit conducted on Early Childhood Development (ECD) centres;
- **Develop and operationalise an Early Childhood Development (ECD) Human Resource Development (HRD) Plan –** The target is a report on ECD service delivery model and its workforce implications;
- **Number of districts monitored on implementation of the National Curriculum Statement (NCS) for Grades 10 -12 –** The Department's target is set at eight (8) districts monitored;
- **Number of provinces monitored on extra-support classes to increase the number of learners achieving Bachelor level passes -** The Departments target is set at nine (9) provinces monitored;
- **Number of schools monitored for implementing compulsory entrepreneurship education -** The Departments target is set at 90 schools, 10 schools per province;
- **An Annual Sector Report produced on the implementation of the General Education Certificate (GEC) –** The target is an approved Annual Sector Report on the implementation of the General Education Certificate (GEC);
- **Produce an Annual Sector Report on schools prepared to respectively implement and pilot the Technical Occupational Stream in 2021/22 –** The target is an approved Annual Sector Report on schools that are prepared to respectively implement and pilot the Technical Occupational Stream in 2021/22; and
- **Number of schools monitored for piloting the coding and robotics curriculum –** The target is set at 10 schools i.e. two schools per piloting province.

Quarterly Outcome Indicators:

- **Number of Technical schools monitored for implementation of Curriculum and Assessment Policy Statements (CAPS) –** The target set by the Department is 18 schools monitored.

Bi-annual Outcome Indicators:

- **Number of learners obtaining subject passes towards a National Senior Certificate (NSC) or extended Senior Certificate, including upgraded NSC per year -** The target set by the Department is 60 000 learners.

Outcome 3: Maintain and develop knowledge, monitoring and research functions to advance more evidence-driven planning, instruction and delivery.

Annual Outcome Indicators:

- **Number of schools monitored on the implementation of the reading norms –** The target is set at 30 schools monitored**;**
- **Number of schools monitored on the implementation of the Incremental Introduction to African Languages (IIAL) -** The target is set at 30 schools monitored**;**
- **Number of underperforming schools monitored on the implementation of the Early Grade Reading Assessment (EGRA) -** The target is set at 125 schools monitored**;**
- **Number of schools with Multi-grade classes monitored for implementing the Multi-grade toolkit -** The target is set at 81 schools monitored**;**
- **An Annual Sector Report produced on the implementation of the National Reading Plan –** The Department has set a target of an approved Annual Sector Report on implementation of the National Reading Plan; and
- **An Annual Sector Report produced on the number of public schools monitored on the availability of readers –** The target is an approved Annual Sector Report on the number of public schools monitored on the availability of readers

Outcome 4: Advance the development of innovative and high quality educational materials.

Annual Outcome Indicators:

- **Number of schools per province monitored for utilisation of Information, Communication and Technology (ICT) resources –** The target is set at 27 schools (three per province);
- **Percentage of public schools with Home Language workbooks for learners in Grades 1 to 6 per year after having placed an order –** The Department's target is set at 100 percent;
- **Percentage of public schools with Mathematics workbooks for learners in Grades 1 to 9 per year, after having placed an order -** The Department's target is set at 100 percent;
- **Percentage of public schools with workbooks for learners in Grades R per year, after having placed an order -** The Department's target is set at 100 percent;
- **An Annual Sector Report that is produced on the learners provided with Mathematics English First Additional Language (EFAL) and textbooks in Grades 3, 6, 9 and 12 –** The Department's target was an approved Annual Sector Report;
- **The number of schools monitored for home languages in which Literacy Grades 1-3 Lesson Plans have been developed for terms 1 to 4 –** The target is set at 10 schools monitored**;** and

- **Number of special schools with access to electronic devices -** The Department's target is set at 140 special schools.

Outcome 5: Conduct strategic interventions to assist and develop provincial education systems.

Annual Outcome Indicators:

- **An Annual Sector Report produced on the number of teachers trained on inclusion** – The Department's target is an approved Annual Sector Report on the number of teachers trained on inclusion;
- **An Annual Sector Report produced on the number of learners in public special schools** – The Department's target is an approved Annual Sector Report on the number of learners in public special schools;
- **An Annual Sector Report produced on the percentage of public special schools serving as resource centres** – The Department's target is an approved Annual Sector Report on the percentage of public special schools serving as resource centres; and
- **An Annual Sector Report produced on the establishment of focus Schools per Provincial Education Department** – The Department's target is an approved Annual Sector Report on the establishment of Focus Schools per Provincial Education Department.

4.3. Programme 3: Teachers, Education Human Resources and Institutional Development

Outcome 2: Maintain and develop information and other systems which enable transformation and an efficient and accountable sector. For this programme, the Department had 8 annual targets, 4 quarterly target and 1 bi-annual target as follows:

Annual Outcome Indicators:

- **Percentage of School Governing Body (SGBs) that meets the minimum criteria in terms of effectiveness** – The target for the Department is 90 percent of 2000 sampled schools;
- **Percentage of schools producing the minimum set of management documents at a required standard** – The Department's target is 100 percent of 2000 sampled schools;
- **Number of Funza Lushaka bursaries awarded to students enrolled for initial Teacher Education** – The target is set at 12 500 bursaries awarded; and
- **An Annual Sector Report that is produced on the number of qualified teachers aged 30 and below entering the public service as teachers** – The Department's target is an approved Annual Sector Report on the number of qualified teachers aged 30 and below entering the public service as teachers.

Quarterly Outcome Indicators:

- **Number of quarterly monitoring reports tracking the percentage of Funza Lushaka graduates placed within six (6) months upon confirmation that the bursar has completed studies –** The Department has a target of 4 reports; and
- **Number of quarterly monitoring reports indicating the number and percentage of schools where allocated teaching posts are all filled -** The Department has a target of 4 reports.

Outcome 3: Maintain and develop knowledge, monitoring and research functions to advance more evidence-driven planning, instruction and delivery.

Annual Outcome Indicators:

- **A National Report produced on monitoring the functionality of Provincial Teachers Development Institutes and District Teacher Development Centres –** The Department has a target of an approved National Report on monitoring the functionality of Provincial Teacher Development Institutes and District Teacher Development Centres;
- **A National Report produced on monitoring the implementation of Teacher Development Programmes by PEDs with special focus on EFAL, Mathematics, Physical Sciences and Accounting –** The Department's target is an approved National Report on monitoring the implementation of Teacher Development Programmes by PEDs with special focus on EFAL, Mathematics, Physical Science and Accounting;
- **Number of PEDs that had their post provisioning processes assessed for compliance with the post-provisioning norms and standards –** The target is set at 9 PEDs; and
- **An Annual Sector Report produced on the number of Grade R practitioners with at least NQF level 6 and above qualification –** The Department's target is an approved Annual Sector Report on the number of Grade R practitioners with at least an NQF level 6 and above qualification.

Bi-annual Outcome Indicators:

- **Number of subjects where teacher Development Programmes have been conducted at district level and reported by provinces in the National Strategy on Learner Attainment (NSLA) –** The Department has a target of 4 subjects.

Outcome 5: Conduct strategic interventions to assist and develop provincial education systems.

Quarterly Outcome Indicators:

- **Number of PEDs monitored on the Quality Management System (QMS) –** The Department's target is set at 9 PEDs; and
- **Number of PEDs monitored on the implementation of Education Management System: Performance Management and Development System (EMS PMDS) -** The Department's target is set at 9 PEDs.

4.4. Programme 4: Planning, Information and Assessment

Outcome 1: Maintain and develop the system of policies, including the curriculum and assessment, governing the basic education sector to advance a quality and inclusive, safe and healthy basic education system. For this programme, the Department had 15 annual targets and 1 Bi-Ennial target.as follows

Annual Outcome Indicators:

- **Number of new schools built and completed through Accelerated Schools Infrastructure Delivery Initiative (ASIDI) –** The Department's target is set at 31 new schools;
- **Number of schools provided with sanitation facilities through ASIDI –** The Department's target is set at 798 schools; **and**
- **Number of schools provided with water through ASIDI –** The Department's target is set at 125 schools.

Outcome 2: Maintain and develop information and other systems which enable transformation and an efficient and accountable sector.

Annual Outcome Indicators:

- **Number of General Education and Training (GET) Test items developed in Language and Mathematics for Grades 3, 6 and 9 –** The Department has a target of 500 test items developed;
- **Number of NSC reports produced –** The target for the Department is 4 NSC reports;
- **Number of question papers set for June and November examinations –** The Department's target is 292 question papers;
- **Percentage of public schools using the standardised School Administration System (SA-SAM) –** The target is set at 98 percent of public schools;

- **A National Report produced on the number of provinces monitored for implementation of LURITS -** The Department's target is an approved National Report on the number of provinces monitored for implementation of LURITS;
- **A National Report produced on learner performance linked to National Assessment Framework –** The Department's target is an approved National Report on learner performance linked to the National Assessment Framework; and
- **A National Report produced on developing and operationalising a school readiness assessment system –** The Department's target is an approved National Report on developing and operationalising a school readiness assessment system

Outcome 5: Conduct strategic interventions to assist and develop provincial education systems.

Annual Outcome Indicators:

- **Number of officials from districts that achieved below the national benchmark in the NSC participating in a mentoring programme –** The target for the Department is 60 officials.

Bi-ennial Outcome Indicators:

- **Percentage of school principals rating the support services of districts as being satisfactory –** The target set by the Department is 75 percent of school's principals.

4.5. Programme 5: Educational Enrichment Services

Outcome 1: Maintain and develop the system of policies, including the curriculum and assessment, governing the basic education sector to advance a quality and inclusive, safe and healthy basic education system. For this programme, the Department has 6 annual targets and 3 quarterly target and are as follows:

Annual Outcome Indicators:

- **Percentage of District Directors that have undergone competency assessment prior to their appointment –** The Department's target is set at 95 percent of District Directors;
- **Percentage of underperforming schools visited at least twice a year by district officials for monitoring and support purposes** – The Department's target is set at 75 percent of underperforming schools;
- **Number of District Director forums held –** The target for the Department is 3 district director forums;
- **Number of districts in which teacher development have been conducted as per district improvement plan –** The Department's target is 55 districts;

- **Number of professionals trained in South African School Choral Eisteddfod (SASCE) programmes –** The Department's target is set at 900 professionals trained; and
- **Number of PEDs with approved annual business plans for the HIV/AIDS Life Skills Education Programme –** The target set by the Department is 9 PEDs.

Quarterly Outcome Indicators:

- **Number of schools monitored for the provision of nutritious meals –** The Department's target is 115 schools;
- **Number of districts monitored and supported in the implementation of the National School Safety Framework (NSSF), social cohesion, sport and enrichment programmes –** The Department's target is 115 districts monitored; and
- **Number of stakeholder engagements held to promote the Constitution and its values using social cohesion, sports and enrichment programmes** – The Department has a target of 4 stakeholder engagements.

5. Department of Performance Monitoring and Evaluation (DPME) Feedback on 2020/21 APP

The Department gave a detailed overview of the feedback received from the Department of Performance Monitoring and Evaluation which also included the management responses to comments in respect of the following:

- The Department was advised to ensure alignment between the APP and MTSF;
- The Department has also listed some weaknesses without indicating how these would be resolved. For example, for the issue of disadvantaging some learners through the usage of English as a language of teaching and learning, there was no clear plan besides mentioning that the schooling system needed to pay special attention to the promotion of all official languages;
- The Department reflected an impact statement which is in line with their mandate and the MTSF. However, phrases such as "develop, maintain and support" made the impact statement read like an activity;
- In programme 5, the Department was advised to include indicators that focussed on deworming of learners, health and wellness in schools; for example, health and wellness drive i.e. eye test, hearing aid, and BMI testing among others;
- There need for the alignment of outputs and output indicators.
- The Department have identified the key risks; however, the mitigating factors were not included;
- The Department was advised to develop the key risks and mitigating factors for all the outcomes; and

- Court Rulings to be included in plans: KwaZulu-Natal Court Judgement on Provisioning of South African Sign Language as language of instruction.

6. Auditor-General of South Africa (AGSA) Feedback on 2020/21 APP

The Department gave a detailed overview of the feedback received from the Office of the Auditor-General of South Africa (AGSA) which also included the management responses to comments in respect of the following:

- Ensure that the indicator clearly indicates the nature of the input or output, the activities, the desired outcomes and impacts, and all relevant definitions and standards used in each field;
- Include specific references to sampling guidelines in the short definition to give a general understanding of the indicator;
- The purpose should adequately explain what the indicator is intended to show and reflect its importance;
- Method of calculation should clearly and specifically state inputs; and
- Data limitations as well as factors that may be beyond the entities' control should be identified and documented.

7. The 2020/21 Annual Performance Plan Monitoring Activities Affected Due to COVID-19

The Department gave a detailed overview of the 2020/21 APP monitoring activities affected due to COVID-19 as well as the alternative monitoring plan of the Department. The affected activities are listed as follows:

- A National Report produced on monitoring of the implementation of the Policy on Screening, Identification, Assessment and Support (SIAS) as a mechanism for early identification and intervention;
- An Annual Sector Report produced for schools that are prepared to respectively implement and pilot the Technical Occupational Stream in 2021/22;
- An Annual Sector Report produced on the number of teachers trained on inclusion;
- Number of quarterly monitoring reports tracking the percentage of Funza Lushaka graduates placed within six (6) months upon confirmation that the bursar has completed studies;
- Number of PEDs monitored on the Quality Management System (QMS);
- Number of PEDs monitored on the implementation of Education Management System: Performance Management and Development System (EMS PMDS);
- Number of schools monitored for the provision of nutritious meals;

- Number of professionals trained in South African School Choral Eisteddfod (SASCE) programmes (To request for withdrawal of the indicator);
- Number of districts monitored and supported in the implementation of the National School Safety Framework (NSSF), social cohesion, sport and enrichment programmes; and
- Number of stakeholder engagements held to promote the Constitution and its values using social cohesion, sports and enrichment programmes

8. Overview of the MTEF 2020 Budget

The Department has been allocated R25.3 billion in 2020/21, R27.3 billion in 2021/22 and R28.6 billion in 2022/23. Included in these allocations is Compensation of Employees amounting to R584 million, R622 million and R649 million respectively over the Medium-Term Expenditure Framework (MTEF) years. The budget per programme is tabulated below.

Table 2: Programmes Allocations over the 2020 MTEF

BUDGETS			
PROGRAMME	**2020/21 R'000**	**2021/22 R'000**	**2022/23 R'000**
Administration	519 401	551 635	574 549
Curriculum Policy, Support and Monitoring	2 025 646	2 123 708	2 182 068
Teachers, Education Human Resource and Institutional Development	1 437 738	1 516 940	1 589 270
Planning, Quality Assessment and Monitoring and Evaluation	13 355 974	14 674 452	15 380 972
Educational Enrichment Services	7 989 473	8 466 229	8 865 536
Total	25 328 232	27 332 964	28 592 395

Table 3: Economic Classifications Allocations for the 2020 MTEF

	BUDGETS		
PROGRAMME	**2020/21 R'000**	**2021/22 R'000**	**2022/23 R'000**
Compensation of Employees	584 252	622 166	649 219
Goods and Services	2 042 142	2 166 145	2 352 525
Interest and Rent on Land	42 418	41 148	42 673
Transfers and Subsidies	21 150 175	22 446 596	23 488 893
Payments for Capital Assets	1 509 245	2 056 909	2 059 085
Total	**25 328 232**	**27 332 964**	**28 592 395**

Table 4: Details of Earmarked Allocations (R'000) over the 2020 MTEF

EARMARKED FUNDS	***2020/21 R'000***	***2021/22 R'000***	***2022/23 R'000***
Workbooks	1 191 884	1 248 71[illegible]	1 273 617
Matric Second Chance Programme	60 805	60 99[illegible]	61 370
Oversight-Maths, Science and Technology	6 538	6 89[illegible]	7 153
Learners with Profound Intellectual Disabilities Conditional Grant	3 165	3 33[illegible]	3 463
Examiners and Moderators	57 272	63 22[illegible]	67 029
National School Nutrition Programme	21 236	22 404	23 233
TOTAL: EARMARKED FUNDS	**1 340 900**	**1 405 574**	**1 435 865**

Table 5: Details of Conditional Grants Allocations/Transfers (R'000) over the 2020 MTEF

CONDITIONAL GRANTS	***2020/21 R'000***	***2021/22 R'000***	***2022/23 R'000***
Learners with Profound Intellectual Disabilities Grant	242 864	256 222	265 746
Math's, Science and Technology Grant	400 862	422 909	438 488
Education Infrastructure Grant	11 007 967	11 710 298	12 255 026
HIV and AIDS (Life Skills) Grant	246 699	258 542	262 204
National School Nutrition Programme Grant	7 665 887	8 125 341	8 516 464
TOTAL CONDITIONAL GRANTS	**19 564 279**	**20 773 312**	**21 737 928**

Table 6: Details of Transfers (R'000) over the 2020 MTEF

OTHER TRANSFERS	*2020/21 R'000*	*2021/22 R'000*	*2022/23 R'000*
UNESCO Membership Fees	17 091	18 031	18 702
ADEA	158	167	173
Guidance Counselling and Youth Development Centre: Malawi	196	207	215
Childine South Africa	73	78	82
National Education Collaboration Trust	115 738	122 104	126 644
Southern and Eastern Africa Consortium for Monitoring Educational Quality	3 671	3 873	4 016
NSFAS: Funza Lushaka Bursaries	1 291 606	1 362 644	1 426 791
Transfers to Public Entities			
Umalusi	139 172	146 826	154 158
ETDP SETA	453	478	497
South African Council for Educators	17 738	18 876	19 687
TOTAL TRANSFERS	**1 585 896**	**1 673 284**	**1 750 965**

Table 7: Detailed Breakdown of the Budget over the 2020 MTEF

	2020/21 R'000	*2021/22 R'000*	*2022/23 R'000*
Compensation of Employees	522 976	551 675	573 810
Goods and Services	147 319	155 625	170 319
School Infrastructure	1 736 413	2 295 101	2 424 189
Office Accommodation	220 177	233 757	242 761
Departmental Projects	210 272	244 636	256 558
Earmarked Funds (including CoE)	1 340 900	1 405 574	1 435 865
Transfers	1 585 896	1 673 284	1 750 965
Conditional Grants	19 564 279	20 773 312	21 737 928
Total	**25 328 232**	**27 332 964**	**28 592 395**

Table 8: General Budget Support

General Budget Support	*2020/21 R'000*	*2021/22 R'000*	*2022/23 R'000*
Rural Education Assistance Project	29 164		
Systemic Improvement of Language and Numeracy in Foundation Phase	16 528 853	16 200 927	-
Technology Grade 7-9	19 563 600	19 954 872	-

Table 9: 2020 MTEF Cabinet Baseline Reductions

	2020/21 R'000	*2021/22 R'000*	*2022/23 R'000*
2019 Indicative Allocation	25 987 648	28 189 376	29 643 169
Less: Conditional Grants	(525 021)	(696 407)	(875 801)
Maths, Science and Technology Grant	(12 397)	(13 079)	(13 708)
Education Infrastructure Grant	(458 665)	(616 331)	(775 099)
HIV and AIDS (Life Skills)	(23 945)	(26 987)	(33 939)
National School Nutrition Programme Grant	(30 014)	(40 010)	(53 055)
Baseline reduction	(134 395)	(160 005)	(174 973)
Goods and services	(39 536)	(41 380)	(43 239)
Non-profit institution	(2 364)	(2 494)	(2 586)
School Infrastructure Backlog: Building and other Infrastructure	(32 623)	(43 836)	46 345)
Machinery and Equipment	(136)	(150)	(159)
Software and other intangible assets	(7)	(8)	(8)
South African Council for Educators	(3 362)	(3 385)	(3 402)
Umalusi Council for Quality Assurance in General and Further Education and Training	(2 840)	(2 996)	(1 234)
Workbooks	(20 000)	(30 000)	(43 000)
Matric Second Chance Programme	(20 000)	(22 000)	(25 000)
National Assessment: Goods and Services	(10 000)	(10 000)	(10 000)
Compensation of Employees	(3 527)	(3 756)	-
Baseline Budget Review	25 328 232	27 332 964	28 592 395

Table 10: Departmental Budget Cuts on Goods and Service

	2020/21 R'000	*2021/22 R'000*	*2022/23 R'000*
Administration (Audit fees, Government Information and Technology Office (GITO) and Communication)	(6 536)	(6 800)	(7 600)
Curriculum, Policy Support and Monitoring (Various projects cuts on goods and services)	(2 000)	(1 880)	(2 239)
Workbooks	(18 000)	(18 000)	(18 000)
Matric Second Chance	(7 000)	(7 500)	(7 800)
Planning, Information and Assessment (Various projects cuts on goods and services)	(6 000)	(7 200)	(7 600)
Total	**(39 536)**	**(41 380)**	**(43 39)**

9. 2019/20 Audit Action Plan: Financial and Performance Information based on the 2018/19 AGSA Audit Report

The Department gave a detailed overview of the 2019/20 Audit Action Plan as follows:

- **Immovable tangible capital Assets (**Overstatement of capital assets and capital expenditure as well as understatement of goods and services expenditure):
  - AG Recommendations: The AG recommended improving monitoring controls pertaining to obtaining invoices from the implementing agents as well as to update policies and procedures on immovable assets to address matters related to the value of in-use of assets. Further to this AG also recommended that the Department strengthen monthly controls over the preparation of the immovable asset register and review all assets capitalised in the assets register.
  - DBE Action: The Department's action states that monthly reconciliations on expenditure were done and the values of completed projects were only based on actual payments processed through BAS with provision for both Accruals, Retention, PSP & Implementing Agents fees. The Department was also busy performing the split between operational and capital expenditure for the period since the inception of ASIDI in 2012. This should be completed on time for accurate disclosure in the 2019/20 Annual Financial Statements.

- **Commitments (**Misstatement of commitments due to insufficient audit evidence provided):
  - AG Recommendations: Management had to take appropriate steps to understand and address the estimation uncertainty, and develop a point estimate that met the measurement objective and supported by sufficient appropriate evidence. Management had to ensure that auditors were furnished

with sufficient information in order to re-perform work done by the management and to determine if management's point estimate was reasonable.

- DBE Acton: In previous Financial Years, projects formally allocated to IAs were classified as approved but not contracted, even if these were not yet awarded. All project values previously recorded as "Approved but Not Contracted" in the Commitment Register has been removed with effect from the 31 March 2019. The commitment values were strictly for projects with award tender values. All estimated disbursement values to the end of 31 March 2019 has been replaced with actual expenses reimbursed to the Implementing Agents.

- **Contingent Liabilities (**Understatement of contingent Liabilities):
  - AG Recommendations: Management needed to ensure that the financial exposure disclosed in the financial statements was in line with the supporting evidence of the amount claimed by the plaintiffs. There was a need to re-perform recalculations of the interest amounts as per the summons received to ensure accurate disclosure of the financial exposure linked to the contingent liabilities. Adjust the notes to the financial statements and consider the impacts on the prior year disclosed figures. Provide the remaining outstanding supporting documentation as per the tables above. Implement the necessary controls to ensure that the amounts disclosed in the annual financial statements was accurate and complete.
  - DBE Acton: The Department had corrected the 2018/19 amounts for disclosure during the audit and the interest amounts were now included

- **Accruals and payables not recognised (**Misstatement of accruals):
  - AG Recommendations: Introduce procedures and internal controls where the department officials made a record as to when the invoices were received from the implementing agents.
  - DBE Acton: Classification was determined by the date the invoice was received by the implementing agent.

- **Material Irregularity (**Cost incurred for remedial construction for projects undertaken by Adopt-a-School):
  - AG Recommendations: Ensure that proper and due processes were followed concerning the appointment of service providers and implementing agents and to ensure that the providers met the necessary requirements in line with CIDB to perform construction work in the public sector. Ensure compliance with CIDB and NT procurement prescripts. Ensure compliance with the PFMA section 38 with regards to investigation into permitted irregular, fruitless, and wasteful expenditure.

- DBE Acton: All related irregular expenditure be disclosed accordingly and cost incurred for remedial action be recovered from the IA.

- **Irregular, Fruitless and Wasteful Expenditure Investigation (**Non-compliance with the PPPFA when awarding contracts):
  - AG Recommendations: Irregular, Fruitless and wasteful expenditure had to be investigated within three months.
  - DBE Acton: To investigate all confirmed irregular, fruitless and wasteful expenditure within the financial year. Source additional investigation capacity to finalize the possible irregular expenditure investigation

- **Programme 2 (**Planned targets were not specific):
  - AG Recommendations: An indicator should have a specific target per term or per year. There should be a numerical number of Technical Mathematics lesson plans monitored per year. There should also be a numeric number of Technical Sciences lesson plans monitored per year.
  - DBE Acton: The Performance Indicators have been quantified for the 2019/2020 years and beyond.

- **Programme 3 (**The reported achievement in the annual performance report did not agree to the supporting evidence provided):
  - AG Recommendations: Implement proper record keeping by ensuring that the actual performance reported was valid and accurate. Establish adequate process of verification of the source documentation on a quarterly basis and review source documentation to validate reported achievements
  - DBE Acton: The Department had communicated with relevant programme managers in Provinces to ensure that scripts were identifiable through a name or a code, and to ensure that they were dated. The Department was also encouraging more provinces to take the tests online on the Moodle Platform – this would improve validity and reliability. Going forward, the Department would only be required to provide a report on the assessments.

- **Programme 4 (**The reported achievements in the annual performance report did not agree to the supporting evidence provided):
  - AG Recommendations: Implement proper record keeping by ensuring that the actual performance reported was valid, and accurate. Establish adequate process of verification of the source documentation on a quarterly basis and review source documentation to validate reported achievements.

- DBE Acton: The Project Manager was working more closely with mentors to verify numbers and designation of officials that were targeted for the mentoring support and those who received support. Monthly reconciliation and verification of projects that achieved practical completion between Asset Management; Implementing Agents and the Infrastructure Unit to ensure accurate and common reporting on performance.

10. Committee Observations and Deliberations

Members raised the following with the Department of Basic Education in respect of Budget Vote 16: Basic Education:

- Generally, much of the engagements centered around whether/or not the Committees only noted the Budget of the Department as presented and/or whether the Committee should adopt the Budget (as tabled in March 2020), mindful that there would be an adjustment to the Budget at a later stage;
- Members also raised concerns over the performance of the various Provincial Education Departments (PEDs) with limited budget, especially in respect of the cut in the infrastructure allocations to provinces;
- Members were concerned with the budget allocations to schools for the implementation of safety and security measures. Members queried whether the Department would consider an increased budget to assist schools in this regard;
- Members raised concerns with unplaced educators in the system, especially the Funza Lushaka graduates and queried how these graduates would be assisted to find placement in the system. It was further mentioned that there was a need to ensure all qualified educators in the system (not only Funza Lushaka graduates) were adequately placed;
- A further concern for Members was the number of schools that had been vandalised in the recent past. Members sought an update on how the Department was assisting those schools with refurbishments;
- Members queried the plans in place to ensure that all schools have adequate access to functional connectivity, especially rural schools. There was a need to prioritise ICT for schools;
- Members further requested that the Department should ensure the schools are adequately funded to guarantee proper scholar transport, water and sanitation;
- Members requested the Department to focus on the following crucial areas:
  - Financial support to schools (e.g. SGB appointed educators);
  - An adjusted budget for Robotics and Coding; and
  - Assistance for Grade 12 learners with applications for placement at tertiary institutions.

- Members queried the timeframes for the tabling of the Departments adjusted Strategic Plan and Annual Performance Plan;
- There was a need to strengthen departmental policy and monitoring of Implementing Agents and scholar transport policy, especially in respect of COVID-19 compliance;
- Members noted that all schools needed to be COVID-19 compliant and queried whether the Department has adequate budget for this exercise. Further to this, Members queried whether the Department budgeted for ensuring that all schools have the necessary safety and security measures in place;
- Members urged the Department to ensure that there is uniformity across all school Programme (NSNP) – in collaboration with the Department of Social Development;
- Members cautioned that the Department focused on ensuring social distancing of learners at schools as a priority; and
- Members indicated that the Minister, in her past presentation, gave timelines for reopening of schools. Members queried whether these dates had been Gazetted though there are uncertainties and the Minister needs to give more clarity. Members also remained concerned with the measures in place to ensure that schools are COVID-19 compliant.

10.1. Responses from the Department of Basic Education

- Minister Motshekga thanked Members for the valued input and proposals on the Budget of the Department. She mentioned that when invited to present, she was clear that the plans were compiled pre-COVID-19 and would have to be adjusted.

- Although she had raised the matter in Cabinet, the Department has been allowed to continue presenting the Budget as formally tabled in Parliament in March 2020. The budget will be adjusted but the Department is unable to give specifics or concrete details in this regard.

- The Minister suggested that the oversight and monitoring role of Parliament should be more focussed and relevant going forward.

- Regarding unplaced educators, Minister Motshekga indicated that educators are employed based on their skills and the needs of a particular school.

- The Department could not commit to placing all unplaced educators in the system. She hastened to say that the Department, going forward, would require a larger cohort of educators to be placed.

- The Minister expressed the urgency and importance of opening up the education sector as soon as possible, to avoid further destruction/vandalism of school property.
- Although there is a need to ensure adequate resourcing of schools, the Department could only cut their jacket according to their cloth. The Department could not commit to ensuring all learners would receive laptops.
- It is important that parents, during this COVID-19 period, take responsibility for the safety of their children and make sure that transport used is compliant.
- The Minister indicated that the budget will be adjusted and the Department will engage National Treasury in terms of the new plans and priorities of the Department (e.g. spacing, sanitation, safety).
- Regarding NSNP uniformity in provinces, the Minister indicated that she continue engaging with MECs in provinces in respect of many aspects including NSNP.
- The Director-General also reiterated that the Department could not report on what is not tabled. The presentation is a report on the Departments March 2020 tabling. He further mentioned that the Basic Education sector projected a loss over the MTEF.
- The Department is utilising the Education Infrastructure Grant (EIG) to procure COVID-19 essentials with a further utilisation of ASIDI to ensure water and sanitation for schools.
- In respect of timeframes and dates, for the reopening of schools, the Minister made mention that the framework has been submitted to the National Command Centre (NCC) who, in turn, requested that the Department further rework the framework for specific dates. The Department will only have certainty of dates for reopening of schools after the approval of the NCC of the new framework. The Minister mentioned that 1 June 2020 is the new tentative date but this could not be guaranteed.

11. Overview of Strategic Imperatives and Budget Allocations of the DBE`s Statutory Bodies

11.1. The South African Council for Educators (SACE)

SACE presented the Council’s approved 2020/2025 Strategic Plan, 2020/2021 Annual Performance Plan (APP) and the Budget which was tabled to Parliament. While the documents are presented as tabled to Parliament, inevitable small deviations were made to indicate challenges and risks that are or might affect effective implementation due to COVID-19 and national lockdown.

The Committees received a broad overview of the background, policy and legislative mandates of SACE which also included the legislative, policy environment, and regulatory framework in which SACE operated.

11.1.1. Strategic Plan 2020 – 2025

SACE presented its Programme Budget Structure with the following Programmes (with sub-programmes):

- Programme 1: Administration;
- Programme 2: Professional Registration;
- Programme 3: Ethical Standards;
- Programme 4: Professional Development; and
- Programme 5: Professional-Teaching Standards.

SACE also highlighted some of the key strategic issues informing the SACE agenda for the next five years which are as follows:

- Teacher professionalisation across the teacher education and development continuum – maintenance of the professional and ethical standards;
- Promotion of the reading and learning teaching profession:
  - SACE-established internal resource centre for employees and Council members
  - Virtual library for registered educators
  - SACE Constituencies and Stakeholders - 'Read to Teach and Serve'
- Teacher wellbeing, rights, responsibilities and safety;
- Values and ethics in the teaching profession;
- Strengthened and integrated Information and Communication Technology;
- Heightened communication for educators, stakeholders and the public and
- Data, Information and Knowledge Management – Lead the profession from an informed position and provide evidence-based advice to Council and the Minister.

11.2. Annual Performance Plan 2020/2021

11.2.1. Programme 1: Administration

The purpose of this programme is to implement and manage the policy directives and priorities of the Council to ensure the functional proficiency of SACE through appropriate support services. This

Programme is pivotal in supporting the other four APP Programmes, especially in terms of the challenges and risks posed to SACE by the COVID-19 along with the alert levels 5 and 4 of the national lockdown.

Comprehensive and complimentary needs-driven Communication and ICT Strategies, Research agenda and activities, as well as collaborative institutional arrangements are strengthened to facilitate the blended "New Normal" in providing services to the educators nationwide, governing SACE and running its operations seamlessly in an environment that was COVID-19 compliant.

This programme is also critical for the safety, assurance, psychosocial well-being, internal communication, and ongoing development and support of employees, particularly during the COVID-19 pandemic period. Indisputably, the delivery of the SACE 2020/2025 strategic plan and 2020/2021 APP and Budget is dependent largely on the employees' morale, psychological and emotional well-being, as well as, the newly implemented virtual, online and offline support systems provided given to the SACE governance structure.

Outcome – Efficient and effective governance

- **Number of Council and EXCO meetings convened** – The SACE target is set at 10 meetings convened;
- **Number of quarterly performance reports submitted to DBE** – The SACE target is set at four reports submitted;
- **Number of research reports produced** – The target is set at three reports produced;
- **Number of research-based seminars/conferences conducted** – The target is set at one seminar/conference;
- **Percentage of employees assessed through performance development system** – The SACE target is set at 100 percent of employees assessed;
- **Communication strategy developed and approved** – The SACE target is one strategy;
- **Percentage of invoices paid within 30 days** – The target is set at 100 percent of invoices paid; and
- **ICT Strategy developed approved** – The target is one ICT strategy developed and approved.

11.2.2. Programme 2: Professional Registration

The purpose of this programme is to ensure that the Council registers college lecturers and teachers who are fit to practise. Council must keep an up-to-date register of fit-to-practise educators and college lecturers.

In 2018/19, 29 765 out of 38 000 (78 percent) targeted educators were registered under new registration category. The 8 235 (22 percent) negative deviation as the result of:

- Introduction of the Police Clearance Certificate from the 1st January 2019 and the slow turn-around time from the SAPS;
- Collaboration with the Department of Home Affairs and SAQA in implementing stringent verification processes for foreign nationals (foreign qualifications, permit to teach in South Africa, requirements for legal entry into the country, and others) prior to their registration; and
- Academically qualified but professionally unqualified provisionally registered applicants who continue to fail submitting the Post Graduate Certificate in Education (PGCE) as a professional teaching qualification.

11.2.2.1. Sub-Programme 2.1: Registration of Educators and Lecturers

The aim of this sub-programme is to ensure that all educators/lecturers who meet the registration standards are certified to practise. It provides for registration of student educators, qualified educators and lecturers, and create sub-registers for special categories to enhance the quality of the professional certification of teachers by introducing standards.

Outcome - Fit-to-practise-registered educators and lecturers

- **Number of educators registered –** The SACE target is set at 25 000 educators registered; and
- **Percentage of educators applying through the online system for professional certification –** The target is set at 50 percent of educators.

11.2.2.2. Sub-Programme 2.2 – Data Management

The aim of this sub-programme is to ensure that the periodical statistical status reports are published. The Council will keep both a manual and an online database providing access to up-to-date information on the registration status of current college lecturers and prospective teachers. This information will be used to produce periodic reports on the status of the teaching profession in terms of size and shape.

Outcome 1 - Fit-to-practise-registered educators and lecturers

- **Number of statistical reports produced on the status of the profession –** The SACE target is set at two statistical reports.

SACE presented some of the highlights for Programme 2 in respect of the screening of educators prior to registration with regard to the following:

- SAPS clearance certificates;
- The Department of Justice and Constitutional Development;
- The National Register for Sexual Offences; and
- The National Child Protection Register.

11.2.3. Programme 3: Ethical Standards

The purpose of this programme is to promote and maintain ethical standards in the profession. SACE highlighted some of the challenges of carried over cases due to the internal capacity, and many other factors such as:

- unavailability of witnesses;
- parents not allowing their children to be witnessed;
- postponement by accused's lawyers;
- cases referred to SACE during the last quarter of the year;
- The number of cases to be received is unpredictable;
- one complaint or file may have more than one incident or complaint in it; and
- One educator may be accused of 2 or more kinds of breaches of the code of professional ethics (corporal punishment and sexual abuse).

Many investigations have been completed; however, finalisation of cases is hindered by the disciplinary hearings that are affected by the factors above. Thus, the division of Programme 3 into three sub-programmes and the use of the percentage indicators as a strategy for SACE to plan and account for what it can control, as reflected in the next three slides.

11.2.3.1. Sub-Programme 3.1: Investigations

The aim of this sub-programme is to provide for effective conduct investigations into allegations of misconduct.

Outcome – Maintained ethical standards

- **Percentage of investigations on new cases finalised** – The SACE target is set at 80 percent of investigations.

- **Percentage of investigations on rollover cases finalised** – The target is set at 90 percent of investigations.

11.2.3.2. Sub-Programme 3.2: Disciplinary Hearings

The aim of this sub-programme is to effectively and efficiently manage the resolution of misconduct cases.

Outcome – Maintained ethical standards

- **Percentage of disciplinary hearings on new cases finalised** – The SACE target is set at 70 percent of disciplinary hearings; and
- **Percentage of disciplinary hearings on rollover cases finalised** – The SACE target is set at 80 percent.

11.2.3.3. Sub-Programme 3.3: Sanctioning

The aim of this sub-programme is to improve ethical behaviour in the teaching profession.

Outcome – Maintained ethical standards

- **Number of analysis reports produced on sanctioned educators** – The SACE target is set at two analysis reports.

Under COVID-19 and lockdown period, the Investigations and Disciplinary hearing indicators under sub-programme 3.1. and 3.2. will not be executed as planned due to inevitability of social contact, travelling by teachers and learners, as well accessibility of learners as witnesses during school closure. This may contribute to a very slow turnaround time resulting to rolling over of many cases to the next financial year and delaying justice on the part of the children.

An assessment of online sessions, such as video link and its admissibility has been explored. However, its disadvantages outweigh the advantages particularly the reliance of a regulatory enquiry approach which seeks to put the conduct of an educator who is accused of professional conduct to the test, and children are involved as witnesses. Additional benchmarking work is being done to draw possible lessons from other national professional councils, CCMA, ELRC and 9 PEDs, taking into account that contexts may differ in institutions where learners are not involved.

11.2.4. Programme 4: Professional Development

The purpose of the programme is to ensure that educators engage in life-long learning to improve their professional competence.

11.2.4.1. Sub-Programme 4.1: Continuing Professional Teacher Development (CPTD) Management System

The purpose of the sub-programme is to enable educators to sign up for, participate in and report on their professional activities.

Outcome – Improved teacher competence

- **Percentage of selected practising signed-up educators verified for the continuing professional development uptake –** The SACE target is set at 40 percent; and
- **Percentage of signed-up final-year initial teacher education students –** The SACE target is set at 65 percent.

11.2.4.2. Sub-Programme 4.2: Member Support

The purpose of the sub-programme is to assist members to ensure their participation in professional matters**.**

Outcome – Improved teacher competence

- **Number of educators supported on professional matters** – The SACE target is set at 50 000 educators.

11.2.4.3. Sub-Programme 4.3: Quality Management

The purpose of the sub-programme is to ensure that all professional development programmes offered to educators are fit for purpose.

Outcome – Improved teacher competence

- **Percentage of professional development providers approved** – The SACE target is set at 70 percent;
- **Percentage of professional development activities endorsed**- The SACE target is set at 80 percent; and
- **Percentage of endorsed activities monitored**- The SACE target is set at 60 percent.

The planned contact sessions for supporting teachers' participation in the CPTD system and how to develop the Professional Development Portfolios will not take place due to social distancing and travel restrictions under COVID 19. This Programme will work collaboratively with Communication and ICT in developing virtual, online and digitised systems and PD material to assist teachers in Developing Professional Development Portfolios, and participate in the CPTD system. The CPTD Information System functionality will be enhanced to ensure maximum participation.

11.2.5. Programme 5: Professional-Teaching Standards

The purpose of the programme is to improve and maintain the status and image of the teaching profession, and ensure the quality of initial teacher education and ongoing professional development through quality assurance mechanisms and standards.

Council has approved the Professional Teaching Standards along with the Teacher Professionalisation path. Therefore, this programme will ensure that the implementation of the path is informed by the professional standards. Most of the indicators for Programme 5 require conceptual work and ongoing consultation with stakeholders. Therefore, the implementation of the Programme is likely to go without many challenges, except where teacher-based consultation is required.

11.2.5.1. Sub-Programme 5.1: Initial Teacher Education

The purpose of the sub-programme is to ensure initial teacher education programmes adhere to professional teaching standards.

Outcome – Improved teacher professionalism

- **Development of teacher professionalisation policy** – The target was to ensure a draft policy is produced; and
- **Policy framework registering student educators from year one** – The SACE target is for the development of and consultation on a policy framework.

11.2.5.2. Sub-Programme 5.2: Newly Qualified Educators

The purpose of the sub-programme is to ensure that newly qualified educators comply with professional standards.

Outcome – Improved teacher professionalism

- **Development of a professional certification framework and policy for educators registering with Council –** The target is an approved research report on professional certification; and
- **Development of a teacher designation –** The target is an approved teacher designation.

11.2.5.3. Sub-Programme 5.3: Practicing Educators

The purpose of the sub-programme is to ensure that practising educators adhere to professional standards.

Outcome – Improved teacher professionalism

- **Development of re-certification framework -** The target is for a draft framework to be developed.

Table 11: Medium Term Expenditure Framework (MTEF) Projections

Financial performance in R,000	**2016/17 Audited**	**2017/18 Audited**	**2018/19 Audited**	**2019/20 Budget**	**2020/21**	**2021/22**	**2022/23**
Revenue	**70,774**	**81,981**	**106,060**	**113,170**	**107,338**	**138,576**	**141,487**
Registration fees	8,398	8,010	6,663	5,000	4,200	4,000	4,100
Subscription fees	50,357	60,455	76,671	79,200	80,100	110,400	112,400
Reprints of certificates	2,075	2,138	2,090	2,000	1,500	1,500	1,500
Interest receivable	2,280	2,800	3,923	4,000	3,500	3,500	3,500
CPTD Subsidy	7,239	8,303	16,000	22,670	17,738	18,876	19,687
Sundry income	425	275	713	300	300	300	300
Expenditure	**60,043**	**63,042**	**79,836**	**113,170**	**107,338**	**138,576**	**141,487**
Administration & Other Related Costs	36,042	38,594	45,222	63,575	65,034	88,305	88,331
Research	903	1,302	454	2,954	2,744	3,901	4,131
Professional Development	13,162	12,999	19,005	30,339	23,356	25,535	26,956
Registration	5,259	4,951	6,108	6,849	6,445	7,934	8,468
Code of Ethics	4,677	5,196	9,047	9,453	7,621	9,672	10,273
Teacher Professionalization	0	0	0	0	2,138	3,229	3,328
Surplus/Deficit	**10,731**	**18,939**	**26,224**	**0**	**0**	**0**	**0**

Table 12: Detailed Operational Budget 2020/21

FINANCIAL PERFORMANCE DATA	
INCOME	**107,338,000**
Registration fees	4,200,000
Subscription fees	80,100,000
Reprints of certificates	1,500,000
Interest receivable	3,500,000
CPTD Subsidy	17,738,000
Sundry income	300,000
OPERATIONAL EXPENDITURE	**107,338,000**
Advertising	300,000
Audit fees	600,000
Bank charges	500,000
Compensation commissioner	300,000
Cleaning of buildings	300,000
Consultation fees	500,000
Depreciation	3,800,000
Insurance	650,000
Leasehold Improvements	500,000
Legal cost	1,000,000
Office rental	1,200,000
Postage	40,000
Printing and Stationery	850,000
Repairs &maintenance	700,000
M/vehicle running cost	60,000
Salaries	62,704,000
Security services	726,000
Staff development	300,000
Sundry expenses	90,000
Telephone	800,000
Travel and Accommodation	2,230,000
Rates, Water and Electricity	3,450,000
Database Dev/Maintenance	2,000,000
Code of Conduct	1,500,000
Registration of Educators	1,000,000
Professional Development (CPTD)	17 738 000
Teacher Professionalisation	1,000,000
Research	1,000,000
Publicity and Communication	1,500,000
Budget surplus/ Deficit	0

11.3. SACE Notes:

- Registration fees remain at R400 for Foreigners, R200 for South Africans and R50 for renewals and updates.
- The main funding for council operation is annual membership fees which is at R180 per educator effective from 0 November 2017.
- The current determined annual membership fee is projected to be increased to R240 per member as of April 2023**.**
- Approval has been obtained from National Treasury to subsidise the implementation for the CPTD Management System for the year 2020/21 amounting to R 18 mil.
- Research operation budget is classified under Administration Programme for the support and advisory role.
- Teacher Professionalization budget was historically included under the Professional Development Programme.
- The operational budget of the five provincial offices, including the Eastern Cape and Western Cape, are included in the operating budget**.**
- Selection process for personnel has been done in March 2020 for the office to start operating effective from May 2020.
- The Eastern Cape Province will be opened as soon as the level 4 lockdown is uplifted.
- The processes to purchase SACE's own offices in all these five provinces is in progress.

11.4. Operational Risk and Mitigations:

SACE noted the following in respect of operational risk and mitigations:

- Risk: Delay in opening the two planned provincial offices in the Eastern Cape and Western Cape.
  - Mitigation: Do viable preparatory work until movement is viable
- Risk: IT infrastructure not adequate to aid the full mandatory functions.
  - Mitigation: Increase the capacity of the infrastructure and outsourcing of some services when necessary.
- Risk: Delay in adjudication of bids.
  - Mitigation: Obtaining approval of extension of current contracts where necessary as well as postponement of conclusion date of the bids through the same advertisement channel of the bids.
- Risk: Increased consultation services owing to COVID-19.

- Mitigation: Budget to be adjusted accordingly (virement) and no material effect on the total revenue of council.

- Risk: Unplanned surplus on some line items.

  - Mitigation: Council to consider budget adjustment to balance the effect of change of business operation during May sessions and possible contribution to COVID-19 Solidarity Fund will also be part of budget adjustment.

12. Committee Observations and Deliberations

- Members queried whether SACE anticipates any budget cuts and whether is prepared for the adjustments. Further to this, Members queried the move by SACE to launch provincial offices with the looming budget cuts – as these offices might not have a full staff compliment due to budget cuts.
- It has been noted that SACE was looking to contribute to the Solidarity Fund and Members queried whether this contribution would be from their member's contribution or whether government funding would be utilised. Members further queried the amount that will be contributed.
- Members queried how accessible SACE was in the country and whether there were SACE offices in all nine provinces. Further to this, Members queried the ease with which educators were able to make applications and submit certificates to SACE.
- In respect of SACE research, Members queried how accessible such research was for the public – and the underlying factors from research in respect of ethics and standards.
- Members also queried how educators, found guilty of an offence and sanctioned are monitored. Members noted that such educators found ways of exiting the system but returning as they move between provinces. Members were also of the view that there should be better collaboration between SACE, DBE and the ELRC to address this. Educators seemed to ignore any sanction and there seem to be a legislative loophole in the system living learners vulnerable. Members queried whether such legislative loopholes, if identified, should be closed through the Children's Act.
- Members queried the impact of COVID-19 on the work of SACE, particularly in respect of disciplinary hearings.
- Members noted that there is a move to On-Line learning and queried the readiness of SACE to ensure that educators do occupy such space. Members queried whether SACE had done any research into the ICT needs of educators during the COVID-19 Lockdown.
- Members also sought clarity on the reasons for members contravening the ethical standards and how SACE is addressing such.

- Members also sought clarity on the reasons for cases not being finalised and closed and how SACE is addressing case backlogs.
- Members queried the minimum qualification to register with SACE.
- Members queried how SACE is using their data on registered educators in the system to gauge supply and demand in the system.
- In respect of ECD practitioners, Members queried how these practitioners that are/will be migrating from Social Development are integrated and registered with SACE. In what way does SACE assist those practitioners who does not meet the minimum requirements for registration.
- Members further queried whether registration with SACE was permanent or was lost when educators left the system.
- Members noted that certain sections of the Child Protection Register were not accessible and Members queried what steps are taken by SACE to gain such access. Further, Members sought clarity on provisions for therapist and psychologists also undergoing similar vetting against the Child Protection Register.
- Members noted that the Education Labour Relations Council (ELRC) offered a 1-stop-shop system in respect of dealing with disciplinary matters and Members queried whether SACE is considering a similar approach or possible collaboration with ELRC in this regard.
- Members queried whether SACE, as an entity of the Department, could legally purchase its own property.
- In respect of the Operational Budget, Members raised concern with the huge amounts for some of the line items for operational expenditures and sought clarity on the following:
  - Leasehold improvements – an amount of R 500 000.00 has been budgeted for this but was this not the responsibility of the building owners;
  - An explanation on the amount of R3 800 000.00 set aside for Depreciation;
  - Travel and Accommodation at R2 230 000.00 a detailed explanation and breakdown of this expense;
  - Rates, Water and Electricity at R 3 450 000.00 a detailed breakdown of this amount with an indication of which building/s this was for;
  - Salaries amount of R 62 704 000.00 projected the bulk of the budget was for salaries. The Committees need a full organogram of SACE with the salary structure and breakdown;
  - Telephone budget of R 800 000.00, the amount was exceedingly high. SACE was advised to give a detailed breakdown for this cost item;
  - Distribution, Publicity and Communication amount at R 1 500 000.00.

- Members asked at what content informed the publicity and who were the identified stakeholders who received distribution of publicity and communication. SACE needed to provide samples of the distribution strategy;
- Members also queried the type of support and empowerment from SACE for educators during the lockdown period.

12.1. Responses from SACE

Ms Mokgalane provided the following responses:

- SACE had done the necessary risk analysis of the 2020/21 Annual Performance Plan and there would be areas of adjustment within the framework of the current budget.
- Educators are all registered with SACE and may be marked as inactive if not currently in the teaching profession. SACE had the necessary systems in place to assist educators who wished to return to the system by way of the necessary screening and admission requirements.
- SACE is working in collaboration with the Department to ensure access to information in certain sections of the Child Protection Register and streamline their processes with protocols.
- SACE acknowledged the work done by the ELRC and is engaging the ELRC and the Department in respect of the 1-stop-shop system approach. However, SACE operated under its own regulations and mandatory obligations. SACE is not privy to the finalised model utilised by the ELRC.
- The SACE Act dealt primarily with Grade R – Grade 12 educators and this included ECD practitioners in the system. SACE established a special task team to handle matter pertaining to ECD practitioners' migration and articulation processes. Collaboration between SACE, DBE and SAQA is important in this regard.
- SACE is unable to control some of the factors leading to cases not being completed on time. Parents were found to be receiving favours/money/benefits from would-be perpetrators of offences against learners - and encouraging its continuation. SACE is of the view that such parents be reported to the authorities.
- In respect of disciplinary hearings, SACE had to suspend these due to COVID-19 lockdown restrictions. Further to this, parents have been refusing their learners participation as witnesses in such hearings during the lockdown period.
- SACE has put in place the necessary mechanisms in place to ensure accessibility to the SACE systems for submitting documents or applications.
- Regarding Independent Schools, it is Umalusi who accredit these schools within the system. SACE has an MOU with Umalusi to monitor educators and educator accreditation.

- With the monitoring of sanctions, SACE submitted a detailed list of all educators struck off the system. DBE, in turn, checked these against their PERSAL to ensure that they are no longer active in the system. Where the implementation of sanctions are ignored there need to be a review and investigation.
- SACE requested that Independent Schools first checked with SACE before employing educators. It is knowledgable that where SACE could not enforce sanctions, it is a wasteful exercise and a waste of resources.
- The minimum qualification for registration is a Matric plus 4-year tertiary, however the CEO also alluded to cases where there are matured educators above (40-50 years) who did not have Matric plus 4 when they entered the system.
- SACE ensured that data-management is utilised effectively to inform the system as a whole
- Presently the Eastern Cape SACE Office is ready for occupation and could have been launched if was not for the COVID- 19 lockdown regulations. Staff will be appointed to the office as soon as it is opened.
- SACE is not involved in providing actual training and development of educators but identified where there is a need for empowerment through diagnostic reports and evaluation. Training and development is the responsibility of the Department.
- The CFO mentioned that the budget for travelling covers all flights and ground travel for Council and Exco meetings. There will be budget cuts and adjustments to certain line items e.g. Salaries, Travel and Office Operations. Funds for possible donations will be sourced from membership contributions and no government funds will be utilised for this purpose.
- The Council will discuss and assess measures used to conduct the business of SACE going forward. The Council will also review and reconsider the viability of provincial offices. In respect of certain line items, the CFO indicated the following:
  - Communication Budget – SACE used a centralised budget for communication throughout the entire country**.**
  - Salaries – The figure covered the national office as well as five provincial offices. This is one of the line items that will be adjusted. SACE will furnish the Committees with the current organogram.
  - Building Improvement – SACE needs to have offices cleaned and refurbished once they occupied a certain building and building are not always conducive.
  - Electricity, Water and Rates – The funds are allocated for the SACE building being rented in Centurion.
  - Depreciation – The amount seems high but did not actually affect the budget of SACE directly as many remained as assets on the books of SACE.

- Telephone – SACE has one switchboard for all communication and the switchboard manages the call centre. The telephone budget also includes data usage and cellphones connectivity.

12.1.1. Committee Resolution

The Committees resolved that SACE should submit the following to the Secretariat:

- A detailed report on the Operational Budget (per line item)
- SACE Organogram
- A sample of the SACE distribution strategy
- Operational plan for the new SACE building
- SACE Research information

13. The Council for Quality Assurance in General and Further Education and Training (Umalusi)

Dr Rakometsi, in his opening remarks alluded to the background, legislative mandate and role of Umalusi. The mandate of Umalusi could be summarised as follows:

- Develop and manage a sub-framework of qualifications in collaboration with SAQA and the other two Quality Councils (QCs) supported by the necessary quality assurance policies and processes;
- Develop and implement the necessary quality assurance policies in respect of quality assurance of provision;
- Maintain a database of learner achievements and related matters; and submit such data in a format determined in consultation with the SAQA for recording on the national learners' records database;
- Commission and publish research related to the development and implementation of the sub-framework of qualifications; and
- Formalisation of relationships which include:
  - advice to the relevant Minister on matters relating to the GFET sub-framework of qualifications;
  - collaboration with the SAQA and other QCs in terms of the NQF; and
  - Advocacy of the sub-framework and its qualifications.

13.1. Strategic Plan

In respect of the situational analysis, Dr Rakometsi gave a broad overview of the Council's strengths, weaknesses, opportunities and threats. The Committee also received a detailed list of the stakeholders with whom Umalusi dealt with. Umalusi Strategic Priorities covered the following:

- Reviewing the quality assurance of assessment approach so as to accommodate new qualifications;

- Evaluating and appraising new qualifications – e.g. GEC;
- Amending the founding Acts to accommodate new qualifications and desired extensions in the mandate of quality assurance;
- Intensifying research on educational developments to innovate and advise the Ministers of Education;
- Intensifying advocacy on qualifications within the sub-framework; and
- Seeking for an alternative funding model to increase revenue.

In respect of the Umalusi outcome targets and risks, the Committee were presented with the following:

- **Outcome**:
  - Efficient and effective administrative systems (Improved audit outcomes)
  - The 5-year target was for an unqualified audit opinion with no material findings.

- **Risk**:
  - Unreliable MIS Data;
  - High Staff turnover rate; and
  - Lack of alternate funding model

- Outcome: Enhanced educational standards (Percentage compliance to prescribed requirements to deliver and assess qualification on the GFETQSF)
  - The 5-year target was set at 95 percent.

- Risk:- Limited budget to carry our adhoc activities;
  - Reliance on independent contractors for execution and reporting on processes may compromise the confidentiality of organisational information;
  - Non-availability of independent contractors to perform the duties when needed;
  - Institutions offering qualifications without being accredited; and
  - Examination irregularities.

13.2. Annual Performance Plan

13.2.1. Programme 1: Administration

The purpose of the programme is to provide strategic leadership, management and administrative services to the organisation. Sub-programmes include:

- Strategy and Governance (S&G);

- Public Relations and Communications (PR&COMS);
- Information and Communication Technology (ICT);
- Human Capital Management (HCM); and
- Finance and Supply Chain Management (F&SCM).

For this financial year, Programme 1 has the following targets:

- **Number of advocacy exhibitions conducted –** The target is set at 12 advocacy exhibitions;
- **ICT Network health score maintained at ≥95 percent -** The annual target is at ≥95 percent;
- **Vacancy rate maintained at ≤ percent -** The annual target is set at ≤10 percent; and
- **Percentage of valid invoices of creditors and suppliers paid within 30 days –** The target is set at 100 percent of valid invoices paid.

13.2.2. Programme 2: Qualifications and Research

The purpose of the programme is to develop and manage an efficient and effective GFETQSF within the NQF and to undertake strategic research in support of that goal. Sub-Programmes included the following:

- Qualifications, Curriculum and Certification (QCC); and
- Statistical Information and Research (SIR).

For 2020/21, programme 2 has the following 2 targets:

- **Number of reports produced on the management of qualifications in the sub-framework –** The target is set at one report produced;
- **Percentage of error-free learner records for which a certificate is printed –** The target is set at 100 percent error-free records;
- **Percentage of verification requests received and completed in terms of the service level agreement: two working days –** The target is set at 96 percent of verification requests; and
- **Number of research reports completed in various formats –** The target is set at five research reports.

13.2.3. Programme 3: Quality Assurance and Monitoring

The purpose of the programme is to ensure that the providers of education and training have the capacity to deliver and assess qualifications registered on the GFETQSF and are doing so to the expected standards and quality. Sub-Programmes include the following:

- Quality Assurance of Assessment: School Qualifications;
- Quality Assurance of Assessment: Post-School Qualifications; and

- Evaluation and Accreditation.

Programme 3 has the following targets:

- **Number of quality assurance of assessment reports published for qualifications registered on the GFETQSF –** The annual target is set at 10 assessment reports;
- **Percentage of question papers approved per qualification –** The target is set at 100 percent of question papers approved;
- **Number of assessment bodies audited for their state of readiness to conduct examinations –** The annual target is set at 13 assessment bodies audited;
- **Number of subjects for which verification of marking is conducted-** The target is set at 84 subjects;
- **Number of subjects for which moderation of internal assessment is conducted –** The annual target is set at 125 subjects**;**
- **Percentage of accreditation outcomes for private education institutions finalised within 12 months of the site visit –** The target is set at 82 percent of accreditation outcomes; and
- **Percentage of identified private education institutions monitored after being granted accreditation –** The target is set at 92 percent of identified institutions.

13.3. The Impact of COVID-19 on the 2020/21 Annual Performance Plan

An analysis of the approved APP has been done in relation to the COVID-19 restrictions and out of 15 indicators; eight indicators have been affected (53 percent). Management has revised the affected indicators and targets for the year. Quarter 1 and Quarter 2 targets will be the most affected as the implementation-taking place before the revision of the APP**.** The Council is awaiting the DPME guidelines on the review of the APP and it is re-tabling.

13.4. Budget Presentation (2020/21 – 2022/23)

As per government regulations, the Council has budget cuts as part of the general savings process of the Budget. Over MTEF, budget cut of 2.0 percent has been implemented in December 2019 with R7,07 million as the baseline allocation less from the Department. The Council`s budget allocation increased by 3.3 percent in 2020/21. With an increase in the number of question papers, new qualifications and curricula, the Umalusi budget is under great pressure.

The revenue of Umalusi is tabulated below and shows an increase by 2.83 per cent in 2020/21. 4.88 per cent in 2021/22 and 4.54 per cent in 2022/23 financial years. More so, Table 13 also shows that the government allocation to Umalusi has increased by 3.3 per cent in 2020/21 and is expected to increase by 5.5 per cent and 4.54 per cent in 2021/22 respectively.

Table 13: Revenue:

R'000	2019/20	2020/21	2021/22	2022/23
Government funds – DBE	R134 634	R139 172	R146 826	R154 158
Accreditation fees	R11 375	R6 945	R7 321	R7 715
Certification fees	R5 926	R5 383	R5 706	R6 049
Verification services	R10 661	R11 192	R11 472	R11 759
Other Income	R8 185	R12 928	R12 874	R12 881
Total Revenue	R170 782	R175 620	R184 199	R192 562
Percentage Increase Total		2,83%	4,88%	4,54%
Revenue Percentage Increase Government Allocation		3,37%	5,50%	4,99%

Table 14: Operational expenditure:

OPERATIONAL & CAPITAL EXPENDITURE	2019/20	2020/21	2021/22	2022/23
Compensation of employees	R81 438	R84 985	R89 234	R93 696
Goods and services	R105 035	R104 350	R106 312	R110 929
Capital expenditure:	R3 500	R1 000	R1 500	R1 327
Total Expenditure	R189 973	R190 335	R197 046	R205 952
Compensation to Employees Increase		4,355%	5,000%	5,000%
Total Expenditure Percentage Increase		0,19%	3,53%	4,52%

Umalusi has Surplus Funds, already approved by the National Treasury and the Department for the Council to retain surpluses for the following projects:

- Renovations of purchased building;
- Contingency expenditure;
- Enterprise Content Management system; and
- The balance of the surplus funds is utilised to balance the budget shortfall.

The Councils operational budget and the revenue is expected to change due to unprecedented impact as the result of COVID-19. The changes are tabulated in the following tables below.

Table 15: Estimated Changes: COVID-19

Revenue R000	**2020/21 Approved Budget**	**Estimated Savings (changes)**	**Restated Budget Estimate**
Entity revenue	51 163	(6 732)	44 431
Sale of goods and services	23 520	(6 048)	17 472
Certification	5 383	(2153)	3 230
Verification of certificates	11 192	(3 895)	7 297
Accreditation of Providers	6 945		6 945
Entity revenue other than sales	27 643	(684)	26 959
Interest	4 000		4 000
Unsecured funding- Reserve funds	14 715		14 715
Other income: Rental and Sundry Income	8 928	(684)	8 244
Transfers received: Basic Education Grant	139 172		139 172
Total revenue	**190 335**	**(6 732)**	**183 603**

Table 16: Estimated Expenditure Summary

EXPENDITURE Summary R000	**2020/21 Approved Budget**	**Expenditure Summary Estimated (savings)/changes**	**2020/21 Restated Budget Estimate**
Compensation of employees	84 985		84 985
Goods and services	104 350	(8 233)	96 117
Administration Expenses	13 199		13 199
Board costs	323	(54)	269
Catering: internal activities	272	(136)	136
Communication	4 554	1 139	5 693
Computer services	10 030	(1 000)	9 030
Consultants	7 406		7 406
Travel and subsistence	24 030	(3 605)	20 426
Venues and facilities	4 565	(913)	3 652
Honorarium:	39 971	(5 996)	33 975
Personal Protection Equipment		2 332	2 332
Capital Expenditure: Non fixed assets	1 000	1 500	2 500
Total Expenditure	**190 335**	**(6 733)**	**183 602**
Net Budget (shortfall surplus)	**-**	**0**	**0**

13.5. Litigations

Umalusi has the following legal cases that has not yet been resolved:

- **Umalusi vs Kabini Joint Venture (JV) –** the case related to the renovations of the new building in 2018/19. Umalusi issued summons against the JV for repayment of funds, as the JV was illegal (R10m). All parties agreed to refer the case to Arbitration and the Arbitration agreement has been signed with an appointed Arbitrator.
- **Umalusi vs Independent Examinations Board (IEB)** - Umalusi issued summons against IEB for non-payment of assessment fees (R 2.9 m). The IEB issued action to review charging of these fees and amounts. Parties agreed to combine cases with one judge and the case are set to be heard in July 2020.

13.6. Conclusion

The Council`s Senior and Executive Managers have signed a pledge with the Chief Executive Officer (CEO) to obtain a clean audit. The achievement of APP targets is part of the SMS members' Performance Agreements. Performance outputs are verified on a quarterly basis by an internal committee (PIVC) and monitored at quarterly review meetings, and reported to oversight structures (Audit and Risk Committee, Executive Committee of Council and Council). Executive Management will monitor the implementation of the APP and delivery of service and the utilization of the budget within the constraints of the COVID-19 pandemic and report to the Umalusi Council accordingly during the year.

13.7. Committee Observations and Deliberations

- Members queried how Umalusi would cope with the extension of the current syllabus as well as the proper assessment and examinations during the COVID-19 period. Members queried how learners will be assessed. Members cautioned that the quality assessment of certificates should not be compromised in any way.
- Members also queried how COVID-19 has affected the budget and work of the Council. Members noted the outcry from Umalusi for increased funding as the current budget was not sufficient. With a reduced budget, Members queried how this would affect the targets and indicators as per the APP – and how the budget would be reprioritised and adjustments made.
- Members also noted the high staff turnover as well as the current position of an Acting CFO. Members queried why these vital posts where never permanently filled and when does Umalusi plans to have those posts filled. Umalusi has indicated that staff left for better opportunities and Members queried the

steps taken by Umalusi to make their positions more attractive to staff and retain staff. Members queried whether Umalusi had done any research on reasons for staff leaving the organisation.

- Members queried the amount of vacancies currently in the organisation and whether these vacancies will be filled as this may lead to further workload on existing staff.
- Members also queried whether Umalusi was foreseeing even more staff losses due to possible budget cuts. In view of shortage of professional staff, Members also asked whether Umalusi has considered the possibility of recruiting unemployed educators.
- In respect of remarking of scripts, Members noted that the turnaround time for remarking was too long and queried how Umalusi was looking to address this matter.
- On certification, it has been noted that Umalusi had a drop in providing certification and queried how Umalusi would ensure that certification and verifications is sped up.
- Regarding the General Education Certificate, Members queried whether Umalusi had done the necessary quality assurance of the Certificate and whether the Certificate had been registered. Members also queried whether consideration has thought of to ensure all learners receive a certificate, irrespective of the fact that they chose to exit the schooling system or not.
- Members further queried Umalusi’s progress in respect of the quality assessment of the ECD programme migrating from Social Development to Basic Education.
- It has been highlighted that the examinations might be shifted and combined. Members queried whether Umalusi had the necessary capacity and resources to manage such a larger examination.
- Members noted the consideration of the NSC for Adults programme and queried the role played by Umalusi in adult education.
- On the appointment of markers, Members queried Umalusi’s position on compulsory competency test for markers – and the practicability of such competency tests.
- Members noted that there has been a loss of almost two months of schooling. However, it`s assumed that Umalusi had already set its question papers for examinations. Members queried the reconciliation of set question papers and current incomplete syllabus.
- Members noted that in the past, there was a move to lessen the subject offerings but it has been notable that there are moves to add more subject offerings now. Members queried how Umalusi will be responding to this.
- Regarding the legal dispute with the Joint Venture (JV), Members queried when the case would be concluded how much would have costed and whether Umalusi would be able to recoup monies from the JV.

13.7.1. Responses from Umalusi and DBE

13.7.1.1. Responses from Umalusi

- In respect of the impact of budget cuts on the work of Umalusi, It has been indicated that Umalusi is awaiting the final determinations regarding the possible cuts. Umalusi has regular engagements with its Board to ensure that functions are not compromised in any way. There were areas where Umalusi had made savings but there were also areas where Umalusi had to spend money not budgeted for. Currently, there is no indication of what the amount would be for the budget cuts and Umalusi is looking to reprioritise its work in collaboration with National Treasury.
- An explanation has been given for the loss of the permanent Chief Finance Officer due to Umalusi not being competitive in respect of remuneration packages. Umalusi is in the process of filling the vacant CFO position a matter of urgency. Umalusi is devising means to improve on its structures to ensure staff is retained in the organisation. Umalusi is losing staff to other Departments based on the caliber of personnel staff that is well-trained professionals and highly sort-after. Umalusi staff is attractive to other Departments due to the highly competitive remuneration packages they are offered and the reduced workload in these Departments. Umalusi staff workload is high with an underfunded budget to remunerate them. For Umalusi this is not sustainable and the Council is losing highly skilled staff and institutional memory. Vacancies at Umalusi remains a running target for instance currently there are six vacancies as reported. Even though Umalusi is experiencing financial constraints, and work is constrained by diminishing budget, the CEO emphasized that Quality Assurance cannot be compromised
- Umalusi continued to monitor the COVID-19 situation and has contingency plans though the situation remains largely fluid at this stage. Umalusi continued to engage and consult the Department on COVID-19.
- Umalusi resumed with the quality assurance and assessment with respect to new qualifications and the report will be submitted to the Council in respect of the registration of the new General Education Certificate qualification. Umalusi would consider the advice from Members on the issuing of such a certificate.
- Regardless of the budget cuts, Umalusi will not compromise on the quality assurance. Umalusi has requested that they be allowed to re-open some functions moving forward. Umalusi did not agree that the NSC curriculum needed to be reduced as this would have the effect of stigmatisation of the current Grade 12 cohort. Umalusi believes that there are alternate mechanisms to ensure these learners could be assisted to ensure that quality assurance is not compromised. Further, Umalusi is of the view that question papers are already set, and would need not be reviewed.

- With the possible merging of examinations, Umalusi would need to increase its capacity in respect of monitors and verifiers to ensure adequate quality assessment assurance.
- Umalusi maintained that insufficient budget remains a challenge that need to be addressed else, they would not be sustainable going forward. Umalusi also pleaded with the Department to consider an increase in the Umalusi budget and is currently in consultation on improving its funding model. Umalusi will revise its APP and Strategic Plan targets and indicators after consultation with the Department and National Treasury.
- On the appointment of markers, Umalusi indicated that markers are appointed strictly by way of the necessary policies.
- Regarding the additional subjects, Umalusi is of the view that, the countries strategic direction, developmental opportunities and the economic climate requires new sets if skills and hence introduction of additional subjects for relevance.
- Regarding the legal case with the Joint Venture (JV), Umalusi gave some background to the case and indicated that they are pursuing the arbitration route to resolve the matter speedily. Umalusi will continue to pursue the retrieval of public funds. Legal cases are very formal and there is no guarantee that monies could be recouped.
- Umalusi agreed that some subjects needed to be prioritised but also cautioned that there be a balance with other subjects.

13.7.1.2. Responses from DBE

- The Department has continuous engagements with Umalusi on the review of the Umalusi budget. National Treasury directed the Department in respect of their contribution to the frontline departments. It may therefore be difficult to allocate more money to Umalusi. The Department continued to assist and guide Umalusi with realignment and reprioritisation of their budget.
- The Department is also looking at means to ensure that there is a reduced turnaround time for marking of scripts and marking outcomes. However, the Department agreed that there might have been some challenges with the remarking of selected subjects. The Department has already calculated the number of school days lost and is looking at mitigating these with reduced holidays and extended terms. The Department is also looking at clustering of certain topics in the Curriculum. Furthermore, the Department has engagements with the Department of Higher Education and Training on their academic year.

- The Department agreed that the combined examination could be challenging but there is no alternative to this. The Department is currently working on a detailed plan for examinations in respect of writing space and learner accommodation.
- The Department acknowledged the possible shortage of markers but indicated that this will be addressed by increasing the marking duration and not compromise the marking standards. The Department is of the view that, although there is a competency test for markers, in a certain province, this is not the only measure of quality assurance. There are other measures in place too.

14. Committee Recommendations:

The Select Committee on Education and Technology, Sports, Arts and Culture, having considered Budget

Vote 16: Basic Education, together with the Annual Performance Plan of the Department of Basic Education recommends that the Minister of Basic Education ensure the following:

14.1. Department of Basic Education (DBE)

- The Department kept the Committee updated on the eminent budget adjustments, reprioritization and adjustment of targets and indicators. The Committee will allow the Department to present the adjusted budget once approved and tabled.
- The Department ensure assistance and support to Provincial Education Departments (PEDs) struggling with limited budgets, especially in respect of infrastructure allocations. Further to this, the Department ensure that the budget allocations to schools is adequately addressed issues of COVID-19 compliance in all its facets.
- The Department ensure that all qualified educators, including Funza Lushaka Graduates are assisted with placement.
- The Department ensure that programmes and plans are in place to assist schools listed as vandalised with refurbishment and renovations.
- The Department sought to prioritise ICT and connectivity to schools, especially rural schools. Further to this, the Department should ensure that schools have adequate and safe scholar transport as well as access to water and sanitation.
- The Department is urged to focus on the following crucial areas of work:
  - Financial support to schools (e.g. SGB appointed educators);
  - An adjusted budget for Robotics and Coding; and
  - Assistance for Grade 12 learners with applications for placement at tertiary institutions.

- The Department of Basic Education, in collaboration with the Department of Social Development should ensure that there is uniformity across all schools in respect of the implementation and rollout of the National School Nutrition Programme (NSNP) in collaboration with the Department of Social Development.
- The Department urgently Gazetted the timelines for the reopening of schools in the country to limit any uncertainties.

14.2. South African Council for Educators (SACE)

- The Department must ensure that the budget cuts to SACE does not negatively affect the functions of the Council e.g. disciplinary hearings.
- With the COVID-19 situation and budget cuts looming, the Department should review the opening of provincial offices in various provinces.
- The Department in collaboration with SACE and ELRC must ensure that the sanctioned educators are monitored so that they do not find the ways back to the system. If there are loopholes in the legislation, that should be addressed adequately to safeguard learners.
- SACE should ensure that there is proper research and assessment of the analysis of the ICT needs of educators during the COVID-19 lockdown period.
- Members also sought clarity on the cases that are not finalised and closed, reasons for the cases not being finalised and how SACE is addressing case backlogs.
- SACE must ensure that all qualifying educators and professionals are registered into the system and ECD practitioners are assisted with integration and registration as well.
- The Department should ensure that SACE has access to certain sections of the Child Protection Register currently not accessible.
- SACE should relook and review its operational budget for certain line items as follows:
  - Lease Improvements;
  - Depreciation;
  - Travel and Accommodation;
  - Rates, Water and Electricity;
  - Salaries;
  - Telephone; and
  - Distribution, Publicity and Communication.

14.3. Council for Quality Assurance in General and Further Education and Training (Umalusi)

- The Department should ensure that any budget cuts does not negatively affect the work of the Council and assist Umalusi with proper budget reprioritisation and adjustments.
- The Department should ensure that Umalusi revise its APP and Strategic Plan targets and indicators in collaboration with National Treasury.
- The Department should consider prioritising Umalusi for budget increase as well as ensuring that the Umalusi funding model is improved and restructured.
- Umalusi should ensure that all vacant positions, especially that of the CFO as a matter of urgency and consider improving its structures to ensure staff retainment in the organisation as staff losses is unsustainable.
- Umalusi must ensure that the improvement of the turnaround time for remarking of scripts.
- The Department, in conjunction with Umalusi, must ensure that the new General Education Certificate is adequately quality assured and registered.
- The Department and Umalusi should considerer giving these certificates to all learners, irrespective of the fact that they chose to exit the schooling system or not.
- Umalusi should ensure that it has the necessary capacity and resources to manage the combined examinations as foreseen.
- Umalusi should ensure that the legal case with the Joint Venture is finalised as a matter of urgency.

15. Conclusion

Having satisfied itself in its engagement with the Department of Basic Education and Statutory Bodies on their Annual Performance Plan and the Budget, and having noted following:

- The Department and Statutory Bodies presented their Strategic Plan and Annual Performance Plan which would need to be reworked, as it was drawn up prior to the outbreak of the COVID-19 pandemic. Funds would now have to be redirected in order to ensure that schools were Covid-19 compliant.
- The Strategic Plans, inclusive of the Annual Performance Plans, that were serving before the National Assembly in terms of the Money Bills Act and the PFMA pertain to the Appropriation Bill that was currently before the National Assembly and its committees.
- Revised plans should be submitted with the adjustments budget that will be tabled sometime this year because of the Covid-19 pandemic.

The Select Committee on Education and Technology, Sports, Arts and Culture recommends that the House approve the Budget Vote 16: Basic Education.

Report to be considered.

5. REPORT OF THE SELECT COMMITTEE ON EDUCATION, TECHNOLOGY, SPORTS, ARTS AND CULTURE ON CONSIDERATION OF THE BUDGET VOTE 17: HIGHER EDUCATION AND TRAINING, DATED 03 JUNE 2020

The Select Committee on Education, Technology, Sports, Arts and Culture (hereinafter referred to as the Committee), having considered the Strategic Plans 2020 – 2025 and Annual Performance Plans (APPs) 2020/21 and budgets of the Department of Higher Education and Training (hereinafter referred to as the Department) and the National Student Financial Aid Scheme (NSFAS), reports as follows:

1. INTRODUCTION AND MANDATE OF THE COMMITTEE, THE DEPARTMENT OF HIGHER EDUCATION AND TRAINING AND THE NATIONAL STUDENT FINANCIAL AID SCHEME

1.1. Purpose of the Budget Vote 17 Report

The purpose of this report is to account for work done by the Committee in considering the 2020 - 2025 Strategic Plans and 2020/21 Annual Performance Plans (APP) and budgets of the Department and the NSFAS in accordance with Section 27(1) of the Public Finance Management Act, 1999 (Act. No 29 of 1999), and as referred by the Chairperson of the National Council of Provinces (NCOP) to the Committee in terms of Rule 338 for consideration and reporting.

1.2. Mandate of Committee and the DHET

The mandate of Parliament is based on the provisions of the Constitution of the Republic of South Africa, 1996, establishing Parliament and setting out the functions it performs. Parliament's role and outcomes are to represent the people and ensure government by the people under the Constitution, as well as to represent the provinces and local government in the national sphere of government. The main functions of Parliament as outlined in the Constitution are:

- To pass legislation,

- To oversee executive action,
- Facilitation of public involvement, co-operative government and,
- International engagement.

The Department derives its mandate from section 29 of the Constitution of the Republic of South Africa and the following legislation: Higher Education Act, 1997 (Act No.101 of 1997), National Student Financial Scheme Act, 1999 (Act No. 56 of 1999), Continuing Education and Training Act, 2006 (Act No. 16 of 2006), National Qualifications Framework Act, 2008 (Act No. 67 of 2008), Skills Development Act, 1998 (Act No. 97 of 1998), Skills Development Levies Act, 1999 (Act No. 9 of 1999) and the General and Further Education and Training Quality Assurance Act, 2001 (Act No. 58 of 2001). The Committee oversees the implementation of the above mentioned legislation.

1.3. Method

The 2020 - 25 Strategic Plans and 2020/21 APPs and budgets of the Department and the NSFAS were considered against the background of key government policy documents, including, amongst others, the National Development Plan (NDP), the 2019 – 2024 Medium Term Strategic Framework (MTSF), and the 2020 State of the Nation Address (SONA). The Committee had joint briefing sessions with the Portfolio Committee on Higher Education, Science and Technology to consider the Strategic Plans and the APPs of the Department and the NSFAS on 11, 14 and 20 May 2020.

2. OVERVIEW OF THE KEY POLICY FOCUS AREAS RELEVANT FOR THE DEPARTMENT AND THE ENTITIES

2.1. Key government policies

2.1.1. The National Development Plan (NDP) Vision 2030

The NDP identifies the decent work, education and the capacity of the state as particularly important priorities. For the post-school education and training sector, the NDP envisages that by 2030, South Africans should have access to education and training of the highest quality. The education, training and innovation system should cater for different needs and produce highly skilled individuals; and graduates of the post-school system should have adequate skills and knowledge to meet the current and future needs of the economy and society.

2.1.2. The White Paper for Post-School Education and Training (WPPSET)

The White Paper articulates a vision for an integrated system of post-school education and training, with all institutions playing their role as parts of a coherent but differentiated system. The White Paper sets out strategies to expand the current provision of education and training in South Africa, to improve its quality, to integrate the various strands of the post-school system. There are interventions set in the White Paper for implementation by different sectors of the Post-School Education and Training. Flowing from the White Paper, the Department has developed a Draft National Plan for Higher Education, which will be an implementation plan with measurable targets for each sub-system of the sector. The main policy objectives are:

- A post-school system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa;
- A single, coordinated post-school education and training system, expanded access, improved quality and increased diversity of provision; and
- A post-school education and training that is responsive to the needs of individual citizens, employers in both public sectors, as well as broader societal and development objectives.

2.1.3. 2019 – 2024 Medium-Term Strategic Framework (MTSF)

In 2019, the new Administration has identified seven priorities derived from its electoral mandate and the 2019 State of the Nation Address (SONA) to focus its interventions for the 2019 – 2024 MTSF period. The 2019 – 2024 MTSF is a five-year strategic plan of government, and forms the second five-year implementation phase of the NDP. The post-school education and training sector contributes to Priority 2: Education, Skills and Health. This priority contributes to pillar 2 of the NDP pillars, which is Capabilities of South Africans.

In implementing Priority 2: Education, Skills and Health, Government has developed the new 2019 – 2024 MTSF. The Strategy has four Outcomes that are relevant to the Department of Higher Education and Training (DHET). These are:

- Expanded access to PSET opportunities;
- Improved success and efficiency in the PSET system;
- Improved quality of PSET provisioning; and
- A responsive PSET system.

2.1.4. 2020 State of the Nation Address (SONA)

The February 2020 State of the Nation Address (SONA) key focus is on inclusive growth and addresses critical priorities for the Higher Education and Training sector. These include, youth employment through appropriate skills development and capabilities, curriculum development, student accommodation and the establishment of two universities and nine Technical and Vocational Education and Training (TVET) colleges.

3. OVERVIEW AND ASSESSMENT OF THE DEPARTMENT’S STRATEGIC PLAN 2020 – 2025

The 2019 – 2025 MTSF, which is a five-year strategic plan of government forms the second five-year implementation phase of the NDP and it requires that government departments at all levels, and entities incorporate its policy priorities of the sixth Administration. The Department of Higher Education and Training’s Strategic Plan 2020 – 2025 is guided and aligned to the MTSF priorities. The Strategy identifies four outcomes for under Priority 2: Education, Skills and Health. The Department leads four of the 81 outcomes identified in the MTSF under Priority 2. The Department has incorporated most of the policy priorities under the following Outcomes:

- **Expanded access to PSET opportunities**, which aims to provide a diverse student population with access to a comprehensive and multifaceted range of PSET opportunities;
- **Improved success and efficiency in the PSET system** and aims to improve efficiency and success of the PSET system;
- **Improved quality of PSET provisioning** to build the capacity of PSET institutions to provide quality education and training.
- **A responsive PSET system** to provide qualifications programmes and curricula that are responsive to the needs of the world of work, society and students.
- **Excellent business operations within DHET** to ensure sound service delivery management and effective resource management within the department.

The Department and its entities will be required to implement different interventions over a five-year period to achieve the outcomes. Contributing to some of the interventions under

Priority 2: Education, Skills and Health is the Department of Science and Innovation and the National Research Foundation (NRF), the Department of Employment and Labour and Unemployment Insurance Fund and the Department of Agriculture, Land Reform and Rural Development through agricultural colleges.

3.1. Summary of Priority 2: Education, Skills and Health outcomes interventions

3. 1.1. Outcome 1: Expanded access to PSET opportunities

- Implementing enrolment plans for universities, Technical and Vocational and Training (TVET) and Community Education and Training (CET) colleges (2020-24);
- Ensuring eligible students receive funding through the National Student Financial Aid Scheme (NSFAS) bursaries (through guidelines, policy, legislative review, effective oversight of the NSFAS by DHET and improve management of the NSFAS);
- Implementing required agreements, financing systems, infrastructure frameworks and disability support to realise enrolment growth;
- SETAs identifying increased number of workplace-based opportunities and make information of work-based learning known to the public;
- Establishing centres of specialisation to support students with disabilities in TVET college; and
- Promoting the take up of artisanal trades as career choices among youth.

3.1.2. Improved success and efficiency of the PSET system

- Advocating the use of open access Learning and Teaching Support Materials (LTSM) in CET colleges; Implement capacity building programmes and interventions at universities;
- Increasing the number of TVET students attending foundation courses;
- Eradicating National Accredited Technical Education Diploma (NATED) and National Certificate Vocational NC(V) certification backlog;
- Implementing IT examination system for TVET Colleges; and
- Increasing the number of universities offering accredited TVET college lecturer qualifications.

3.1.3. Improved quality of PSET provisioning

- Increasing the number of universities offering accredited TVET college lecturer qualifications;
- Implementing the New Generation of Academics Programme (nGAP); and
- Developing standards of good governance in public TVET colleges, CETCs, Universities and SETAs.

3.1.4. A responsive PSET system

- Industry exposure for lecturers and students (especially in TVET colleges);
- Reviewing all TVET college curriculum to align with regional industry needs;
- Promoting entrepreneurship in TVET colleges through the establishment of hubs;
- Training young artisans through the centres of specialisation at TVET colleges;
- Introducing compulsory digital skills training specific to programme offerings at TVET colleges;
- CET college skills program piloted around community needs; and
- Supporting universities to implement student-focussed entrepreneurship programmes; Conduct IP awareness sessions (IP Wise) at TVET colleges (at least two per annum).

Though the Department has incorporated most of the policy priorities, the following performance outcome indicators and targets have not been reflected in the five-year strategic plan of the Department as well as the Annual Performance Plan.

- **Outcome 1: Expanded access to the PSET opportunities:**
    - NSFAS Policy in place for sustainable funding of students from poor background and from the ‘missing middle’ (guidelines, legislative review, effective oversight by DHET). The Department mentions it in the strategic plan as a focus area over the MTSF period. However, it is reflected as an output indicator and target; effective administration of NSFAS;
    - Service Level Agreement (SLA) between the DHET and SETAs to improve performance are met; number of learners registered for SETA-supported skills learnerships annually; and
    - Number of learners registered for SETA-supported internships annually.
- **Outcome 2: Improved success and efficiency of the PSET system:**

- Advocacy campaign on the use of Open Access Learning and Teaching Support Materials (LTSM) is undertaken.

- **Outcome 3: Improve quality of provisioning:**
  - Number of lecturers from Historically Disadvantaged Institutions (HDIs) and the target is to determine the target from analysing HDIs and Universities of Technology (UoTs) trend through the nGAP; and
  - Percentage of universities that have signed agreements with TVET to recognise their qualifications.
- **Outcome 4: A responsive PSET system:**
  - Number of protocols signed with industry to place TVET college students and lecturers for workplace experience.

4. 2020/21 MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) BUDGET

4.1. Overview and assessment of the 2020/21 Medium-Term Expenditure Framework (MTEF) Budget and the 2020/21 Annual Performance Plan (APP)

Table 1: Summary of the overall Budget Allocation and Expenditure Estimates: 2020/21 MTEF

Programme	**Budget**				**Nominal Rand change**	**Real Rand change**	**Nominal % change**	**Real % change**
R million	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2019/20-2020/21**		**2019/20-2020/21**	
Administration	412.2	491.2	525.7	552.2	79.0	58.3	19.17 %	14.14 %
Planning, Policy and Strategy	180.7	214.5	227.5	239.2	33.8	24.8	18.71 %	13.70 %
Programme 3: University Education	73 365.0	80 083.4	84 332.6	88 167.9	6 718.4	3 343.2	9.16 %	4.56 %
Technical and Vocational Education and Training	12 630.9	13 813.6	14 644.0	15 278.7	1 182.7	600.5	9.36 %	4.75 %
Skills Development	280.9	318.5	336.6	354.8	37.6	24.2	13.39 %	8.61 %
Community Education and Training	2 143.8	2 522.9	2 686.7	2 780.5	379.1	272.8	17.68 %	12.72 %
Subtotal	**89 013.6**	**97 444.0**	**102 753.0**	**107373.4**	**8 430.6**	**4 323.8**	**9.5 %**	**4.86 %**
Direct Charges against National Revenue	18 576.3	19 412.9	20 585.0	21 969.8	836.6	18.4	4.50 %	0.10 %

TOTAL	**107 589.8**	**116 857.0**	**123 338.1**	**129 343.1**	**9 267.2**	**4 342.2**	**8.61 %**	**4.04 %**

Over the MTEF period, the Department of Higher Education and Training's budget amounts to R369.5 billion including direct charges. For the 2020/21 financial year, government allocated an amount of R116.85 billion to the Department of Higher Education and Training. This represents, when factoring inflation, an increase of 4.04% from the 2019/20 adjusted appropriation amounting to R107.58 billion. Government expenditure on post-school education and training for 2020/21 represents a 2.15% as a share of the Gross Domestic Product (GDP). This expenditure as a share of GDP is projected to decrease marginally in the two outer years of the MTEF period to 2.14% and 2.11%, respectively. For the current financial year, Government expenditure on the PSET sector represents 15.42% as a share of the total national expenditure and 29.90% of the total education spending.

The budget is made up of R97.44 billion from voted funds (Department's programme budget) and R19.41 billion from Direct Charges against the National Revenue Fund, for the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF). Allocations from voted funds and Direct Charges against the National Revenue Fund have increased from the previous financial year by 4.86% and 0.10% when adjusted for inflation. The Department's programme budget excluding Direct Charges, represents 83.39% of the total budget. The Department's total budget, including Direct Charges is projected to grow in the two outer years of the MTEF period by an average growth rate of 6.3%, from R107.58 billion in 2019/20 to R129.34 billion in 2022/23.

Spending on transfers and subsidies constitutes 90.58% (R105.85 billion) of the R116.85 billion budget of the Department. The bulk of the allocation for transfers and subsidies, R86.43 billion (73.96%) is apportioned for Departmental Agencies and accounts, higher education institutions, foreign governments and international organisations, non-profit organisations (TVET and CET colleges). The second largest allocation of R19.41 billion in the transfers and subsidies goes to the SETAs and the NSF. The allocation for transfers and subsidies is projected to grow at an average growth rate of 6.3% from R97.46 billion in 2019/20 to R117.12 billion in 2022/23. An allocation of R10.98 billion, which represents 9.40% of spending on current payments constitutes the second highest expenditure of the Department's budget. Payments for capital assets amounts to R16.3 million and it is also projected to decrease in the two outer years of the MTEF period to R13.5 million and R13.2 million, respectively.

The Cabinet has approved budget reductions amounting to R4.5 billion over the MTEF period to be effected mainly on transfers and subsidies in the University Education programme and the TVET programme; a technical inflation adjustment amounting to R62.2 million in 2020/21 and R66.2 million in 2021/22 on the compensation of employees across programmes. An additional adjustment of R60.1 million on the compensation of employees and goods and services is effected as a result of the consolidation of the offices of the Ministers and Deputy Ministers of the Department of Higher Education and Training and the Department of Science and Innovation through the 2019 national macro organisation of government.

The Department's budget, excluding Direct Charges funds its six programmes, namely:

- Programme 1: Administration;
- Programme 2: Planning, Policy and Strategy;
- Programme 3: University Education;
- Programme 4: TVET;
- Programme 5: Skills Development; and
- Programme 6: CET.

4.2. Overview and assessment of the 2020/21 MTEF budget allocation per programme and the 2020/21 performance targets

4.2.1. Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The Programme's sub-programmes have been reduced from six to five, namely: Department Management, Corporate Services, Office of the Chief Financial Officer, Internal Audit and Office Accommodation. Sub-programme: Ministry has been discontinued due to the consolidation of the offices of the Ministers and Deputy Ministers of the Department of Higher Education and Training and the Department of Science and Innovation through the 2019 national macro organisation of government.

4.2.1.1. Overview and assessment of the 2020/21 MTEF budget allocation

Over the MTEF period, the programme has a total budget of R1.569 billion. For the 2020/21 financial year, the budget amounts to R491.2 million, which represents 0.50% of the Department's total voted funds. The programme's 2020/21 budget increases by R79 million from R412.2 million in 2019/20. This represents, when considering inflation, an increase of 14.19 %.

Sub-programme 2: Corporate Services, continues to receive the bulk, 50.21% (R246.7 million) of the programme's total allocation, followed by sub-programme 3: Office of the Chief Financial Officer at 23.30% (R124.3 million). The two sub-programmes received the bulk of the budget increase at 15.15 % and 28.71%, respectively. In terms of economic classification, R487.6 million is for current payments, of which R298.9 million is for compensation of employees and R188.6 million for goods and services. The bulk of the budget on goods and services allocation, R61.3 million is allocated for operating leases, followed by R43.8 million for computer services and R16.7 million on property payments.

4.2.1.2. Overview and assessment of the 2020/21 performance targets

The programme is responsible for one of the five DHET MTSF outcomes, 5: Excellent business operations within the DHET. For the 2020/21 financial year, the programme has seven output indicators and seven predetermined targets. The programme will focus on implementing sound human resource management practices, including staffing, human resource development, performance management, labour relations and human resource administrative systems. The Branch will, amongst others, ensure development of demand and procurement for 2021/22 is approved by the Director-General; work towards achieving an unqualified audit opinion; resolving 100% of disciplinary cases and ensuring 98% network connectivity uptime and conclude 100% of investigations on irregular, fruitless and wasteful expenditure.

4.2.2. Programme 2: Planning, Policy and Strategy

The programme aims to provide strategic direction in the development, implementation and monitoring of departmental policies and in the human resource development strategy for South Africa. The Programme retained its six budget sub-programmes, namely; Programme

Management: Planning, Policy and Strategy; Human Resource Development Council of South Africa; Policy, Planning, Monitoring and Evaluation; International Relations; Legal and Legislative Services and Social Inclusion and Quality.

4.2.2.1. Overview and assessment of the 2020/21 MTEF budget allocation

The programme's budget over the MTEF amounts to R681.3 million. For the 2020/21 financial year, the programme has a total budget of R214.5 million, which increased, when adjusted for inflation, by 13.65% from previous financial year. The programme's budget constitutes 0.22% of the Department's total voted funds. The significant increase in the budget is due to the shifting of the budget of the South African Qualifications Authority (SAQA) from programme 3: University Education to this programme. Spending on sub-programme 6: Social Inclusion and Quality constitutes 61.99% (R132.9 million) of the programme's total budget. The sub-programme aims to promote access to higher education and participation by all learners in training programmes, manages the development, evaluation and maintenance of policy, programmes and systems for learners with special needs; and monitors the implementation of these policies. The budget allocation is projected to grow to R227.5 million and R239.2 million in 2021/22 and 2022/23, respectively.

An amount of R116.1 million is apportioned for current payments, of which R101.9 million is for compensation of employees and R14.1 million is for goods and services. The bulk of the budget on goods and services allocation, R10.2 million is equally spent on two line items, legal services and travel and subsistence. An amount of R97.7 million is apportioned for transfers and subsidies, of which R73.7 million is to the SAQA, R19.8 million to Universities South Africa and R4.1 million to foreign governments and international organisations (India-Brazil-South Africa Trilateral Commission and Commonwealth of Learning).

4.2.2.3. Overview and assessment of the 2020/21 performance targets

The programme contributes to the interventions to achieve four of the five MTSF outcomes of the DHET, namely: Expanded access to PSET opportunities; improved success and efficiency of the PSET system; improved quality of PSET provisioning and a responsive PSET system.

During the 2020/21 financial year, the programme has 10 output indicators and 11 predetermined targets. In contributing to expanding access to PSET opportunities, the programme will, amongst others, ensure availability of two courses or subjects on the NOLSs by 31 March 2021; get the Strategy for expanding online learning in PSET approved; review the Recognition of Prior Learning (RPL) coordination Policy and report on the recommendations and proposed amendments by 31 March 2021; and develop a model for programme articulation of TVET college programmes into university programmes by 31 March 2021.

In improving the success and efficiency of the PSET system, two reports on Statistics in the PSET and PSET monitoring will be published. The National Qualifications Framework (NQF) Amendment Bill will be approved by the Minister for public comments by 31 March 2021. This is to support improved quality of PSET provisioning. In contributing to the responsiveness of the PSET system, the programme will produce three research reports to support decision making. A conceptual framework on integrated planning in the PSET system will be developed and get approved by the DG by 31 March 2021.

4.2.3. Programme 3: University Education

The programme aims to develop and coordinate policy and regulatory frameworks for an effective and efficient university education system and to provide financial and other support to universities, the National Student Financial Aid Scheme and national higher education institutions. This programme has six budget sub-programmes, namely: Programme Management, University Planning and Institutional Funding, University Governance and Management Support, Higher Education Policy Development and Research, Teaching, Learning and Research Development and Universities Subsidies.

4.2.3.1. Overview and assessment of the 2020/21 MTEF budget allocation

Over the MTEF period, the programme has a total budget of R252.58 billion and its 2020/21 financial year allocation amounts to R80.08 billion. The programme's budget constitutes 82.18% of the Department's total voted funds. The 2020/21 allocation increased, when adjusted for inflation, by 4.56% from R73.36 billion in 2019/20. The programme's budget is dominated by sub-programmes 3: University Governance and Management Support and 6: University Subsidies, which constitutes 43.97% and 55.94% of the total programme budget, respectively. Sub-programme 3: University Governance and Management Support is responsible for transfer and subsidies to the National Student Financial Aid Scheme (NSFAS), the Council on Higher Education (CHE) and the National Institute for Humanities and Social Sciences (NIHSS).

Allocation to the NSFAS, accounts for 98.81% (R34.79) of the sub-programme's total budget. The budget increased in real terms by 9.03%. This budget is mainly to support the expanded access to education and training at universities and TVET colleges, through phasing in of the Fee Free Education Policy to support students from households with a combined annual income of less than R350 000, and students with disabilities from households with a combined annual income of less than R600 000.

Sub-programme 6: University Subsidies' budget for 2020/21 amounts to R44.79 billion, which increased, when inflation adjusted, by 1.30% from previous financial year. The budget is towards expanding access to universities by ensuring that there is adequate infrastructure for teaching and learning as well as student accommodation. An amount of R3.85 billion is allocated for capital expenditure for the 2020/21, of which R2.84 billion is for infrastructure efficiency grants for the 24 universities and R1.01 billion is allocated to the University of Mpumalanga and Sol Plaatje University. An amount of R40.93 billion is allocated for higher education institutions, of which R39.46 billion is subsidies to the 24 universities. To support the operationalization of Sol Plaatje University and the University of Mpumalanga, earmarked grants amounting to R793.6 million are allocated for the two universities.

Though the programme budget is projected to grow to R84.33 billion and R88.16 billion in 2021/22 and 2022/23, Cabinet has approved budget reductions over the MTEF period to be effected mainly on transfers and subsidies.

In terms of economic classification, R101.3 million is allocated for current payments, of which R92 million is for compensation of employees and R9.3 million is for goods and services. In terms of the projected spending on goods and services. An amount of R79.98 billion is allocated for transfer and subsidies.

4.2.3.2. Overview and assessment of the 2020/21 performance targets

The programme contributes towards the achievement of the following DHET MTSF Outcomes: Expanded access to PSET opportunities; improved success and efficiency of the PSET system; improved quality of PSET provisioning; and a responsive PSET system. The programme also contributes to the Department's direct deliverables and the system deliverables as per the MTSF. For 2020/21, the programme has 31 direct deliverables and 15 MTSF system deliverables.

The expansion of the public university system requires a careful and systematic enrolment planning process that is in line with available resources, capacity and funding. The programme, together with its public universities, will develop and ensure the implementation of enrolment plans for the period 2020 to 2025. This process will ensure equitable participation that is supported by increased numbers of quality staff, affordable fees, inclusive and sustainable financial aid and improved infrastructure. In expanding access to PSET opportunities, the programme will amongst others, conduct a feasibility study to establish the nature and scope as well as the location of the new institution in Ekurhuleni Metro; develop and implement the Central Applications System at six universities and nine TVET colleges; and develop and submit for approval by the Minister a multifaceted student accommodation strategy.

To improve success and efficiency within the public university system, the programme will intensify the implementation of the University Capacity Development Programme (UCDP) to improve student success, and the quality of teaching and learning and the curriculum in universities. The programme will track and produce a report on the number of undergraduate cohort study reports tracking student throughput. In terms of the system targets for this Outcome, the programme will focus on increased graduate outputs in engineering, natural and physical sciences, human and animal sciences, initial teacher education and doctoral graduates.

To improve quality of provisioning in the higher education sector, the programme will focus implementing a university council support programme and Higher Education Leadership Management Programme. It will also produce reports on the evaluation of research outputs of public universities and on the evaluation of creative and innovation by public universities. In terms of MTSF system targets, the programme will implement the New Generation of Academics Programme (nGAP), which is part of the Staffing South Africa's Universities Framework (SSAUF) within the UCDP. The nGAP will receive continued support to recruit new permanent university academics, while at the same time improving staff demographic profiles and addressing the ratio of permanent to temporary staff members. The programme will also support for increased number of university lecturers with PhDs.

The programme will also steer the sector to be responsive to the needs of the society. The programme will support effort by the universities towards developing and implementing programme for Entrepreneurship Development in Higher Education, develop an implementation strategy and plan on the internationalisation of higher education, implement a framework for the policy on languages in higher education. Support will also be provided to the universities to offer TVET college lecturer qualifications.

4.2.4. Programme 4: Technical and Vocational Education and Training (TVET)

The programme aims to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for TVET colleges. It also aims to provide financial and other support to TVET colleges and regional offices. The programme has six budget sub-programmes, namely: Programme Management: Technical and Vocational Education and Training; Technical and Vocational Education and Training System Planning and Institutional Support; Programmes and Qualifications; National Examination and Assessment; Technical and Vocational Education and Training Financial Planning and Regional Offices.

4.2.4.1. Overview and assessment of the 2020/21 MTEF budget allocation

The programme's budget over the MTEF period amounts to R43.73 billion for the 2020/21 financial year, the programme has a total budget of R13.81 billion. This budget increased, when inflation adjusted, in real terms by 4.75% from adjusted budget of R12.63 billion in 2019/20. The programme's budget accounts for 14.18% of the Department's total voted funds. The programme's budget is projected to grow to R14.64 billion and R15.27 billion in 2021/22 and 2022/23, respectively. Notwithstanding the budget increase, Cabinet has approved budget reductions amounting to R2.6 billion over the MTEF period to be effected mainly on transfers and subsidies.

Sub-programme 2: Technical and Vocational Education and Training System Planning and Institutional Support continues to dominate the programme budget. It accounts for 93.07% of the total programme budget. This sub-programme provides support to management and councils, monitors and evaluate the performance of the TVET system against set indicators, develops regulatory frameworks for the system, manages and monitors the procurement and distribution of learning and teaching support materials, provides leadership for TVET colleges to enter into partnerships for the use of infrastructure and funding resources, and maps out the institutional landscape for the rollout of the TVET college system.

Sub-programme 4: National Examinations and Assessment 2020/21 budget decreased by R60.7 million to R633.6 million. The budget cuts in this sub-programme is concerning, given that the Department experienced challenges in conducting the national examination and assessments due to inadequate funding. Compounding the situation, is the IT examination system challenges that have contributed to the certification backlog.

The programme's funding will go towards supporting expanded access to education and skills programmes that address the labour market's needs for immediate skills that include practical components, improving success and efficiency, improving quality and responsiveness of the TVET sector. Transfers and subsidies allocations for 2020/21 amounts to R6.05 billion and it is projected to grow to R6.38 billion and R6.65 billion in 2021/22 and 2022/23, respectively. Over the MTEF, an amount of R1.2 billion is allocated for the operationalisation of the three new TVET college campuses, Nkandla and Bhambanana in Umfolozi TVET college and Waterberg in Thabazimbi. Of this, R1.2 billion, R309.1 million is allocated for the 2020/21 financial year. The programme is also responsible for transfer allocation to the Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA).

Allocation for capital expenditure for the 2020/21 financial year amounts to R959.2 million, which decreased by R124.8 million from R1.08 billion in 2019/20. The infrastructure efficiency grant is mainly towards refurbishment of TVET college buildings, purchasing of modern workshop equipment and for maintenance of existing facilities.

Spending on current payments for the 2020/21 financial year amounts to R7.75 billion, of which R7.27 billion is allocated for compensation of employees and R475.5 million is for goods and services. Spending on compensation of employees accounts for 52.67% of the programme's total budget. Payments for capital assets amounts to R8.7 million.

4.2.4.2. Overview and assessment of the 2020/21 performance targets

The programme contributes towards the achievement of the following DHET MTSF Outcomes: Expanded access to PSET opportunities; improved success and efficiency of the PSET system; improved quality of PSET provisioning; and a responsive PSET system. The key contribution of the programme is to provide mid-level skills to support the priority sectors targeted by government. It is expected that the critical issue of pervasive youth unemployment and acute shortage of scarce and critical skills provision will be addressed and mitigated. The goal is ultimately to produce TVET graduates who are ready for the world of work. Achieving this requires an enabling environment for quality teaching, a competent teaching workforce, entrenching an enterprising culture among students, fostering skills for the digital economy, and strengthening the management and governance structures in TVET colleges, while ensuring accountability through an improvement in monitoring and oversight of these institutions by the Department.

A key output of the programme is aimed at improving access and the success of enrolled students to contribute to the employment of youth, and consequently, contribute towards combatting unemployment, poverty and social inequality. The increase in student enrolments is, however, constrained by fiscal funding to colleges, which sees capping off of student enrolments at 710 000 for the MTSF period. The focus on scaling up occupational qualifications in TVET colleges also requires colleges to seek alternate sources of funding through concrete and sustainable partnerships with various stakeholders.

Based on the projected budgets for student enrolments, the programme will keep student enrolments consistent over the next five years with provision only factored in for inflationary escalations. In terms of improving student access, success and efficiency in the sector, the programme, will amongst others, enrol students in the Pre-Vocational Learning Programme, improve lecturer competencies to deliver vocational education and review the college programmes and qualifications to make them more responsive and aligned to government priorities.

The new examination system is aimed at significantly transforming the conduct of national examinations across the value chain, from setting question papers through to the certification of successful candidates, thus improving both provisioning and efficiency in service delivery to students in TVET colleges. To achieve improvement and efficiency in TVET colleges, the Department will strengthen governance standards and regulations, and thereby intensify the oversight function of college councils. To improve the governance function in TVET colleges, the effectiveness of college councils will be closely monitored, and evaluated for compliance with their statutory remit.

The development of entrepreneurial skills, as well as the focus on digital training, is aimed at improving the quality of provisioning in TVET colleges, as well as strengthening exit support to graduates for self-employment in the context of a poor labour-absorptive capacity in the economy.

4.2.5. Programme 5: Skills Development

The programme aims to promote and monitor the National Skills Development Strategy. Develop skills development policies and regulatory frameworks for an effective skills development system. This programme has five sub-programmes, namely: Programme Management: Skills Development; Sector Education and Training Authority (SETA) Coordination; National Skills Authority Secretariat; Quality Development and Promotion, and National Artisan Development.

4.2.5.1. Overview and assessment of the 2020/21 MTEF budget allocation

Over the MTEF period, the programme has a total budget of R1.009 billion. For the 2020/21 financial year, the budget amounts to R318.5 million, which represents 0.3% of the Department's total voted funds. The programme's 2020/21 budget increases by R37.6 million from R280.9 million in 2019/20. This represents, when considering inflation, an increase of 8.61 % when factoring in inflation rate. The budget is projected to grow in two outer years of the MTEF to R336.6 million and R354.8 million, respectively.

The programme's budget is dominated by sub-programme 2: Sector Education and Training Authority (SETA) Coordination at 48.73% (R155.2 million). This sub-programme supports, monitors, reports on the implementation of the national skills development strategy at the sectoral level by establishing and managing the performance of service level agreements with SETAs, and conducting trade test at the Institute for National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA). Sub-programme 5: National Artisan Development's budget for 2020/21 amounts to R109.5 million, which is the second largest spending of the programme's total budget, accounting for 34.38%.

An amount of R170.6 is apportioned for current payments, of which R154.7 million is allocated for compensation of employees and R15.9 million for goods and services. The allocation for transfers and subsidies amounts to R146.0 million, of which R27.4 million is for the Quality Council for Trades and Occupations (QCTO) and R118.5 million is for transfer to the Public Services SETA. It is critical to note that allocation for the QCTO is not growing in real terms when factoring in inflation. Spending on payments for capital assets amounts to R2.0 million.

4.2.5.2. Overview and assessment of the 2020/21 performance targets

The programme contributes towards the achievement of three of the five DHET MTSF Outcomes: Expanded access to PSET opportunities; improved success and efficiency of the PSET system; and a responsive PSET system. The programme 11 output indicators and 14 predetermined targets. Of the 14 targets, eight are direct deliverables and six MTSF system targets.

In expanding access to PSET opportunities, the programme will ensure alignment of the sector skills plans (SSPs) to the updated SSP approved framework. Service Level Agreements (SLA) framework will also be approved. The programme will monitor the achievements of the SLA agreed upon with the SETAs are achieved. For the 2020/21, the programme will monitor that SETAs enrol 170 000 learners or students in work-based learning programmes; 146 000 learners are registered in skills development programmes and 30 500 learners enrol in artisan programmes. In contributing towards the achievement of Outcome 2: improved success and efficiency of the PSET system, the programme will focus on increased completion of learners in artisanal. Skills development and learnership programmes.

During the current financial year, the programme will ensure responsiveness to the needs of the society and labour market, by identifying sectoral occupations in high demand, developing SETA monitoring reports and conducting trade tests.

4.2.6. Programme 6: Community Education and Training (CET)

The purpose of this programme is to plan, develop, implement, monitor, maintain and evaluate national policy, programme assessment practices and systems for community education and training. The programme has four sub-programmes, namely: Programme Management: Community Education and Training; Community Education and Training Colleges Systems Planning, Institutional Development and Support; Community Education and Training Financial Planning and Management; and Education and Training and Development Assessment.

4.2.6.1. Overview and assessment of the 2020/21 MTEF budget allocation

The Community Education and Training (CET) programme budget over the MTEF period amounts to R7.99 billion. For the 2020/21 financial year, the budget amounts to R2.52 billion, which constitutes 2.59% of the Department's total voted funds. The budget for 2020/21 increases, when inflation adjusted, 0.18% from the adjusted appropriation of R2.14 billion in 2019/20. The budget is projected to grow to R2.68 million and R2.78 billion, respectively.

The bulk of the budget of the programme, at 92.39% (R2.33 billion) is apportioned to sub-programme 2: Community Education and Training Colleges Systems Planning, Institutional Development and Support. This sub-programme provides support to management and councils; monitors and evaluates the performance of the CET system; develops regulatory frameworks for the system; manages and monitors the procurement and distribution of learning and teaching support materials; provides leadership for community education and training colleges to enter into partnerships for the use of infrastructure for college site-hosting centres, and the funding of these partnerships, maps and institutional landscape for the rollout of the CET system; and is responsible for the planning and development of CET infrastructure. The second largest allocation amounting to R167.2 million is apportioned for sub-programme 3: Community Education and Training Financial Planning and Management.

For the 2020/21 financial year, current payments budget amounts to R2.36 billion, of which R2.35 billion is for compensation of employees and R4.8 million for goods and services. allocation for compensation of employees accounts for 93.44% of the programme's total budget. Spending on compensation of employees increased by R369.6 million from R1.98 million. Transfers and subsidies budget amounts to R159.9 million, of which R156.8 million is transfers to CET colleges and R3.1 million is transfer to ETDP SETA.

4.2.6.2. Overview and assessment of the 2020/21 performance targets

The programme contributes towards the achievement of four of the five DHET MTSF Outcomes: Expanded access to PSET opportunities; improved success and efficiency of the PSET system; improved quality of the PSET provisioning and a responsive PSET system. For the 2020/21 financial year, the programme has 14 output indicators and 14 predetermined targets. The programme has both direct and system deliverables.

Working towards improving access to CET opportunities, the programme will focus on the development and implementation of the sustainable funding model. This will enable the holistic implementation of the national norms and standards for funding CET colleges. The NDP committed government to increase youth and adult participation in the CET sector to 1 million by 2030 in appreciation of the challenge of the growing number of NEETs. Lack or inadequate advocacy has contributed to the low enrolment in the CET colleges. The majority of young people who are not in education, employment and training (NEET) and who can benefit from education and training provided by the sector are not aware of the opportunities. The programme will dedicated its effort to developing and implementing advocacy strategies for the sector. The strategy will support CET colleges to meet their enrolments targets by attracting more youth into CET opportunities.

To improve success and efficiency as well as quality of provisioning of the CET sector, the programme will develop bi-annual reports on teaching and learning improvement plans as well as increasing open access Learning and Teaching Support Material (LTMS) for students. CET lecturers will be trained to improve their competencies and improve quality of teaching in the sector. The programme will work towards the diversification of programme offerings in CET colleges, which are geared towards expanded access and responsive CET colleges by providing for the needs of a wider community while catering for individuals. The accreditation of community learning centres will open opportunities for further study to individuals who could not meet the requirements for entry into TVET colleges and other institutions of further learning. The introduction of entrepreneurship and skills programmes, e.g. digital and other skills programmes, seeks to address issues of unemployment, poverty and inequality within communities while providing skills for establishing sustainable entrepreneurship.

5. OVERVIEW AND ASSESSMENT OF THE NATIONAL STUDENT FINANCIAL AID (NSFAS)) STRATEGIC PLANS 2020 - 2025 AND ANNUAL PERFORMANCE PLANS (APPs) 2020/21

The National Student Financial Aid Scheme (NSFAS) was established in terms of the National Student Financial Aid Scheme Act, 1999 (Act No 56 of 1999). Its main mandate is to provide loans and bursaries to eligible students, developing criteria and conditions for the granting of loans and bursaries to eligible students in consultation with the Minister of Higher Education and Training, raising funds, recovering loans, maintaining and analysing a database, undertaking research for the better utilisation of financial resources, and advising the Minister on matters relating to financial aid for students.

5.1. Alignment with the National Development Plan (NDP) and 2019 – 2024 Medium-Term Strategic Framework (MTSF)

Table 2: Key government policy priorities pertaining to the NSFAS

NDP vision 2030	**2019 – 2024 MTSF**			**NSFAS 2020/21 – 2024/25 Strategic Plan**	**NSFAS 2020/21 APP**
Priorities	**Outcome**	**Outcome Indicator**	**Target by 2024**	**Target by 2024**	**Target**
Providing all students who qualify for NSFAS with access to full funding through loans and bursaries to cover cost of tuition, books, accommodation and other living expenses.	Expanded access to PSET opportunities	Effective administration of NSFAS	Elimination of delays in disbursement of funds	N/A	N/A
		Number of university students receive funding through the NSFAS bursaries	450 000	450 000	426 268
		Number of TVET college students receive funding through the NSFAS bursaries	400 000	400 000	310 900

Students who do not qualify should have access to bank loans, backed by state sureties. Both the NSFAS and bank loans should be recovered through arrangements with the SARS.		NSFAS Policy in place for sustainable funding of students from poor background and from the 'missing middle' (guidelines, legislative review, effective oversight by DHET)	Sustainable policy on the missing middle adopted and implemented	N/A	N/A
Considering extending the NSFAS to qualifying students in registered private colleges as an incentive for private sector			Not included in the 2014 – 2019 MTSF and the 2019 – 2024 MTSF		

NSFAS aims to support the objectives of the NDP and the targets of the governments' 2019 - 2024 MTSF priorities, specifically, Priority 2: Education, Skills and Health outcome. The NDP proposes an increase in participation rates at Technical and Vocational Education and Training (TVET) colleges to 25% of 20 to 24 year olds and more than 30% participation rate in the higher education sector. The NDP further states that all students who qualify for the National Student Financial Aid Scheme (NSFAS) should be provided with access to full funding through loans and bursaries to cover the costs of tuition, accommodation and other living expenses. The targets for the MTSF include; increasing student enrolment at public universities annually to 1,13 million by 2024, and the number of student enrolments at TVET colleges annually to 710 000 by 2024.

The 2019 – 2024 MTSF commits the NSFAS to have an effective administration of the NSFAS and the target is to eliminate delays in the disbursement of funds. However, this outcome indicator and target are not reflected in the NSFAS' 2020 – 2025 Strategic Plan and the 2020/21 APP. The MTSF also set a priority to have a sustainable policy on the missing middle adopted and implemented. While this is mentioned in the Strategic Plan of the Department as focus areas for the MTSF period, it neither has outcome indicator nor target in both the Strategic Plans and APPs of the Department and the NSFAS. The NSFAS Administrator reported to the Committee that the Department is responsible for policy development, whilst NSFAS is only responsible for implementation.

5.2. Overview and assessment of NSFAS 2020/21 Medium Term Expenditure Framework (MTEF) Budget

For the 2020/21 financial year, NSFAS has a total revenue amounting to R38,44 billion. The budget is made up of R1,43 billion entity revenue, R37,01 billion (R34,79 billion DHET Loans and Bursaries); R299,16 million DHET Administration Grant, R1.51 billion from other government units, R332,87 million Department agencies and accounts and R70,70 million from higher education institutions). NSFAS overall budget is projected to grow to R40,45 billion and R42,11 billion in the two outer years of the 2020/21 MTEF.

The phased-in approach of the implementation of the fee-free education policy that was announced in December 2017 is in its third year of implementation. The steep increase in the revenue, especially the DHET Loans and Bursaries is to support this Policy and towards access to education and training of students TVET College and university students coming from poor and working class households with an average annual income of up to R350 000. The 2020/21 revenue increased by R3,81 billion from R34,62 billion in 2019/20.

The bulk of the budget, 99.26% (R36,81 billion) is apportioned for programme 2: Student Centred Financial Aid, excluding an allocation amounting to R1,35 billion for accounting expenses (depreciation/ impairment losses). The allocation increased by R4,13 billion, which represents a nominal increase of 12.65 % from R32,68 billion in 2019/20. Of this budget, R36,71 billion is allocated for bursaries and R103,10 million is for operations. Administration programme's budget for the 2020/21 financial year amounts to R275,44 million. The allocation decreased by R28,72 million compared to R304,16 million in 2019/20, which represents a 9.44% decrease. The programme's total budget represents 0.74% of the NSFAS' total budget, excluding the accounting expenses.

In terms of economic classification, R234.62 million is apportioned for compensation of employees, which accounts for 0.61% of the NSFAS' 2020/21 total revenue. The allocation for compensation of employees increased by R14.49 million, which represents a nominal percent increase of 6.58%. The budget is projected to grow to R239.61 million and R252.19 million in the two outer years of the MTEF period. An allocation amounting to R139.09 million is apportioned for spending on goods, which decreased by R61,60 million from R200.695 million in 2019/20. The budget is projected to grow to R153.64 million and R159.04 million in 2021/22 and 2022/23 respectively.

An allocation amounting to R36.71 billion is for transfer and subsidies, which accounts for 95.48 % of the total budget of the NSFAS. The allocation increased by R4.15 billion, which represents a nominal increase of 12.75% and it is projected to grow to R38.71 billion and R40.35 billion in the outer two years of the 2020/21 MTEF period. The projected increase is to continue the phasing of the implementation of Fee-Free Education Policy. Payments for capital assets allocation for the 2020/21 financial year amounts to R4.83 million.

NSFAS has not budgeted for a surplus or deficit, its total income equals the total expenditure estimates.

5.3. Overview and analysis of the Annual Performance Plan (APP) 2020/21

The National Student Financial Aid Scheme has two budget programmes, Administration and Core Mandate, previously known as a Student-Centred Financial Aid. NSFAS 2020/21 targets have been developed under four strategic outcomes, which are:

Table 3: The NSFAS Strategic Outcomes:

Programme 1:	Strategic Outcome	Statement	No. of targets
Administration	NSFAS is compliant with all Governance requirements in the delivery of its mandate	To implement governance, risk and compliance processes such that external audit outcomes are improved	3
	NSFAS empowers the Minister with advice on	To provide relevant insights and thought leadership to the Minister and DHET to	1

	matters relating to financial aid	assist in developing policy impacting on financial aid.	
	NSFAS core mandate is enabled by effective internal support services.	To provide effective support services that enable NSFAS to deliver on its mandate	2
Programme 2: Core Mandate	NSFAS delivers on its core mandate to provide financial aid to eligible students at public universities and TVET colleges.	To manage the funding application process, funding decision process, and disbursement and payment processes efficiently and effectively.	6

The NSFAS' two budget programmes have a combined total of 13 output indicators, of which 10 have predetermined targets for the 2020/21 financial year. For the 2020/21 financial year, there are 12 targets spread across the 10 indicators.

5.3.1. Programme 1: Administration

The purpose of the programme is to provide governance and oversight, systems, activities and structures that enable the organisation to deliver on its core mandate effectively and efficiently in pursuit of its strategic outcomes. The programme focuses on lifting governance maturity in key areas of the entity, as well as ensuring that organisational support functions are delivering on key activities in support of the NSFAS value chain. To this end, the role of Human Resource (HR) and Finance are critical in enabling the organisation to have the necessary capacity and adhere to agreed service levels in order to deliver the mandate of the organisation. Similarly, NSFAS needs to reach its target student population, and to this end, brand awareness is critical. This facilitates the access to funding for tertiary education for the poor and working- class.

In ensuring that NSFAS is compliant with governance imperatives with respect to external audit outcomes, ICT governance and cybersecurity, in 2020/21, NSFAS planned to receive an unqualified audit rating with matters of emphasis; achieve level 2 maturity in terms of the Corporate Governance of Information Communication Technology (CGICT) framework and level 1 maturity with respect to cybersecurity.

With regards to empowering the Minister with advice on matters relating to financial aid, the NSFAS will produce four policy advisory briefs related to its mandate. NSFAS also planned to achieve 5% employee turnover and ensure that 100% payments to institutions that are completed within seven working days of receiving the approved disbursement file from operations.

5.3.2. Student-Centred Financial Aid

The purpose of this programme is to ensure that NSFAS delivers on its core mandate in providing financial aid for tertiary education to the poor and working-class. Qualitative characteristics have been embedded within the performance indicators in order to ensure that NSFAS not only delivers in terms of volume, but also in terms of ensuring that the relevant rules and

The 2019 – 2024 MTSF targets for the number of poor and working-class students as per the NSFAS eligibility criteria in public universities and TVET colleges funded by NSFAS are 450 000 and 400 000, respectively. For the 2020/21 financial year, the NSFAS planned to fund a total of 426 268 and 308 467 students in universities and TVET college, respectively. The number of funded students is projected to increase over the 2020/21 Medium-Term Expenditure Framework (MTEF). The number of NSFAS eligible students in universities and TVET colleges is projected to increase by 5 144 to 431 412 and by 38 090 to 346 258 in 2022/23, respectively. This represents an increase of 1.19% in universities and 11% in TVET Colleges.

Notably, the total Rand value in funding administered, in addition to funding received from the DHET, for financial aid annually, is projected to increase by R240.25 million to R1.9 billion in 2020/21. Planned total Rand value recovered and allocated to loan accounts annually is also projected to increase to R776.7 million in 2020/21 from R691.5 million.

6. COMMITTEE OBSERVATIONS

The Committee, having considered and deliberated on the Strategic Plans 2020 - 2025 and Annual Performance Plans 2020/21 made the following key observations and findings:

6.1. Department of Higher Education and Training (DHET)

6.1.1. Programme 1: Administration

6.1.1.1. The filling of senior management positions, in particular the Deputy Director-General (DDG) post has been very slow. The DDG for the CET programme has been in an acting position since 2016, previously, he acted as a DDG for the Vocational and Continuing Education and Training (VCET) programme since 2009, before it was split into TVET and CET branches in 2015. This is in gross violation with the Public Service Regulations, 2001 B5.3 which states that "an employee may not act in a higher vacant post for an uninterrupted period exceeding 12 months".

6.1.1.2. The increase in the budget allocation for expenditure on consultants and advisory services amounting to R11.8 million was noted as a concern, and the Committee questioned whether the Department does not have in-house capacity to render these services.

6.1.2. Programme 2: Planning, Policy and Strategy

6.1.2.1. The Committee noted that the plans of the Department do not reflect interventions to curb the spread of gender-based violence (GBV) incidences in the PSET system.

6.1.3. Programme 3: University Education

6.1.3.1. The COVID-19 pandemic has put enormous pressure on teaching and learning in higher education for the 2020 academic year. Universities had to shift from contact learning into multimodal remote learning systems in an attempt to provide a reasonable level of academic support to students and save the remainder of the 2020 academic years. However, universities' ICT capabilities vary, in particular, historically disadvantaged institutions (HDIs) have been struggling to adjust to remote learning mechanisms due to insufficient capacity and funding.

6.1.3.2. The interventions that have been introduced by the Department in an attempt to save the 2020 academic year in higher education were commended by the Committee. The concern that was highlighted by the Committee relates to the students' accessibility to digital devices (laptops) so that they could access online learning, and the affordability of data to enable access to the internet. Compounding the situation was the poor network connectivity in geographically remote areas. In this respect, the Committee urged the Department to request the services of the Council for Scientific and Industrial Research (CSIR) to undertake a Geo-spatial analysis to identify those students that would be affected by poor network connectivity so that they could be an alternative means to assist the students in those areas not to be left behind.

6.1.3.3. The establishment of the two new universities in Gauteng, the University of Science and Innovation in Ekurhuleni and a University for Combating Crime in Hammanskraal was welcomed by the Committee. The development of these two new universities would not only expand access to education and training, but will diversify provisioning of the PSET system. The Committee urged the Department to consider expanding the teaching and learning sites/campuses of existing universities in Gauteng as other alternatives to expand access.

6.1.3.4. The plans to improve and expand infrastructure in higher education, particularly the HDIs development programme was welcomed by the Committee, including the establishment of the Ministerial Advisory Committee on Infrastructure (MACI). The Committee reiterated its concern with respect to the constructors that are awarded infrastructure development/expansion contracts and abandon them before completion, and the lack of consequence management implemented against these service providers by universities.

6.1.3.5. The absence of a policy to respond to the plight of the missing middle students in higher education remains a concern for the sector. The various student support interventions of the Department are mostly directed at the NSFAS funded students, and the missing middle students are mostly assisted by their respective institutions, at a huge cost leaving them indebted. The Minister undertook to work with the private sector partners to develop a financial aid system that is inclusive of the missing middle students.

6.1.3.6. Whilst noting the importance and magnitude of the higher education sector, the Committee expressed its concern that the bulk of the budget for the entire PSET system, approximately 80% is allocated to the University Education programme, whilst the TVET and CET programmes which are earmarked for developing mid-level occupational skills for young people to access the economy, continue to receive inadequate funding.

6.1.3.7. The abuse of institutional autonomy by some universities at the expense of being transparent and accountable when required by the Committee was noted as a concern.

6.1.4. Programme 4: TVET

6.1.4.1. The impact of the COVID-19 pandemic on the TVET sector posed a serious threat towards saving the 2020 academic year for the sector. Compounding the situation is that less than 10% of TVET colleges indicated their readiness to implement multimodal remote learning systems to provide student academic support during the lockdown period. The ICT infrastructure in the TVET sector is lagging behind and this could be attributed to historic insufficient funding for the sector.

6.1.4.2. The majority of students in the TVET sector have been idle during the lockdown period and there have been inadequate communication with students on teaching and learning mechanisms aimed at saving the 2020 academic year.

6.1.4.3. Insufficient funding for the expansion of infrastructure and enrolment in the TVET remains an ongoing concern, and poses a risk towards the attainment of the NDP targets for this sector. TVET colleges are critical in the training of young people to develop skills, knowledge and attitudes needed in the labour market. The demand of skilled and capable artisans to grow the ailing South African economy largely depends on TVETs and the insufficient investment towards making them institutions of choice poses a risk for the PSET system.

6.1.4.4. The slow pace in the curriculum review of the TVET sector to make it aligned and relevant to the requirements of industry remains an ongoing concern.

6.1.4.5. The implications of the COVID-19 pandemic, particularly for those students that are part of the work-integrated learning (WIL) programme was noted as a concern, given that most industries have been closed, and others have been unable to recover from the financial losses due to the lockdown period. This also poses a threat on the ability of the student to complete their workplace practical component of the studies to attain their qualifications.

6.1.4.6. Inadequate infrastructure, particularly safe and conducive student accommodation in the TVET sector remains an ongoing concern. The utilisation of private accommodation that does not meet the DHET minimum norms and standards for student housing in the TVET sector poses health and safety risks for students.

6.1.5. Programme 5: Skills Development

6.1.5.1. The poor governance and management of some SETAs, including the lack of consequence management against officials responsible for irregularities and corruption remains an ongoing concern.

6.1.5.2. The appointment of the new SETAs' Accounting Authorities (AAs) by the Minister with effect from 1 April 2020 was welcomed by the Committee.

6.1.6. Programme 6: Community Education and Training

6.1.6.1. Insufficient funding for the CET sector remains an ongoing concern, given that the sector does not have its dedicated infrastructure and sufficient teaching and learning support interventions.

6.1.6.2. The COVID-19 pandemic posed a serious threat towards the saving of the 2020 academic year in the CET sector, given that there are no alternative modes of learning except for contact learning. Students in the CET sector do not receive financial support from the NSFAS. Consequently, they rely on their learning centres to receive all the learning materials. In addition, the closure of schools during the lockdown period has had a huge impact on the CET sector given that most of the learning centres are operating in schools.

6.1.6.3. The various interventions in the PSET system, especially those dealing with infrastructure development and expansion do not take into cognisance the needs of the CET sector. The Committee expressed a concern with what appears to be a neglect of the CET sector in the development and expansion of the PSET system.

6.1.7. Budget

6.1.7.1. As part of the measures announced by the President to respond to COVID-19, a budget of R500 billion was announced, of which R130 billion is to come from reprioritisation of the current 2020/21 financial year budget. The Committee noted that the reprioritisation of funds would impact the Department and its entities' current financial year plans and budget. Consequently, the APPs would have to be revised to align with the reprioritised budget.

6.1.7.2. The Committee was concerned that the DHET grant allocation to the CHE, SAQA and the QCTO has not been growing in real terms when considering inflation. The entities had to rely on special grants from the National Skills Fund (NSF) to implement some of their projects.

6.2. National Student Financial Aid Scheme (NSFAS)

6.2.1. The various intervenes implemented by the Administrator since his appointment to improve the administration and disbursement of funds and allowances to students was commended by the Committee. The Committee also urged the Administrator to put proper systems in place in preparation for the future of the entity post-administration period.

6.2.2. The COVID-19 pandemic has compelled institutions of higher learning and TVET colleges to re-organise their academic year. The Committee was concerned about the implications of the possibilities of a prolonged academic year on the funding of students. The NSFAS indicated that it would cost an estimated R9.9 billion to pay the tuition and allowances to students for an additional period of three (3) months.

6.2.3. The consequence management implemented against employees and syndicates involved in fraudulent activities at the entity was noted as a concern given the R7.5 billion irregular expenditures as disclosed in the 2018/19 financial year. The entity indicated that all cases of suspected fraud involving both employees and syndicates have been handed to the Directorate for Priority Crime Investigation (Hawks) and the South African Police Service (SAPS) for further investigation.

6.2.4. The delays in the finalisation of the outstanding students' appeals, particularly in higher education remains an ongoing concern. In addition, the financial exclusion of students due to the N+2 rules has to be reviewed, given the unique circumstances associated with these exclusions.

6.2.5. The Committee expressed its concern with respect to the appointment of a private service provider that assisted with the compilation of the entity's Strategic Plan 2020 – 2025 and APP 2020/21 at a cost amounting to R490 000. In addition, the APP 2020/21 of the entity had errors and was not consistent with the presentation made by the Administrator. The entity undertook to submit a revised APP 2020/21.

6.2.6. The Committee expressed its reservations with respect to the proposed central procurement of digital devices (laptops) as planned by the Department, despite NSFAS allocating R5 200 per annum to each student as part of the teaching aid allowance. This concern of the Committee is attributed to the reality that some students utilised this allowance for other purposes instead of learning devices such as laptops. In addition, other institutions are utilising this allocation to purchase laptops for students.

6.2.7. The Committee was concerned that some of the students that were part of the missing middle might be eligible for the NSFAS funding post the COVID-19 period due to reduced household income or job losses. This would put a strain on the resources of the NSFAS beyond 2020/21.

6.2.8. The COVID-19 pandemic has led to some people losing their jobs and others receiving reduced monthly income due to the lockdown period. The Committee inquired about the possibility of the NSFAS giving payment holiday to former students who are repaying their student loans. The entity undertook to seek a directive from the Department in concurrence with the Minister of Finance on the possibility of extending a loan payment holiday due to the impact of the COVID-19 pandemic.

6.2.9. The delays with respect to the equalisation of stipends paid to the university and TVET college students remains an ongoing concern. The NSFAS indicated that it implements policy directives from the Department, and it could not provide a way forward with regard to this concern.

7. SUMMARY

The Department presented its first Strategic Plan 2020 – 2025 and APP 2020/21 under the reconfigured Minister of Higher Education, Science and Innovation, following the pronouncement of the merging of the two Ministries by the President of the Republic in June 2019. The Plans were also presented at an unprecedented time when the country was dealing with the COVID-19 pandemic that has disrupted the livelihoods of the human race across the world. The tabling of these Plans in Parliament was done during the month of March 2020, before the national lockdown was announced, and the COVID-19 pandemic could not have been anticipated when the Plans were compiled.

The Strategic Plan 2020 – 2025 of the Department re-emphasises the strides made towards building and expanding the PSET system that caters for the needs of the youth and adults in training and those that are not in any form of training and employment. The Plan also takes into cognisant of Priority 2: Education, Skills and Health of the new 2019 – 2024 MTSF, and the objectives of the White Paper for PSET, which identifies the need to: expand access to opportunities to PSET; improve quality of PSET provisioning; improve the success and efficiency of PSET and improve the responsiveness of the PSET system to the needs of the economy and society in general.

For the next five years, the Department has prioritised to deliver on key interventions which include, the establishment of two new universities in Gauteng (University of Science and Innovation and University for Combating Crime in Hammanskraal); rollout of the integrated infrastructure development support programme for PSET; implementation of the HDIs development programmes and the review of the National Skills Fund (NSF) operations.

The APP 2020/21 of the Department reflects the key outputs for the current financial year in each of the six programmes. With respect to Programme 1: Administration, the Department aims to improve efficiency in corporate services by setting revised targets to improve the turnaround time in dealing with the recruitment process and other related administration operations. Programme 2: Planning focuses on producing reports to support decision-making in response to improving the responsiveness of the PSET system. Programme 3: University Education and other programmes are core delivery programmes of the Department, and they generally aim at expanding access and success in the PSET system.

The Committee was mindful that the Plans of the Department would have to be revised due to the impact of the COVID-19 pandemic and the imminent budget reprioritisation which is expected to be announced by the Minister of Finance later in the year. Irrespective, the consideration of the Department's Plans by the Committee was necessary to ensure that the Committee exercises its oversight function to hold the Department accountable for its outputs and to provide ideas and proposals to strengthen the work of the Department. The Committee also noted with concern that some of the MTSF outputs indicators and targets do not reflect in the Department's Strategic Plan.

The Committee also considered the Plans of the NSFAS. The Entity has also aligned their five-year plans with the outcomes of the Priority 2 of the new MTSF and will work collaboratively with the Department to implement the interventions. In terms of the NSFAS, the Committee welcomed the budget increase, especially the allocation from the DHET Loans and Bursaries towards supporting the phased-in approach of the implementation of the fee-free education policy that was announced in December 2017. The Committee, was concerned about the inconsistencies in the indicators and targets in the APP of NSFAS. The entity was requested to table a revised APP in Parliament.

8. RECOMMENDATIONS

The Committee, having considered the Strategic Plan 2020 – 2025 and Annual Performance Plan 2020/21 of the Department and NSFAS recommends that the Minister of Higher Education, Science and Innovation consider the following:

8.1. DHET

8.1.1. Programme 1: Administration

8.1.1.1. The filling of all the acting DDG positions (Planning, TVET and CET) should be expedited. The Minister should also submit to the Committee an action plan with timeframes on the filling of all senior management posts in the Department.

8.1.1.2. The Department should strengthen its internal capacity to limit expenditure on outsourced services.

8.1.2. Planning, Policy and Strategy

8.1.2.1. The Department should ensure that current APP reflects plans to curb gender-based violence in the PSET sector.

8.1.2.2. The Department should ensure that all the outcome indicators and targets outline in the 2019 – 2024 MTSF are reflected in its 2020 – 2025 Strategic Plan and are implemented annually.

8.1.2.3. The Department should table in Parliament the addendum of the adjusted budget and APP targets.

8.1.2.4. The Department working in collaboration with the SAQA and the three Quality Councils should put in place mechanisms to ensure that all institutions of higher learning are implementing articulation policy and consequence management should be implemented against those who are not compliant. Furthermore, the Department should ensure that the MTSF target to have 95 % of universities sign agreements with TVET colleges to recognise their qualifications is implemented and this should be monitored and reported to Parliament annually.

8.1.3. Programme 3: University Education

8.1.3.1. The restructuring of the 2020 academic year should take into consideration the differentiated COVID-19 alert levels at provincial and district levels so that students residing in the hotspot areas are not disadvantaged.

8.1.3.2. The Department should have proper systems in place to ensure that the centralised procurement of digital devices is done in terms of the Public Finance Management Act (PFMA), Act No. 29 of 1999 regulations so that there is accountability.

8.1.3.3. The Minister should consider formulating a policy for the equalisation of stipends paid to the university and TVET college students.

8.1.3.4. The various student support interventions in higher education are mostly directed at the NSFAS funded students, and the missing middle are at the mercy of their respective institutions. It is imperative that the missing middle students are also taken into consideration since they also face similar socio-economic pressures with their peers that are funded by the NSFAS.

8.1.3.5. The Department working in collaboration with institutions of higher learning other stakeholders in the built environment should ensure that consequence management is implemented against construction companies that do not complete infrastructure projects and those that do shoddy work.

8.1.4. Programme 4: Technical and Vocational Education and Training (TVET)

8.1.4.1. Notwithstanding the current and future fiscal constraints, the Department should engage the National Treasury to increase baseline funding for the TVET colleges subsidies so that they could increase enrolment in line with the NDP targets.

8.1.4.2. The process with respect to the review of the curriculum of the TVET sector should be expedited so that learners are offered programmes that are aligned to industry requirements.

8.1.4.3. The ICT infrastructure and capabilities of the TVET sector need to be developed taking into consideration the need to implement online learning for the sector so that students are not left behind due to the impact of the COVID-19 pandemic and for the future.

8.1.4.4. Inadequate student accommodation in the TVET sector remains, and an ongoing concern, and the integrated infrastructure programme of the Department should prioritise the expansion of student housing in the sector.

8.1.5. Programme 5: Skills Development

8.1.5.1. The Department ought to improve its oversight and monitoring functions over the work of the SETAs and make sure that all the newly appointed SETAs Accounting Authorities (AAs) are held into account for the governance and performance of their respective SETAs.

8.1.6. Community Education and Training (CET)

8.1.6.1. The 2019 – 2024 MTSF commits the Department to have 90 % of those not in education, employment or training taking part in CET colleges' occupational skills programmes and becoming economically active. Currently, over 90 % of the CET budget is allocated towards compensation of employees. The Department should ensure that the development of a sustainable funding model for the CET is expedited and that consideration be made to increase baseline funding to address infrastructure related challenges, purchase of teaching and learning materials and ensure that the sector is responsive to the local and regional economic needs.

8.2. National Student Financial Aid Scheme (NSFAS)

8.2.1. Given the errors identified by the Committee in the APP 2020/21 of the entity, it is important that an amended APP 2020/21 with the correct information and other key deliverables is tabled in Parliament.

8.2.2. The terms of reference with respect to the appointment of a private service provider that provided advisory services regarding the compilation of the entity's APP 2020/21 should be submitted to the Committee.

8.2.3. The finalisation of outstanding students' appeals particularly in the University sector should be accelerated. In addition, it is imperative for the entity to reconsider the rejection of students appeals due to the N+2 rule given the circumstances associated with each appeal.

8.2.4. It is imperative for the entity working in collaboration with the respective institutions to ensure that the R5 200 teaching aid allowance that is allocated to all the NSFAS funded students is utilised for its intended purposes. There should be a requirement for students to produce some kind of evidence showing that the teaching aid allowance has been used to purchase learning support materials.

Report to be considered.

6. Report of the Select Committee on Education and Technology, Sport, Arts and Culture on Budget Vote 35: Science and Innovation (2020/21), Dated 03 June 2020

The Select Committee on Education, Technology, Sports, Arts and Culture (hereinafter referred to as the Committee), having considered Budget Vote 35: Science and Innovation, the 2020-2025 Strategic Plan and the 2020/21 Annual Performance Plan (APP) of the Department of Science and Innovation (hereinafter referred to as the Department), reports as follows:

1. Introduction

1.1. Purpose of the Budget Vote 35 Report

The purpose of this report is to account for work done by the Committee in considering the 2020 - 2025 Strategic Plan and 2020/21 Annual Performance Plan (APP) and budget of the Department in accordance with Section 27(1) of the Public Finance Management Act, 1999 (Act. No 29 of 1999), and as referred by the Chairperson of the National Council of Provinces (NCOP) to the Committee in terms of Rule 338 for consideration and reporting.

1.2. Method

The 2020 - 25 Strategic Plans and 2020/21 APPs and budgets of the Department was considered against the background of key government policy documents, including, amongst others, the National Development Plan (NDP), the 2019 – 2024 Medium Term Strategic Framework (MTSF), and the 2020 State of the Nation Address (SONA). The Committee had joint briefing sessions with the Portfolio Committee on Higher Education, Science and Technology to consider the Strategic Plans and the APPs of the Department on 15 and 19 2020.

1.3. Mandate of Committee and the Department

The mandate of Parliament is based on the provisions of the Constitution of the Republic of South Africa, 1996, establishing Parliament and setting out the functions it performs. Parliament's role and outcomes are to represent the people and ensure government by the people under the Constitution, as well as to represent the provinces and local government in the national sphere of government. The main functions of Parliament as outlined in the Constitution are:

- To pass legislation,

- To oversee executive action,
- Facilitation of public involvement, co-operative government and,
- International engagement.

The Department derives its mandate from the following:

Policy mandate: White Paper on Science, Technology and Innovation

Succeeding the 1996 White Paper on Science and Technology, the 2019 White Paper on Science, Technology and Innovation, which seeks to specifically enhance the role of innovation, now sets the current long-term policy direction for the National System of Innovation (NSI) and seeks to ensure an increasing role for science, technology and innovation (STI) to accelerate inclusive economic growth, increase the competitiveness of the economy, and improve the livelihoods of South Africa's citizens.

The 2019 White Paper hinges on three high-level goals; namely to, take advantage of opportunities presented by megatrends and technological change; expand policy approaches that have worked and propose new approaches, where necessary; and promote a more inclusive economy at all levels. These goals are underpinned by the following objectives:

- Adopt a whole-of-government/society approach to innovation;
- Instil a culture of valuing STI, and integrate STI into government planning and budgeting at the highest levels;
- Create an enabling and inclusive governance environment;
- Create a more innovation-enabling environment;
- Increase and transform NSI human capabilities;
- Expand and transform the research system;
- Expand and transform the institutional landscape; and
- Increase funding and funding efficiencies.

A new Decadal Plan for STI will serve as the implementation plan for the 2019 White Paper. This Decadal Plan will take into consideration not only the policy intents of the 2019 White Paper, but also the reviews of the Ten-Year Innovation Plan (2008–2018) and 2002 National Research and Development Strategy, the 2019 National Advisory Council on Innovation's (NACI) South Africa Foresight Exercise for Science, Technology and Innovation 2030 report, and the priority outcomes of government. It is envisaged that this Plan will be finalised within the 2020/21 financial year.

Policy context: National Develop Plan and the Medium Term Strategic Framework

The National Development Plan (NDP) characterises STI as crucial for development since countries that have effectively alleviated poverty by growing their economies, have done so by investing in and developing strong STI environments and capabilities. Hence, the NDP states that South Africa's NSI needs to be expanded as well as be more effective and, therefore, be aligned with the sectors that will realise the country's growth objectives. This requires that:

- South Africa invests more in research and development (R&D). The target was 1.5% of GDP invested in R&D by 2019;
- The STI institutional arrangement improves the link between innovation and the productive needs of industry;
- Government should collaborate with the private sector to raise the level of R&D in companies; and
- Public investments in research infrastructure should be focussed on and fulfil the needs of a modern economy.

The 2014-2019 Medium Term Strategic Framework (MTSF) served as the first phase of implementation of the NDP and committed Government to 14 key outcomes. The Department contributed to Outcome 2: A long and healthy life for all South Africans; Outcome 3: All South Africans are safe and feel safe; Outcome 4: Decent employment through inclusive economic growth; Outcome 5: A skilled and capable workforce to support an inclusive growth path; Outcome 6: An efficient, competitive and responsive economic infrastructure network; Outcome 7: Vibrant, equitable and sustainable rural communities and food security for all; and Outcome 10: Protect and enhance South Africa's environmental assets and natural resources.

Achievement against these Outcomes is mixed and true transformation of the economy, the environment and society continues to elude South Africa, who still faces the challenges of poverty, inequality and unemployment. The 2019-2024 MTSF, representing the second five-year phase of implementation for the NDP, aims to address these challenges through three pillars; namely, achieving a more capable state; driving a strong and inclusive economy; and building and strengthening the capabilities of South Africans. These three pillars underpin the seven priorities of the 2019-2024 MTSF, which are translated through 81 outcomes, 337 interventions and 561 performance indicators.

2. 2020-2025 Strategic Plan for the Department of Science and Innovation

During 2015-2020, to position STI within the framework of the NDP, the Department directed its efforts and resources toward five strategic outcome-orientated goals. These goals overlapped with some of the initiatives for which the Department was responsible or contributed to in the 2014-2019 MTSF and directly supported the aims of the Nine-Point Plan, adopted in 2015 to accelerate the growth of the economy and create much-needed jobs through the diversification and enhancement of economic competitiveness. The Department's five strategic outcome-oriented goals for 2015-2020 were:

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

For the period 2014/15 to 2018/19, the Department achieved an average performance of 86% against the targets set for these strategic goals, spent 99% of its budget, and obtained clean audits in the 2014/15, 2017/18 and 2018/19 financial years.

Moving on to the current period; the 2019 White Paper and the Department's name change in 2019 from science and technology to science and innovation, signifies an expanded mandate and leadership role for the Department in advancing overall government policy on innovation. Furthermore, the merger of the Science and Technology and Higher Education and Training Ministries, while the two departments remain separate, provides these two departments with the opportunity to assess how they can enhance and best implement matching functions.

The Department, building on the successes of the previous period and to ensure that the NSI expands its positive impact on reducing poverty, inequality and unemployment as envisioned by the 2019 White Paper, has identified the following six outcomes for the period 2020-2025:

Outcome 1: A transformed, inclusive, responsive and coherent NSI

Outcome 1 seeks to improve the contribution of the NSI to achieving the goals of the NDP. The key driver of these contributions will be the Decadal Plan, which will define the critical missions that South Africa will pursue during the period 2020-2030. The four outcome indicators against which performance will be measured are:

i) Percentage increase in the number of formalised partnerships between different category actors of the NSI that advance Decadal Plan priorities;
ii) Number of STI missions introduced and adopted by Cabinet that crowd in resources and capabilities across the NSI;
iii) Percentage increase in the investment support by government that advances gross expenditure on R&D (GERD) towards 1.1% of GDP (revised down from former target of 1,5%); and
iv) Number of approved strategies that give effect to the agreed dimensions of transformation to be effected in the NSI.

A key action to be finalised in 2020 that will guide the establishment, geospatial location, institutional form and dispersion of new NSI institutions is the Higher Education, Science, Technology and Innovation Institutional Landscape (HESTIIL) review. These institutions are expected to advance the implementation of critical science missions and research areas such as astronomy. Additional actions to ensure the success of this outcome include developing R&D-led industries based on new sources of growth such as the Fourth Industrial Revolution and the Circular Economy; directing more effort to formalising partnerships with non-traditional NSI stakeholders such as non-governmental organisations and youth and civil society organisations; and providing targeted developmental support and funding to those aspects of the NSI that are performing sub-optimally or are underrepresented and underserved so that they can improve their contribution to the research and knowledge enterprise. The Department will also ensure a far greater role for South Africa in international innovation partnerships using the Sustainable Development Goals (SDGs) as a guiding multilateral policy framework; continue to implement the African Union's (AU) Science, Technology and Innovation Strategy for Africa (STISA); and pursue initiatives supporting Agenda 2063 and the Southern African Development Community's (SADC) Regional Indicative Strategic Development Plan. Bilateral co-operation with African partners will also be prioritised.

Outcome 2: Human capabilities and skills for the economy and for development

Outcome 2 seeks to further address the lack of transformation within the NSI. Hence, the Department will continue as well as expand the transformation agenda in all its science focus areas. The Department's agenda targets four levels of transformation; namely, spatial, institutional, demographic and transdisciplinary transformation. The five outcome indicators against which performance will be measured are:

i) Number of Department-funded PhDs graduating annually as a contribution to the NDP target of 100 PhDs per million population by 2030;
ii) Number of artisans and technicians absorbed into the economy in sectors where DSI has active programmes;
iii) Percentage increase of women and black researchers in South Africa's Research workforce;
iv) Percentage increase of PhD-qualified teaching and research staff; and
v) Improved knowledge about science among the general public.

In addition to existing actions, the Department will extend its collaboration with the Department of Basic Education to ensure that initiatives that encourage learners to participate in science, technology, engineering, mathematics and innovation (STEMI) subjects are implemented in all nine provinces (currently in seven provinces). Postgraduate funding will continue to be a priority and this funding policy will be structured around the full cost of support for financially needy students. However, should the postgraduate funding budget not grow, this would mean that less postgraduate students will be supported. Funding for engineering postgraduate studies will also be a specific focus, as well as support for the development of technical and artisan skills to support the deployment of newly developed innovations. In addition, to assess how South African's relate to STI, a dedicated survey will be conducted by the Human Sciences Research Council (HSRC) by 2023/24 and the report published by 2025/26.

Outcome 3: Increase knowledge generation and innovation output

Outcome 3 seeks to increase South Africa's research productivity, currently 0.88% of global share, to 1% of global output. The three outcome indicators against which performance will be measured are:

i) Increase South Africa's share of global publication outputs;

ii) Percentage increase in prototypes, technology demonstrators, pilot plants that advance industrialisation through innovation; and
iii) Percentage increase in patent and design applications filed from publicly financed R&D.

Key actions to increase research productivity will be to fast-track interventions aimed at PhD qualification attainment and implementing mandate-aligned programmes for historically disadvantaged institutions (HDIs) and universities of technology. The Department and the DHET will review the Research Outputs Policy to determine whether science councils can also benefit from this incentive programme, and through the HDI Development Grant, will develop programmes aimed at ensuring that there is a critical mass of publishing academics at HDIs. The Department will also focus on investments that support the translation of publicly financed IP into social and economic value. In terms of infrastructure, all 13 research infrastructures in phase one of the South African Research Infrastructure Roadmap (SARIR) will be implemented, and it is estimated that the planned increase of the South African National Research Network's (SANReN) total available broadband capacity to 7 100 Gbps by 2024/25 will provide broadband connectivity access to more than a million users. The establishment of a system for the recognition of prior learning in indigenous knowledge (IK) disciplines, as prescribed by the Protection, Promotion, Development and Management of IK Act, also represents a non-traditional way of developing human capabilities. Furthermore, the Department intends to develop a policy framework for the development of an IK-based pharmaceutical industry and bioinnovation institute.

Outcome 4: Knowledge utilisation for economic development in (a) revitalising existing industries and (b) stimulating R&D-led industrial development

Outcome 4 seeks to drive economic development through various initiatives associated with the sectoral masterplans and revitalised industrial strategy. The four outcome indicators against which performance will be measured are:

i) Rand value of research, development and innovation (RDI) investment attracted to support RDI needs identified through the sectoral masterplans process;
ii) Percentage increase in Small, Medium and Micros Enterprises (SMMEs) or Co-operatives whose performance has improved or who have secured new opportunities through support provided by the Department and its entities;
iii) Percentage increase in the commercialisation of granted IP rights from publicly-funded R&D; and
iv) Number of new R&D-led industrial development opportunities initiated by the Department.

Key actions for the Department include participating in the development of sectoral masterplans and implementing flagship programmes in support of priority sectors identified in the national revitalised industrial strategy. Examples of the latter include the continued deployment of hydrogen fuel cells in government buildings, critical infrastructure, as well as in rural formal and urban informal settlements to assess whether this alternative technology can ensure energy security and speed up the rate of electrification. Other examples include the Carbon Capture, Storage and Use Flagship Programme, the Energy Storage RDI Programme, the Indigenous Knowledge-based Technology Innovation initiatives, and the Medical Cannabis RDI Programme. Furthermore, increased attention will be given to building and supporting a pipeline for the development and commercialisation of outputs from publicly-funded R&D, as well as to an enforcement fund to enable publicly-funded institutions to prevent third-party infringement of their IP rights. The Department also aims to expand its network of Technology Stations and Platforms to support SMMEs and Co-operatives.

Outcome 5: Knowledge utilisation for inclusive development

Outcome 5 seeks to advance the vision of an inclusive and responsive NSI that provides equitable access to the country's knowledge infrastructure, and supports the broader concept of innovation. The two outcome indicators against which performance will be measured are:

i) Grassroots innovations whose commercialisation has been facilitated by the support / access of the multi-tiered support package provided by the Department and its entities; and
ii) Publicly-funded IP made available (accessible) in support of grassroots innovators.

The key features of the multi-tiered support package for the commercialisation of grassroots innovations will include technology development, compliance with industry standards, protection of IP and mentorship. The Department, to enhance the use of publicly-funded IP and ensure the deployment of locally developed technology solutions, will facilitate access to this IP that specifically relates to solutions that enable access to basic services, strengthens the state's capacity to provide services and promotes the inclusion of women, youth and people living with disabilities.

Outcome 6: Innovation in support of a capable and development state

Deploying national STI interventions is a challenge because the Department does not have a concurrent function within provincial and local government. However, the Department contributes to the development of an innovation ecosystem and a capable and developmental state via its Regional Innovation Support programmes. Outcome 6 seeks to increase the spatial footprint of innovation support so that innovation will enable localised socio-economic development. The four outcome indicators against which performance will be measured are:

i) Increase in the number of use cases of decision support systems;
ii) Number of demonstrators that have successfully introduced a new way of delivering a service;
iii) Number of districts / metros supported with technology-based applications as part of the District Development Model for Service Delivery Improvement; and
iv) Evidence informed integration of innovation in service delivery.

Key actions will be to ensure the piloting of appropriate technologies that facilitate service delivery, for example, technologies for waste management, water and wastewater management, housing, sanitation, and energy provision, as well as technologies for the circular economy to ensure a just transition to a low carbon economy in line with climate change and sustainable development obligations. The Department states that to build a coherent system to address both climate change and sustainable development, a digital economy is required. Therefore, the Department will focus on programmes that enable innovation and build capacity in the PSET system in ICT domains such as data science, artificial intelligence (AI), the Internet of Things (IoT) and cybersecurity. Furthermore, the capacity to optimally use 5G and other wireless technologies must also be developed so that the state and citizens can take advantage of the opportunities within a digital economy.

These outcomes are similar to the previous five strategic outcome-oriented goals, except that innovation in support of a developmental state has now been included as a separate outcome (outcome 6) where before it was all contained within Goal 5. In addition, in line with the Department's name change and expanded mandate, the outcomes and performance measures endeavour to ensure the centrality of innovation to the transformation and growth of South Africa's economy and the lives of its citizens, and new performance indicators speak directly to this. Furthermore, skills development targets will seek to build on the transformation gains made to date, but will also focus more closely on the needs of industry. Hence, Outcomes 1, 3 and 4 align to Pillar 1 of the 2019-2024 MTSF; namely, driving a strong and inclusive economy. Outcome 2 aligns to Pillar 2; building and strengthening the capabilities of South Africans; and Outcomes 5 and 6 align to Pillar 3; achieving a more capable state. The Department has also adjusted its Mission to now explicitly indicate that the leadership, enabling environment and resources it provides for

STI should not merely support South Africa's "development", but that this development must be "inclusive and sustainable" if the country is to transform its socio-economic trajectory.

3. Vote 35: Science and Innovation (2020/21)

The key focus of the 2020 State of the Nation Address (SONA) was inclusive growth, which relies on implementing the critical actions needed to build a capable state, and place the economy on a path to recovery. The importance of STI in realising these objectives has been illustrated in the NDP, the 2019-2024 MTSF and the Department's 2020-2025 Strategic Plan. Examples of specific actions outlined by President Ramaphosa in the 2020 SONA where STI is crucial to achieving the objectives set for these initiatives include:

- Energy security – enabling the development of additional generation capacity from renewable energy, natural gas, hydro power, battery storage and coal.
- Climate change – enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change and identifying new industrial opportunities in the green economy.
- Investing in skills and infrastructure – establishment of a new University of Science and Innovation in Ekurhuleni that will be focussed on high-impact and cutting-edge technological innovation for current and future industries. The development of a *smart city* in Lanseria.
- Digital economy – within the era of rapid technological advancement, the digital economy will increasingly drive growth and employment.
- Growing key industries – for example, agriculture, where R&D has ensured that the sector can adapt to and mitigate the effects of environmental degradation and climate change.
- Harnessing Data Science – development of the Health Patient Registration System (with the CSIR) to ensure effective implementation of the National Health Insurance.

The 2020 Budget, tabled amid a weakened economic outlook, increasing unemployment and the threat of COVID-19, is framed, among others, around a R63.3 billion downward revision of tax revenue; rising debt; and total expenditure reductions of R261 billion over three years of which R160 billion pertains to reductions in the public service wage bill. The consolidated 2020/21 government expenditure amounts to R1.95 trillion, with most of the spending focussed on learning and culture (R396.4 billion), social development (R309.5

billion) and health (R229.7 billion). Funding for new and urgent priorities will be provided for by reprioritising existing baselines.

The 2020/21 consolidated government expenditure for innovation, science and technology is R16.4 billion (R15.7 billion in 2019/20, revised estimate), which represents 1% of the total MTEF and 7.8% of the consolidated economic development expenditure of R211.5 billion. Within the 2020/21 consolidated expenditure for innovation, science and technology, R1.4 billion has been specifically set aside to support the commercialisation of technological innovation and upgrade infrastructure to strengthen the research and innovation capabilities of the CSIR and SANSA. Furthermore, within the existing pipeline of major infrastructure projects that are under development but have not yet been approved for funding, is the construction of the NRF's South African Isotope Facility, projected to cost R1.4 billion.

The Department states in its 2020-2025 Strategic Plan that, "the current budget allocation to various Programmes is based on a historic and incremental budgeting method. However, with priorities having changed due to the policy shift (new political administration and the new White Paper), this allocation method will change." Hence, "the Department will undertake a budget restructuring exercise within the MTEF allocated funds (and extrapolate to the two outer years) to ensure realignment with new priorities during the planning cycle. Guided by the Decadal Plan approach of sectoral planning, a sectoral-based budgeting approach will be adopted. The Department will be required to review and assess the efficiency, effectiveness and relevance of its investments. After the current planning cycle, funds will be reallocated to higher priority areas in the next MTEF. Existing initiatives or programmes that have a minimum impact and/or are no longer relevant will have to be scaled down or discontinued."

Over the medium-term, the Department is allocated R27.9 billion, where overall expenditure is expected to increase at an average annual rate of 5.8%, from R8.1 billion in 2019/20 to approximately R9.7 billion in 2022/23. This allocation will primarily be directed toward human capital development, generating and exploiting knowledge and innovation, and building and maintaining infrastructure for research and innovation. However, over the medium-term, Cabinet has approved reductions of R460.9 million to the Department's baseline allocation to be effected mainly on discretionary transfers and non-core goods and services. Since the work of fostering, promoting and supporting innovation in scientific research and technology is conducted largely by the Department's entities, universities and non-profit organisations, Transfers and subsidies account for an estimated 93% (R25.9 billion) of the Department's total budget over the MTEF period. Compensation of employees is the second-largest spending item in the Department, accounting for an estimated 4.8% (R1.3 billion) of the total expenditure over the medium-term, increasing at an average annual rate of 6.4% mainly due to the expected filling of critical posts. As at 31 January 2020, the Department had an overall vacancy rate of 23%, with 20% of Senior Management level posts being vacant.

Over the medium-term, an additional R1.2 billion is allocated to set up the Sovereign Innovation Fund to ensure more effective technology commercialisation; R185 million is allocated to the CSIR to invest in infrastructure aimed at improving the efficiency and competitiveness of scientific research; and R100 million is allocated to SANSA to invest in its space science programme.

The Department's 2020/21 budget allocation increases from R8.1 billion in the 2019/20 financial year to ***R8.8* billion** (Table 1). This represents, when adjusted for inflation, a real increase of 3.1%; and is the first real increase in the Department's budget allocation since the 2015/16 financial year. In terms of economic classification, the apportionment of the Department's 2020/21 budget allocation of R8.8 billion remains the same as in previous years and comprises Current payments of R632.5 million (7.2%), Transfers and subsidies of R8.2 billion (92.8%) and Payments for capital assets of R2.8 million (0.03%).

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

Programme	**2019/20 Adjusted appropriation (R' million)**	**2020/21 Expenditure estimate (R' million)**	**Percentage of total budget**	**Nominal percentage change in 2020/21**	**Real percentage change in 2020/21 (inflation-adjusted)**
1. Administration	391.3	360.3	4.1	-7.93	-11.81
2. Technology Innovation	1 224.3	1 504.5	17.1	22.88	17.71
3. International Cooperation and Resources	149.0	156.4	1.8	4.99	0.56
4. Research, Development and Support	4 572.9	4 882.5	55.5	6.77	2.27
5. Socio-Economic Innovation Partnerships	1 834.7	1 893.7	21.5	3.21	-1.14

Total	**8 172.3**	**8 797.4**	**100**	**7.65**	**3.11**
Economic Classification					
Current payments	645.7	632.5	7.19	-2.04	-6.17
Transfers and subsidies	7 523.9	8 162.2	92.78	8.48	3.91
Payments for capital assets	2.8	2.8	0.03	0	-4.21
Total	**8 172.3**	**8 797.4**	**100**	**7.65**	**3.11**

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

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

These programmes fulfil the Department's mandate of realising the full potential of science, technology and innovation in social and economic development. The percentage budget allocation to the Programmes and in terms of economic classification remains essentially the same as in previous financial years. The budget allocation is aligned to the priorities of strengthening and expanding STI human capital development and ensuring that innovation and knowledge underpin the government's growth strategy. Hence, Programmes 2, 4 and 5, that are responsible for the transfers to the following Departmental entities; namely, ASSAf, CSIR, HSRC, NRF, TIA and SANSA, receive 94% of the Department's total budget allocation.

For 2020/21, the Department has captured its performance reporting into 51 performance outputs that have been translated into 52 performance indicators.

Programmes 2 to 5, since 2019/20, include a sub-programme for the Offices of the Deputy Director-Generals (DDGs), where Programme 2 is allocated R5.3 million, Programme 3 is allocated R5.7 million, Programme 4 is allocated R4.5 million and Programme 5 is allocated R3.5 million. The total allocation to the DDGs Offices is R19 million (R16.7 million in 2019/20). This sub-programme provides management and administrative support to the Programmes and the Offices of the DDGs.

3.1. Programme 1: Administration

Programme 1 provides strategic leadership, management and support services to the Department and is responsible for six of the Department's 2020/21 performance targets. Its sub-programmes are Ministry, Institutional Planning and Support (IPS), Corporate Services (CS) and Office Accommodation. Programme 1's R360.3 million, which has been subjected to a real decrease of 11.8%, will mainly be spent on salaries (R200.4 million) and on Goods and services (R141.6 million). The sub-programmes, IPS and CS, being responsible for strategic and operational planning, management, monitoring and evaluation, receives the bulk of Programme's 1 allocation. Notable changes include the significantly reduced allocation to the Office Accommodation sub-programme, which decreases from R53 million to R5.6 million and that expenditure on property payments decreases from R60.3 million in 2019/20 to R13.3 million in 2020/21, the latter amount being similar to those in the three financial years before 2019/20. The substantial increase to the Office Accommodation allocation in 2019/20 was for a feasibility study on the design and construction of a new building and for the refurbishment of the existing headquarters of the Department.

A risk identified in the Department's 2020/21 APP is that the Department may, at present, not be enabled to effectively coordinate and steer the implementation of the 2019 White Paper. The Department states that this risk will be mitigated through the establishment of a ministerial-level committee for STI and a Presidency-level STI Plenary; the development of the Decadal Plan; and improved stakeholder mapping and targeted engagements to support the implementation of the 2019 White Paper. The Department will also be undertaking an organisational structure review, which will change the current post establishment, as well as a budget restructuring process to ensure alignment with its expanded mandate and new priorities. Priority will then be given to filling those vacancies that are crucial in terms of the Decadal Plan. A key performance objective for Programme 1 is to ensure that the Decadal Plan will be finalised and approved by Cabinet by 31 March 2021.

Programme 1 also administers and funds the operations of NACI, which is estimated to be R16.7 million for 2020/21. Programme 1 transfers R15.6 million to non-profit institutions for *Institutional and programme support research*.

3.2. Programme 2: Technology Innovation

Programme 2 enables R&D in space science and technology, energy security, the bioeconomy, and in the areas of nanotechnology, robotics, photonics and indigenous knowledge systems (IKS), and promotes the realisation of commercial products, processes and services from these R&D initiatives. In addition, through the implementation of enabling policies and interventions along the entire innovation value chain, promotes the protection and utilisation of IP, technology transfer and technology commercialisation. It is responsible for 14 of the Department's 2020/21 performance targets. Programme 2 has five sub-programmes and one specialised service delivery unit (SSDU). These are Space Science, Hydrogen and Energy, Bio-innovation, Innovation Priorities and Instruments (IPI), the Office of the DDG, and the National Intellectual Property Management Office (NIPMO).

Programme 2 receives R1.5 billion (17%) of the Department's total allocation, which is a real increase of 17.7% when adjusted for inflation. The IPI sub-programme that supports and strengthens the policy initiatives that aim to create and sustain an enabling environment for innovation, technology development and the commercialisation of products from publicly funded R&D, continues to receive the largest share of Programme 2's budget, as well as the largest increase to its allocation, growing in real terms by 35.3%. The allocation is estimated to increase further over the medium-term to R1.15 billion in 2021/22 and R1.18 billion in 2022/23. The lowest allocation, as in previous financial years, goes to NIPMO. The remaining funds are relatively equally distributed between the Space Science, Hydrogen and Energy and Bio-innovation sub-programmes, with only Space Science receiving an above-inflation increase.

Approximately 93% (R1.4 billion) of Programme 2's budget is allocated to Transfers and subsidies, with the entities, TIA and SANSA receiving R455.9 million (R440.9 million in 2019/20) and R182.1 million (R143.5 million in 2019/20), respectively. Space science research is also allocated R31.4 million from the Economic Competitiveness and Support Package, which is the next tranche of funding for the further development of South Africa's earth observation satellite, EO-Sat1. Furthermore, the stated emphasis on innovation reflects in a transfer to various institutions for *Innovation projects research* amounting to R1.3 billion over the medium-term, with the 2020/21 allocation being R241.4 million, a significant increase from the R19.5 million transferred in 2019/20. Thereafter, the transfers for 2021/22 and 2022/23 are estimated to be R544.9 million and R546.5 million, respectively. The significantly increased transfers (i.e. from 2019/20) to various institutions (public corporations) for *Emerging research areas* is sustained and amounts to R364 million over the medium-term, with R116.5 million transferred in 2020/21. The latter supports research in fields related to the Fourth Industrial Revolution.

Strategic policy initiatives that will receive specific attention over the medium-term include continuing the work to establish the Sovereign Innovation Fund, which is allocated R1.2 billion over the medium-term and accounts for the significant increase to the IPI sub-programme's allocation. The Department will undertake the 2nd Five-year Review of Hydrogen South Africa (HySA); as well as reviews of the TIA, SANSA, the Intellectual Property Rights from Publicly Financed Research and Development Act, and NIPMO.

3.3. Programme 3: International Cooperation and Resources

Programme 3 supports South Africa's foreign policy through science diplomacy. Hence, it develops, promotes and manages international relationships, opportunities and science and technology agreements that both strengthen the NSI and enable an exchange of knowledge, capacity and resources between South Africa and its international partners, with a focus on supporting STI capacity building in Africa. It is responsible for nine of the Department's 2020/21 performance targets. Programme 3 has four sub-programmes; namely, Multilateral Cooperation and Africa, International Resources, Overseas Bilateral Cooperation and the Office of the DDG.

Programme 3 receives approximately 2% (R156.4 million) of the Department's 2020/21 budget allocation, which is the smallest portion and increases just slightly above inflation. The distribution of the allocation between sub-programmes remains the same as in previous financial years, with International Resources being allocated the largest share at 44.7%. In terms of economic classification, R81.8 million is allocated to Current payments and R74.6 million to Transfers and subsidies. With regard to the latter, R16.7 million is transferred to the NRF, who manages Bilateral cooperation for global science development agreements on behalf of the Department; and non-profit institutions receive R47.6 million for Global science: International multilateral agreements and R10.4 million for Global science: African multilateral agreements.

Over the medium-term, Programme 3 aims to secure international funding of R900 million; the participation of 2 090 South African researchers in international postgraduate training programmes; provide technical and financial support for 67 SADC and AU approved STI initiatives; and secure 12 new leadership positions in international STI governance structures for South Africa. The Department's 2020-2025 Strategic Plan states that, "The traditional focus of South Africa's international STI partnerships has been on research cooperation, chiefly involving public organisations, especially higher education institutions. A stronger emphasis will be placed on innovation and commercialisation initiatives". Hence, the Department will pursue dedicated interventions to increase the STI-focussed foreign investment secured by South Africa. Furthermore, specific policy initiatives will focus on the implementation of a dedicated strategy for Africa and enhanced partnerships with the European Union.

3.4. Programme 4: Research, Development and Support

Programme 4 seeks to provide an enabling environment for research and knowledge production that promotes the strategic development of basic sciences and priority science areas through science promotion, human capital development and the provision of research infrastructure and relevant research support, in pursuit of South Africa's transition to a knowledge economy. It is responsible for 13 of the Department's 2020/21 performance targets. Programme 4 has five sub-programmes; namely, Human Capital and Science Promotions, Science Missions, Basic Science and Infrastructure, Astronomy and the Office of the DDG.

Programme 4 is allocated R4.88 billion (55.5%) of the Department's total allocation. The increase in Programme 4's budget, once adjusted for inflation, represents a real increase of 2.3% (real decreases of 4% in 2019/20 and 5% in 2018/19). Only the allocation to the Human Capital and Science Promotions sub-programme, which receives 55.5% of the Programme 4's allocation, does not increase in line with inflation. The Basic Science and Infrastructure sub-programme receives its first real increase in two years after being subjected to decreases in allocation of approximately R102 million in 2019/20 and R49 million in 2018/19. The distribution of the allocation between sub-programmes remains the same as in previous financial years.

Approximately 98.7% (R4.82 billion) of Programme 4's budget is allocated to Transfers and subsidies, with the entities, ASSAf, NRF and CSIR receiving R27.9 million, R3.4 billion and R260.2 million, respectively. Other notable transfers include R793.8 million for Infrastructure projects for R&D and R230.8 million for Strategic science platforms for R&D. The increase in the Astronomy sub-programme's allocation is largely driven by the R780.8 million capital contribution for research on the Square Kilometre Array. Over the medium-term, this sub-programme is allocated R2.6 billion.

Over the medium-term, Programme 4 is allocated R15.3 billion for the development of human capital through the provision of postgraduate bursaries, internships, support for emerging and established researchers, and strategic instruments such as the South African Research Chairs Initiative (SARChI). Included in this, is R6.3 billion to the NRF for the awarding of 20 600 postgraduate and 7 400 doctoral STEMI bursaries.

Strategic initiatives that will receive specific attention include developing a framework for and draft of the South African Open Science Policy; developing a Postgraduate Funding Policy; developing a reporting framework on postgraduate bursaries; developing a framework for an efficient, holistic financial aid ecosystem for both undergraduate and postgraduate funding; developing a policy on the training of postgraduate engineering students; implementing the digital platform for tracking NRF-funded students; finalising the South African Council for Natural Scientific Professions (SACNaSP) Amendment Bill; and conducting a feasibility study for an astronomy institute.

3.5. Programme 5: Socio-Economic Innovation Partnerships

Programme 5 seeks to enhance the growth and development priorities of government through targeted STI interventions and the development of strategic partnerships with all levels of government, industry, research institutions and communities. It is responsible for 10 of the Department's 2020/21 performance targets. Programme 5 has five sub-programmes; namely, Sector Innovation and Green Economy, Innovation for Inclusive Development, Science and Technology Investment, Technology Localisation, Beneficiation and Advanced Manufacturing, and the Office of the DDG.

Programme 5 receives R1.89 billion (21.5%) of the Department's total budget allocation. The increase in Programme 5's budget, once adjusted for inflation, represents a real decrease of 1.1%, with only the Science and Technology Investment sub-programme receiving an above-inflation increase of 1.4%. The distribution of the allocation between sub-programmes remains the same as in previous financial years, with Sector Innovation and Green Economy being allocated the largest share at 57% to establish high impact scientific research that would support the growth of environmental technologies and services in South Africa. Over the medium-term, R5.8 billion will be invested in the development of industry, particularly in high-potential fields such as aerospace, advanced manufacturing, chemicals, advanced metals, mining and ICT; the creation of instruments to increase the competitiveness of SMMEs; and youth, by fully funding and co-funding 1 454 masters and doctoral students, and 590 interns. An estimated R3.4 billion of the R5.8 billion is earmarked for advancing technology-based interventions intended to enhance South Africa's economic competitiveness and increase exports, and R123.6 million of the R3.4 billion is to be invested in a range of ICT initiatives such as artificial intelligence, nanotechnology, quantum computing and biotechnology. Furthermore, activities related to advancing the development of a joint industry-government Mining R&D Hub will be funded through an allocation of R1.2 billion over the medium-term in the Innovation for Inclusive Development sub-programme.

Approximately 96.7% (R1.83 billion) of Programme 5's budget is allocated to Transfers and subsidies, with the entities, NRF, HSRC and CSIR receiving R8.9 million, R337.6 million and R1.06 billion, respectively.

Other notable transfers include R148.8 million from the Economic Competitiveness and Support Package for research and technical support to local manufacturing capacity and local innovations for the cold chain technology project.

Over the medium-term, Programme 5 will focus on how science and technology can be used to achieve inclusive development; identify, grow and sustain niche, high-potential STI capabilities for sustainable development, the greening of society and the economy, and improve the competitiveness of existing industries; strengthen provincial and rural innovation and production systems; enhance understanding and analysis that support improvements in the functioning and performance of the NSI; and introduce and manage interventions and incentive programmes that increase the level of private sector investment in scientific or technological R&D. Policy initiatives that will be focused on over the medium-term include increasing the spatial footprint of the Living Labs in community learning centres; examining how the Preferential Procurement Policy Framework Act can transform service delivery; and reviving and developing a position paper on the STI Budget Coordination Mechanism and the arrangements finalised with National Treasury and STI-intensive national government departments.

3.6. Budgetary allocations in support of COVID-19 interventions

The Department reported that it has, to date, reallocated R324.2 million to support a range of COVID-19 interventions. The specific amounts taken from each Programme and its intended purpose is outlined in Table 2.

Table 2: Budgetary allocations in support of COVID-19 interventions

Programme	Amount R'000	Intervention	Impact on Programme
Administration	1 659	Employees' Health and safety. Provision of digital communication strategy services.	None. Funded from savings under goods and services.
Technology Innovation	102 516	Development of COVID-19 Indigenous knowledge-based remedies. Development and manufacturing of testing kits and reagents, including rapid test.	Projects and programmes to be deferred. No impact in the long term on the

		Study for repurposing of drugs. Acquisition of high resolution satellite imagery for settlement layer and mapping of Spaza shops and hotspots.	contracted projects, partly because the implementation is delayed due to the COVID-19 outbreak.
International Cooperation and Resources	35 000	R15 million: Co-funding for a special African rapid response to COVID-19 research fund to be administrated by the NRF for cooperation with 15 other African countries – Canada, Germany and the UK have made available R75 million to the fund – meaning the South African investment leveraged foreign investment at a ratio of 1:5. R20 million: Co-funding of South African participation in various COVID-19 research and innovation programmes funded by the European Union such as the European Developing Countries Clinical Trials Partnership and the EUREKA Life without a Vaccine programme.	Delay funding other projects.
Socio-economic Innovation Partnerships	185 000	Several interventions are at various stages of implementation. This includes the establishment of the COVID-19 data system at the CSIR, ongoing work to build a robust evidence base on human behaviours and perceptions, deployment of 3D printing technologies for various COVID-19 requirements, support for ventilator development, and targeted support to technology stations to assist SMMEs with technology support to either respond to or adapt to changing requirements as a result of COVID-19.	No impact for a portion of the funding since implementation of projects will be delayed as a result of COVID-19 (for example, the Mandela Mining Precinct) and through savings within projects of line items such as equipment and reduced travel.

			Some impact on the recapitalization of technology stations and implementation of Innovation for Inclusive Development initiatives. These may be mitigated through partnerships with other government departments and social sector.
Total			**324 175**

For the 2020-2025 period, the Department states that it will strive to foster and enable the entrenchment of an innovation culture across government, and will do so by introducing measures to endorse or assess STI components in all departmental strategies, and/or provide advice, expertise, facilitation and mediation on STI issues. The Department further states that this role must be clearly defined since there has not been a clear leader and owner of innovation policy development in government before.

4. Committees Deliberations

In concluding their deliberations on Budget Vote 35: Science and Innovation, the Committees commended the Department for the work they do and for formulating coherent strategies and performance plans. Furthermore, the Committees noted the following:

4.1. Transformation of the STI sector in terms of human capacity, organisational composition, and the R&D focus areas; requires deliberate, well considered, and adequately resourced interventions. Hence, the Committee is keen to receive briefings by the Department on these important policy interventions (for example, the new postgraduate funding policy), which aim to chart a new trajectory for the future development and enhancement of South African STI.

4.2. To ensure that the country participates meaningfully in the Fourth Industrial Revolution, the Committee recognised the important role the Department may have to play in the design and establishment of the proposed science and innovation university.

4.3. Crucial to the transformation of the human capacity in the STI sector, is the creation and continued growth of a pipeline of students pursuing careers in science, mathematics and engineering. Discussion around curricula involving the Departments of Basic Education, Higher Education and Training as well as Science and Innovation, is necessary to assess and input on how this contributes to what is required for the science, technology and innovation system, as well as the skills needed for the economy.

4.4. Intergovernmental coordination and partnerships are instrumental in ensuring that the work done by the Department and the entities is used and implemented. These relationships are crucial to ensuring that crosscutting activities are better co-ordinated, resources are optimally utilised and solutions that improve the quality of life of the people are implemented. Hence, the Committee welcomes the on-going internal consultations, particularly around funding responsibilities and awaits the finalisation of the Decadal Plan and the establishment of the inter-Ministerial STI Committee to see how the proposed innovation compacts will be realised.

4.5. Enhanced coordination is also necessary at Parliamentary level among the various Portfolio and Select Committees in instances where science and innovation issues are transversal. Increased joint activities will; therefore, be pursued.

4.6. The Department has a mandate to deliver on Government's national priorities. In this regard, the Committees raised its concern about the evident financial sustainability challenges and further proposed budget cuts, especially now when science and innovation has been crucial to the national effort to curb COVID-19 and is also expected to ensure that the country recovers from the impact of COVID-19 on the economy.

4.7. The Committees expressed concern that the impact of the budget cuts would be absorbed by reprioritising posts. This is problematic for a Department that already has a 23% vacancy rate.

4.8. The Committees noted the National Treasury directive that entity budgets be cut by 20%. However, the Committees are concerned by the seemingly uneven application of this directive to the budgets of the Department's entities.

4.9. The current total investment in R&D is inadequate to drive the economic transformation agenda of South Africa and would need to be increased to effectively meet the goals of NDP Vision 2030. Of particular concern to the Committees is the decreasing expenditure on R&D by the business sector.

4.10. Science, technology and innovation drive most of our daily activities. Hence, the Committees expressed concern that the work undertaken by the Department and its entities is not well communicated and in many instances completely unknown. Furthermore, efforts to increase the levels of public science awareness and engagement are inadequate and need to be enhanced.

4.11. Impressed by the level and scope of work of the Department, the Committees would like to see the Department and its entities assume a more prominent and leading role in ensuring that science and innovation transforms and drives economic growth and is implemented widely to serve the needs of South Africans.

The Select Committee on Education and Technology, Sport, Arts and Culture, having considered Budget Vote 35: Science and Innovation, together with the 2020/21 – 2024/25 Strategic Plan and 2020/21 Annual Performance Plans of the Department of Science and Innovation, reports that the Committee has concluded its deliberations thereon.

Report to be considered.

7. REPORT OF THE SELECT COMMITTEE ON EDUCATION AND TECHNOLOGY, SPORT, ARTS AND CULTURE OF THE BUDGET VOTE 37: SPORT, ARTS AND CULTURE, DATED 03 JUNE 2020.

The Select Committee on Education and Technology, Sport, Arts and Culture (hereafter, the Committee), having considered the Budget Vote 37: Sport, Arts and Culture and the 2020/2021 Annual Performance Plan (APP) of the Department of Sport, Arts and Culture, reports as follows:

1. Introduction and background

In the State of the Nation Address on 16 February 2018, the President of the Republic of South Africa, Mr Cyril Ramaphosa pronounced that the growth, development and transformation depend on a strong and capable state. He stated that it was critical that the structure and size of the state was optimally suited to meet the needs of the people and ensure the most efficient allocation of public resources.

Therefore, he committed to initiate a process to review the configuration, number and size of national government departments. The President also pronounced in his budget vote speech on 23 May 2018 "A review of the size, composition and efficiency of Government was being undertaken by a task team led by the Presidency". President Ramaphosa announced his new Cabinet on 29 May 2019. The reconfigured and reduced National Executive saw the merging of some departments. The President outlined that some portfolios were to be merged in order to strengthen them.

He also committed to a process of further reforms to "promote coherence, better co-ordination and improved efficiency" of the Government. This whole process saw the merger of the former Department of Arts and Culture (DAC) and the Department of Sport and Recreation South Africa (SRSA), to form the Department of Sport, Arts and Culture (DSAC) with effect from 1 April 2020.

This 2020/21 financial year is thus the first for the newly formed Department. Therefore, the 2020/21 budget allocation that represents the first year of the new 2019 – 2024 Medium Term Strategic Framework (MTSF) and Vote 37: Sport, Arts and Culture pertains to the Department of Sport, Arts and Culture (hereafter, the Department) as constituted before the Cabinet.

The Portfolio Committee on Sport, Arts and Culture and Select Committee on Education and Technology, Sports, Arts and Culture, considered the 2020/21 Annual Performance Plan (APP) and 20/21 – 2024/25 Strategic Plan of the Department of Sport, Arts and Culture on Tuesday, 12 and Wednesday, 20 May 2020. Due to the current COVID-19 Lockdown, the meetings were held virtually via Microsoft TEAMS.

Those that appeared before the two Committees during the Budget Review session included the following:

Mr EN Mthethwa, the Minister of Sport, Arts and Culture; Ms N Mafu, the Deputy Minister of Sport, Arts and Culture; Mr V Mkhize, the Director General: DSAC; Mr M Matlala, the CFO; Ms S Khan, the Deputy Director General; Dr S Tyiso, the Chief Director; Mr S Nkanunu, the PLO (Minister's Office); Mr S Watani, the Coordinator; and Mr R Mudau, the PLO (Deputy Minister's Office).

This report gives a brief summary of the presentations made by the DSAC to the Committees, focusing mainly on the Department's 2020 - 21 Annual Performance Plan, the 2020 Medium Term Expenditure Framework (MTEF) allocations, and the overview of allocations per programme. The report also provides the Committee's key deliberations and recommendations relating to the Vote.

Copies of all presentations on the Budget Review of the Department of Sport, Arts and Culture (DSAC) are available from the office of the Committee Secretary.

2. Overview of 2020 Division of Revenue Bill (DoRB)

Slow and declining economic growth, declining tax revenues and increasing debt costs over the past few years has strained the country's public finances. The Government's past efforts to place the fiscus on a more sustainable path have been focused on cutting expenditure and raising tax revenue, however; these interventions have not stabilised the debt. The Government's fiscal consolidation efforts over the 2020 Medium Term Expenditure Framework (MTEF), continues to target expenditure, with the aim of reducing expenditure as a share of the Gross Domestic Product (GDP), as well as improving the composition of expenditure (i.e. reduce non-interest spending).

The 2020 Budget, therefore, proposes a net non-interest expenditure reduction of R156.1 billion over the medium term, which is largely to be derived from the proposed cut of R160.2 billion on compensation spending over the same period. Other measures include baseline reductions of R66 billion in 2020/21, R88.1 billion in 2021/22 and R106.8 billion in 2022/23, which will be effected to Government programmes across all three spheres.

The Budget amounts to R1.77 trillion in 2020, which is an increase of R82.6 billion or 4.9 per cent from the adjusted allocation of R1.68 trillion in 2019. The R1.77 trillion budget for 2020/21 is allocated as follows: National Government receives R1.2 trillion, Provinces receive R538.5 billion and the Local Government receives R74.7 billion. The National Government allocation of R1.2 trillion constitutes the bulk of nationally raised revenue, at 65.3 per cent in 2020/21. When the Contingency Reserve; Debt Service Costs and the Provincial and Local Government Conditional Transfers are excluded, the national equitable share amounts to 49.2 per cent; Provinces receive 42.2 per cent; and the Local Government receives 8.6 per cent in 2020/21.

2.1. Provincial Transfers

Provincial transfers (i.e. both the equitable share and conditional grants) have been cut in line with the Government's fiscal consolidation efforts. Provinces had to identify a number of cost-saving measures (without compromising services) and these include:

- Maintaining compensation limits;
- Reduced costs by merging provincial public entities, improved integrated planning to avoid the duplication of services and enhanced contract management to ensure the correct pricing of projects; and
- Identified savings of 5 to 7 per cent in their Budget for each year over the medium term.

There are, however, limitations in the Provinces' ability to effect cost reductions, savings and reprioritisation. Given that 80 per cent of provincial transfers are allocated through the equitable share, more needs to be done to identify new revenue sources, or alternatively assessing the effectiveness of current revenue sources for optimal revenue generation. In 2020/21, total transfers to Provinces amount to R649.3 billion of which the equitable share amount to R538.5 billion and conditional grants amount to R110.8 billion. Included in the total conditional grant allocation of R106.7 billion is an unallocated amount of R433 million, which is the funding that is set aside for Provincial Disaster Relief (i.e. R138.5 million for 2020/21) and Emergency Housing (i.e. R294.9 million). These funds are only released once a disaster has been declared. Despite the cuts, the Provincial Equitable Share (PES) grows on average by 6.3 per cent, which is above the projected average inflation rate of 4.5 per cent over the 2020 MTEF period.

Table 1 below, shows the estimated budget allocations for all nine provinces over the 2020 MTEF.

Table 1: Budget allocations over 2020 MTEF

Province R`million	**Equitable Share**	**Conditional Grants**	**Total Transfers 2020/21**	**Equitable Share 2021/22 est**	**Equitable Share 2022//23 est**
Eastern Cape	71 415	12 488	83 903	75 306	78 841
Free State	30 017	8 239	38 256	31 897	33 657
Gauteng	112 118	23 935	136 053	121 121	129 908
KwaZulu-Natal	111 442	22 011	133 453	117 755	123 544
Limpopo	62 239	9 890	72 219	66 256	69 935
Mpumalanga	44 105	8 312	52 417	46 996	49 724
Northern Cape	14 290	4 542	18 832	15 207	16 068
North West	37 548	7 743	45 291	40 174	42 682
Western Cape	55 208	13 191	68 399	59 276	63 194

2.2. **Conditional Grant Transfers to the Provinces**

The extent to which conditional grants are used and their design depend very much on the constitutional, institutional and fiscal circumstances of the country. In the most general sense, the purpose of conditional grants is to influence the fiscal decisions of the provincial government, presumably with the express intent of achieving some objective of national government,

2.2.1. Conditional Grant Transfers to the Eastern Cape

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.2. Conditional Grant Transfers to the Free State

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.3. Conditional Grant Transfers to the Gauteng

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.4. Conditional Grant Transfers to the North West

(a). Reprioritisation of grant funding:

- None for sport, arts and culture.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.5. Conditional Grant Transfers to the KwaZulu-Natal

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.

- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.6. Conditional Grant Transfers to the Limpopo

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.7. Conditional Grant Transfers to the Mpumalanga

(a). Reprioritisation of grant funding:

- None for sport, arts and culture.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.8. Conditional Grant Transfers to the Northern Cape

(a). Reprioritisation of grant funding:

- None for sport, arts and culture sector.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.2.9. Conditional Grant Transfers to the Western Cape

(a). Reprioritisation of grant funding:

- R90 million has been reprioritised within the *Mass Participation and Sport Development Grant* over the 2020 MTEF, to support the Netball World Cup that will be hosted in the Western Cape in 2023.

(b). Reductions to baselines:

- The Community Library Services Grant's baseline has been reduced by 6.6 per cent, 5.7 per cent and 4.7 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R283 million over the medium term.
- The Mass Participation and Sport Development Grant's baseline has been reduced by 8.8 per cent, 10 per cent and 10.5 per cent, respectively for each year of the 2020 MTEF. The reductions in total amount to R201 million over the medium term.

2.3. Purpose of the Budget Vote: 37

After the Minister of Finance has presented the Budget, the Committee should call the Department to present its Annual Performance Plan (APP). The Committee shall scrutinise the Department's plans to achieve its planned targets against the allocated budget. The Committee can also check whether the Department has followed through on its undertakings made for the previous year and whether it has appropriately spent taxpayers' money. This is in line with the

Constitution of the Republic of South Africa, 1996 and the Rules of Parliament that mandates the Committee to oversee the activities and performance of the Department. After Members of each House of Parliament (National Assembly and National Council of Provinces) have approved Budget Vote 37, the Minister will then proceed to spend the money as budgeted. Therefore, it is vital for the Committee to approve this Budget Vote.

3. Strategic Overview of the Department of Sports, Arts and Culture

3.1. National Development Plan (NDP) vision 2030

The NDP is a guiding document for South Africa. In 2012, Cabinet adopted the NDP as a long-term vision and plan for the country. The former SRSA and DAC responded to Chapter 15: Transforming society and uniting the country.

This chapter draws together what is needed to transform the South African society to be prosperous, non-sexist, non-racial and democratic. These are key values in the Constitution of the Republic of South Africa. The newly merged Department of Sport, Arts and Culture (DSAC) as such responds to Chapter 15 of the NDP and with its strategic plan supporting the Government priorities.

- **The 2019-24 Medium Term Strategic Framework (MTSF)**

The Sixth Administration of the South African Government considers the next five years as the era that is defined by working together to implement the deliverables, as per the Medium Term Strategic Framework (MTSF) 2019-24. The following outcomes provide framework for the work of the Department.

- **Transformed, capable and professional sport, arts and culture sector:**

Thriving cultural and sporting activities can help in building and maintaining social capital encouraging strong community bonds, active citizenship and participation. Senses of identity, place, ownership and belonging are among the significant benefits that culture, arts and sport activities bring to a community and its environment. Cultural facilities such as museums and libraries contribute to the cultivation of attractive, vibrant, busy places that people can enjoy in safety. High-quality outdoor space enriches local culture, and engaging young people in sport and culture is a way of fostering social inclusion and preventing antisocial behaviour.

- **Integrated and accessible sport, arts, culture and heritage infrastructure and information:**

Planning for the provision of opportunities to participate in culture, arts and sport has met a key requirement of the NDP. Culture, arts and sport are fundamental to building sustainable communities in which people want to live and work. Participation in cultural and sporting activities enhances people's personal enjoyment, development, and fulfilment and improves their physical and mental health and wellbeing. High-quality cultural and sports facilities help to make places more attractive, help to boost economic activity and prosperity, and aid the development of shared identities and increased understanding between different communities.

- **Compliant and responsive governance:**

Responsive and accountable public governance begins with the State leadership working with the citizens to formulate and agree on a NDP 2030 vision for the country that will guide the development efforts focused on the well-being of the people. The DSAC's programmes will benefit the public as well promoting a citizen-driven initiatives and people's willingness to participate in decision making.

- **Increased market shares of and job opportunities created in sport, cultural and creative industries (CCI)**

The aim is to transform the South African economy to enable the meaningful participation of Black people, women, and rural communities in the mainstream of the economy. This is to be done in a manner that has a positive impact on employment, income redistribution, structural readjustment and economic growth in the sport, arts and cultural sector.

3.2. Sustainable Development Goals (SDGs)

The mandate of the NDP is closely aligned to the United Nations (UN) Sustainable Development Goals (SDGs) Agenda 2030, as well as the African Union (AU) Agenda 2063. The 17 UN SDGs are the global plan to build a better world for humanity and the environment by 2030. The UN SDGs were adopted by all member states in 2015, with SDGs calling for action by all countries, rich and poor, to promote prosperity while protecting the environment. The SDGs also recognised that ending poverty must go hand-in-hand economic growth and addressing social needs such as health, education, equality and work opportunities, while tackling climate change and preserving our oceans and forests. These are integrated into the government planning systems and processes at national, provincial and local level (United Nations, 2019). The United Nations Children's Emergency Fund (UNICEF) South Africa has through its sport for development initiatives, shown that the introduction of inclusive sporting programmes can result in a 77% violence reduction, a learner attendance improvement of 81%, and an increase of 76% in positive life skills such as cooperation, teamwork, and respect in communities (UNICEF, 2018). Cultural and creative industries are major drivers of economies by contributing to the creation of 29.5 million jobs globally, and 3% of all jobs in South Africa, rising to nearly 7% or 1 million jobs when creative industry support occupations are included. In addition to economic benefits, the cultural and creative industries also generate merit to people-centred value, sustainable urban development, development of creativity and culture, and contribute to the achievement of 2030 Agenda. At the same time, creativity and culture also have a significant non-monetary value that contributes to inclusive social development, to dialogue and understanding between peoples. Culture is both a driver and an enabler of human and sustainable development. It empowers people to take ownership of their own development, and stimulates the innovation and creativity which can drive inclusive and sustainable growth.

4. Vote 37: Sport, Arts and Culture

The 2020 Budget, tabled amid a weak economic outlook, technical recession and the instabilities in the country due to the coronavirus (COVID-19) pandemic. The 2020 Budget is built around six prescripts; namely, achieving higher economic growth, increasing tax collection, restraining expenditure, stabilising and reducing debt, reconfiguring state-owned enterprises, and managing the public sector wage bill. In his 2020 Budget Speech, the Minister of Finance proposed reductions of R261 billion over the next three financial years, i.e. the medium-term. This includes a R160.2 billion reductions to the wage bill of national and provincial departments and national public entities. For the Department, Cabinet has approved budget reductions amounting to R1.2 billion over the medium-term (R376.3 million in 2020/21, R416.3 million in 2021/22 and R431.1 million in 2022/23) to the Department's baseline allocation. These reductions will mainly be effected on: transfers to heritage assets and institutions, spending on goods and services across all programmes, transfers to entities, transfers to libraries and the Community Library Services Conditional Grant (CLSG), transfers to performing arts institutions, funding for projects linked to the Mzansi Golden Economy (MGE) strategy, transfers to LoveLife and transfers to the Mass Participation and Sport Development Grant. The details of how these reductions will affect the DSAC's budget programmes are discussed in the section below that looks at the programme analysis. The nominal amounts for the budget allocation across the Medium Term Expenditure Framework (MTEF), allocations show a year-on-year increase. However, when the projected inflation rates (2020/21: 4.4%; 2021/22: 4.6% and 2022/23: 4.6%) are taken into consideration, the budget remains almost unchanged around R5.5 billion.

Table 1: Medium Term Expenditure Framework (MTEF) Projection

R million		2020/21 Total	2020/21 Current payments	2020/21 Transfers and subsidies	2020/21 Payments for capital assets	2021/22 Total	2022/23 Total
MTEF allocation							
1: Administration	Purpose: Provide strategic leadership, management and support services to the Department.	451.9	440.2	0.1	11.5	462.4	476.3
2: Recreation Development and Sport Promotion	Purpose: Support the provision of mass participation opportunities, the development of elite athletes, and the regulation and maintenance of facilities.	1 460.3	189.1	1 073.4	197.8	1 525.4	1 566.7
3: Arts and Culture Promotion and Development	Purpose: Promote and develop arts, culture and	1 295.1	266.4	1028.7	-	1 369.5	1422.1

	languages, and implement the national social cohesion strategy.						
4: Heritage Promotion and Preservation	Purpose: Preserve and promote South African heritage, including archival and heraldic heritage. Oversee and transfer funds to libraries.	2 512.8	123.0	2 389.9	-	2 678.1	2 804.5
Total expenditure estimates		**5 720.2**	**1 018.7**	**4 492.1**	**209.3**	**6 035.5**	**6 269.6**

4.1.**The 2020/21 Budget allocation per Programme**

The budget structure for the Department has four expenditure programmes with a total of 41 targets and a total allocation of R5.7 billion for 2020/21. The Department's budget will be spent over the four major programmes, namely:

- Programme 1 – Administration;
- Programme 2 – Recreation Development and Sport Promotion;
- Programme 3 – Arts and Culture Promotion and Development; and
- Programme 4 – Heritage Promotion and Preservation.

These programmes fulfil the Department's mandate of realising the full potential of sport, arts and culture in social and economic development. The percentage budget allocation to these Programmes and sub-programmes have completely changed due to the merger between two departments at the beginning of the new 2020/2021 financial year.

Given the constrained fiscal environment, the 2020 budgeting process will primarily focus on strengthening measures of efficiency and effectiveness, identifying areas of rescheduling or termination, managing budgetary and service delivery risks and identifying areas to strengthen collaboration with other departments or entities to deliver services more efficiently and effectively.

This requires tough policy and budgetary decisions, evidence-based decision-making and the need to reprioritise towards policy priorities. Strengthened collaboration and partnerships with the private sector, civil society and other spheres of government will play a pivotal role in delivering more efficient and effective services to ensure that the Department meets the needs of the people. The budget allocation for each programme and the performance targets against the budget is discussed below.

4.1.1. Programme 1: Administration

Programme 1 has five targets and the total budget allocation for this programme is R451.9 million for the 2020/21 financial year. This programme aim at working towards the simplification of administrative processes within the Department; and support and enable line function units (programmes) to contribute towards the achievement of the targets set by the Commission on Gender Equality (CGE) and the Ministry for Women, Children and People with Disabilities for the advancement of women's rights and report as required.

As this is a newly established department, no direct comparison with the previous financial year can be made. The table below reflects on the comparative analysis of the percentage budget distribution of the programme 1 sub-programmes. As reflected on table 2, sub-programmes 4 (Corporate Services) and 6 (Office Accommodation) receive the bulk of the programme budget at R146.6 million or 32.4% and R122.0 million or 27%, respectively.

Table 2: Programme 1: Administration

Sub-programme	Budget 2020/21	Percentage of total programme budget
R million		
1: Ministry	5.4	1.2%
2: Management	84.4	18.7%
3: Strategic Management and Planning	24.7	5.5%
4: Corporate Services	146.6	32.4%
5: Office of the Chief Financial Officer	68.8	15.2%
6: Office Accommodation	122.0	27.0%

TOTAL	**451.9**	**100.0%**

4.1.2. Programme 2: Recreation Development and Sport Promotion

The budget allocation for Programme 2 for the current financial year is R1.46 billion. There are four sub-programmes in Programme 2. The table below reflects on the comparative analysis of the percentage budget distribution of the programme 2 sub-programmes. As reflected on table 3, the highest allocation is for sub-programme 2: Active Nation with R723.2 million or 49.5% of the total programmes budget. The lowest allocation is for sub-programme 1: Winning Nation, which was R93.9 million or 6.4% of the total programmes budget.

Table 3: Programme 2: Recreation Development and Sport Promotion

Sub-programme	Budget 2020/21	Percentage of total programme budget
R million		
1: Wining Nation	93.9	6.4%
2: Active Nation	723.2	49.5%
3: Sport Support	166.4	11.4%
4: Infrastructure Support	476.8	32.7%
TOTAL	**1 460.3**	**100.0%**

4.1.3. Programme 3: Arts and Culture Promotion and Development

This programme carries the same name as Programme 3 in the DAC 2019/20 budget structure. However, it incorporates two sub-programmes from the former DAC Programme 2:

Institutional Governance, namely International Cooperation and Social Cohesion and Nation Building. For the 2020/21 financial year, the budget allocation for this programme is R1.3 billion. No direct comparison with the previous financial year can be made, however changes in allocations to certain sub-programmes between 2019/20 and 2020/21 can be compared. It is worth noting that the Mzansi Golden Economy (MGE), a significant spending item, is now a standalone sub-programme within Programme 3. This sub-programme seeks to create economic and job opportunities in the arts, culture and heritage sector by supporting programmes designed to develop audiences, stimulate demand, increase market access, and develop skills. In previous financial years within the DAC budget, the MGE strategy was contained within a differently named sub-programme, i.e. Cultural and Creative Industries Development, which also supported creative industries by developing strategies, implementing sector development programmes, supporting projects and providing training. It should now be simpler to track the implementation of the MGE strategy.

Table 4: Programme 3: Arts and Culture Development

Sub-programme	Budget 2020/21	Percentage of total programme budget
R million		
1: National Language Services	60.0	4.6%
2: Pan South African Language Board	125.5	9.7%
3: Cultural and Creative Industries Development	90.7	7.0%
4: International Cooperation	47.4	3.7%
5: Social Cohesion and Nation Building	91.5	7.1%
6: Mzansi Golden Economy	322.4	24.9%
7: Performing Arts Institutions	291.3	22.5%
8: National Film and Video Foundation	145.9	11.3%
9: National Arts Council	120.3	9.3%

TOTAL	**1 295.1**	**100.0%**

The above table reflects on the comparative analysis of the percentage budget distribution of the programme 3 sub-programmes. As reflected on this table, sub-programme 6: Mzansi Golden Economy receives the bulk allocation at R322.4 million or 24 % followed by sub-programme 7 at R291.3 million or 22.5 %, sub-programme 8 at R145.9 million or 11.3 % of the total programmes budget allocation respectively. Sub-programme 4 at R47.4 million or 3.7 % receives the least of the total programme budget allocation.

3.1.4. Programme 4: Heritage Promotion and Preservation

Programme 4 receives the bulk of the total departmental budget, just over R2.51 billion or 43.9%. The table below shows that sub-programme 5 receives the bulk allocation at R1.5 billion or 60.1 % followed by sub-programme 3 at R598.3 million or 28.8 % of the total programme budget allocation.

Table 4: Programme 4: Arts and Culture Development

Sub-programme	Budget 2020/21	Percentage of total programme budget
R million		
1: Heritage Promotion	65.1	2.6%
2: National Archive Services	56.1	2.2%
3: Heritage Institutions	598.3	23.8%
4: National Library Services	141.9	5.7%
5: Public Library Services	1 511.2	60.1%
6: South African Heritage Resources Agency	60.9	2.4%
7: South African Geographical Names Council	5.1	0.2%
8: National Heritage Council	74.2	3.0%

TOTAL	2 512.8	100.0%

A total of R2.39 billion, or 95.1%, of the total programme budget is classified as transfers and subsidies. This includes the CLSG, which is transferred to provincial departments primarily for the purpose of transforming urban and rural library infrastructure and services through targeting previously disadvantaged communities. The allocation for 2020/21 is R1.48 billion. Through the CLSG, which is funded by sub-programme 5, an estimated 96 new libraries will be built, 135 community libraries will be upgraded and 430 000 library materials will be procured over the medium term. An amount of R4.73 billion is allocated over the next three years, with R1.48 billion set aside for 2020/21.

The following outputs are expected for the current financial year:

- the 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;
- 19 new library structures completed;
- 10 new library services established for dual-purpose libraries;
- 17 upgraded library structures; 23 maintained library structures;
- 1 956 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.

5. Committee Observations and Deliberations

The Committee, having considered and deliberated on the Strategic Plans 2020 - 2025 and Annual Performance Plans 2020/21, made the following key observations and findings:

- Members were of a view that the Department should have had any engagements with the South African Football Association (SAFA) and Premier Soccer League (PSL) regarding resumption of games.
- Members were concerned that the application form for the fund was not user friendly and the deadline was too short
- notice for people in remote areas.
- Members have commended the Department for the work they do and for formulating coherent strategies and performance plans in their APP and Strategic Plan.
- Members wanted the Department to specify which of the entities receiving additional allocations in 2020/21 for the reasons stated in the Estimates of National Expenditure (ENE).
- Members noted that according to the ENE, the budget reductions over the medium term will be effected on, *inter alia*, the CLSG and wanted to find out from the Department the impact this mean in terms of service delivery and the transformation of library services and provision of library infrastructure in South Africa.
- Members needed the Department to brief the Committee on how, at a practical level, this budget programme will fulfil its purpose after the COVID-19.
- Members wanted to know the measures that the Department have in place to reduce expenditure on Goods and services, particularly Travel and subsistence in the current financial year as well as over the medium term.
- The Committee was concerned about the number of people actively participating in organised sport and active recreation events and the delay in reporting by provinces and wanted the Department to correct this problem.
- Members also showed concerns with the level of communication between itself and the Department. Some members raised the fact that, their omission from Departmental programmes hinder their chances of doing oversight to the Department and its entities, holistically.
- Members were concerned about Mzansi Golden Economy (MGE) and they encouraged the Department to find ways of utilising these funds effectively so that the anticipated objectives could be achieved.
- In light of the recent merge between two Departments, Members wanted the Department to outline how they were going to be streamlining and simplifying

administrative processes to improve support service value-add to the organisation to promote and optimise compliance.

- Members wanted the Department to provide the rationale behind selecting which project to stall and which of the Resistance and Liberation Heritage Route (RLHR) earmarked sites were affected by the post-COVID-19 adjustments.
- Members were concerned that for athletes to be medal potentials at Olympic Games they needed a long-term support, especially in terms of training and high performance but were left confused as to why there was a reduction in the number of athletes supported through the scientific support programme from 80 to 40 when the Olympic Games were closer in July 2021.
- Members noted that athletes and artists have lost income, as well as endorsements, because of the COVID-19 pandemic and therefore require more Government support. They encouraged the Department to help all affected people without discrimination.
- The Members wanted the Department quantify the total budget set aside across all Accountable Community for Health (ACH) projects for the benefit of disabled persons.
- Members commended that the Department roll out anti-femicide campaigns in selected communities through community conversations/dialogues, the 'after-school programme', and the Social Cohesions Advocates programme. In addition, the Department was also encouraged to also collaborate with the Moral Regeneration Movement (MRM) in the implementation of Point 10: The emergency response on gender-based violence and femicide.
- Members asked the Department to clarify all items listed in the Minister of Finance's budget speech of 2019 that were included in the 2020/21 APP where the Minister noted, "Officials from the National Treasury and the Department of Arts and Culture will consider proposals for the development of a new national theatre, a new national museum, and also consider financial support for the National Archives, a national orchestra and ballet troupe".
- Members then wanted the Department's operational plan to be presented to Parliament when its ready. This was because "the building of multipurpose sports courts" was not listed as an indicator in the 2020/21 APP and the Department indicated to the AG that it has moved the indicator to its operational plan because the Department's operational plan was not presented to the AG because it was not ready.

- Members wanted to check with the Department the criteria for awarding the schools and clubs with equipment and attire as per norms and standards.
- Members needed the Department to clarify on how it provided municipalities with technical and management support during construction and their criteria.
- Members needed clarity on the location of the budget structure for the former DAC that introduced an "Infrastructure Management Office" sub-programme within Programme 4: Heritage Promotion and Preservation. This sub-programme funded capital works and administered capital allocations for the construction and maintenance of heritage institutions, playhouses, libraries, national archives, new structures of national legacy projects and other capital projects.
- Members were worried that for the current financial year, the spending on transfers and subsides constitutes 78.5% of the total budget allocation and wanted clarity on whether the Department have sufficient human resource capacity to provide effective oversight of the institutions they fund.
- Members also requested the regular feedback on the non-profit institutions, public corporations and private enterprises to which funds are transferred.
- Members were not happy that the Public entities, particularly those with an art, culture and heritage focus, already spend a major share of their budget allocations on compensation of employees.
- Members wanted the Department to assist with devising plans and strategies to ensure that museums and performing arts institutions manage to create premium exhibitions and shows to attract new and diverse audiences, with the ultimate goal of being self-sustainable.
- The Committee queried that the Department come back and present the standard operating procedures (SOP).
- The Committee queried whether the Department has made any forecast of the impact of the COVID-19 pandemic on the targets set for the MTEF.
- Members were of a view that the Department should fill the vacant posts of a DD Corporate Services and DDG Arts, Culture Promotion and Development.
- Members noted that the Department should present the Adjusted Estimates of National Expenditure (ENE) to give the Committee a clearer indication of the effects of the COVID-19 pandemic on departmental planning, budgeting and implementation.

6. Responses from Department of Sport, Arts and Culture

The Minister gave the following political overview regarding the work that his Department was doing and the plans to continue to work under the COVID-19 pandemic:

He acknowledged that the Department has reprioritised its budget allocation from the first quarter of the 2020/21 financial year to make more than R150 million available to provide much-needed relief to practitioners in the sport, arts and culture (SAC) sector. It was planned to prioritise artists and practitioners who have already booked to perform at some of the cancelled and postponed events funded by the Department. To safeguard the health of athletes and others involved, most major sporting events at international, regional and national levels have been cancelled or postponed from marathons to football tournaments, athletics championships, netball to basketball games, handball, rugby, cricket, sailing and more. The Olympics and Paralympics, for the first time in the history of the modern games, have been postponed, and will be held in 2021. The global market value of the sports industry is estimated at 490 Billion USD (R8.5 Trillion) billions of rand. In the face of COVID-19, many millions of jobs are therefore at risk globally, not only for sports professionals but also for those in related retail and sporting services industries connected with leagues and events, which include travel, tourism, infrastructure, transportation, catering and media broadcasting, among others.

Professional athletes are also under pressure to reschedule their training, while trying to stay fit at home, and they risk losing professional sponsors who may not support them as initially agreed. The Department of Sport, Arts and Culture through the Director General (DG) and the Deputy Minister further outlined the following with regards to the budget and the COVID-19 relief fund:

- *Timelines:* The relief fund initiative started from 16 March 2020 when President Ramaphosa announced the state of disaster until the disbursement of funds to successful applicants that took place from 23 April to 22 May 2020.
- *Criteria and Eligibility:* Loss of income due to cancelled events/projects/productions as a result of the national lockdown and loss of income to athletes and arts practitioners who were confirmed to participate in events that had been cancelled. Proof of booking and or cancellation to be attached and applicants' taxes to be in order.
- *Application Process:* Application forms were received via a specially created email address and only applicants affected by an event or events cancelled for the period from

16 March to 30 June 2020 were prioritised. Only applicants who met the criteria could apply and the submission deadline for applications was 6 April 2020.

- *Status of Applications:* The independent panel had already had two sittings and had conditionally approved applications or declined some application with recommendations. The sport sector received 470 applications, 297 of them were approved, and 173 were declined. The arts and culture sector received 3 346 applications and 2 671 of these had been processed while the rest should have been finalised by 22 May 2020. Payments were disbursed to 282 successful applicants and unsuccessful applicants were also informed and advised about the appeals procedure and invited to appeal if they wished to do so.
- *Risk Matrix:* In order to ensured objectivity, impartiality, transparency as well as to safe guard the integrity of the adjudication process, the DSAC appointed an independent panel of experts, set up the threshold for different categories, set up the Appeals Committee and also had a verification and authentication of compliance documents.
- *Monitoring and Evaluation:* Banking details of successful applicants were verified before processing payments and proof of tax exempt status to be provided as well as proof of payment stubs to be submitted to the "paymaster".
- *Deadline on Applications:* The Minister made a commitment that the DSAC would share the legitimate list of applicants with Members to avoid any confusion regarding the list. He also acknowledged that the deadline for applications was short notice because the DSAC wanted to finalize payments within 90 days, but this was rectified by giving applicants a second chance through the appeals committee.

- *Provinces:* The Department confirmed that collectively, all nine provinces have made R61 million available in order to ensure that even artists and athletes who were in remote areas get to benefit from the relief fund. The actual amounts per province were; Gauteng was R28 million, North West was R9.5 million, Mpumalanga was R3 million, KwaZulu-Natal was R3.7 million, Free State was R12.5 million, Eastern Cape was R15 million, Northern Cape was R 3.58 million, Western Cape was R7 million and Limpopo was R8 million.

- *Panel Members:* The Department explained that the additional members of the panel were included in order to fast track the process because the DSAC realized that the volume of appeals was too much and the initial panel members were not coping.

- *Contact and Non- Contact Sport Codes:* The Department has developed a framework that looked at opening both non-contact and contact sport, and a submission was made to the National Command Council motivating for reopening of non-contact sport. The DSAC could come back with the specific details of the submission for Members to understand.
- *Adjudication Panel:* Department explained that the adjudication panel used the criteria provided but also used discretion based on the prevailing environment in the country. The sport and recreation sector received 470 applications and 297 were approved and to date 282 had been paid and that constituted 91.6% of applicants who had been paid.
- *Funding:* The Department indicated that the criteria did not cater for hopefuls for the Olympic Games but it specifically catered for athletes, coaches and technical people supporting the athletes and it was very clear that it was for loss of income.
- *OPEX Programme:* The Department mentioned that the Operation Excellence (OPEX) was a programme of sustained support to elite athletes. When OPEX athletes participated in an event, they were not paid by SASCOC but by the organizers of that particular event. They met the criteria for the relief fund because the events they were meant to participate in were cancelled due to COVID-19.
- *The Department outlined the breakdown of actual payments to date:* Sport was R5.6million, Arts and Culture was R5.8 million, Contracts awarded were R3.29 million, Legends were R2 million, Digital applications were R26 million.
- *Minimum Payments:* The Department explained the reason why the minimum payment in the arts sector was R20 000.00 but if someone requested a lesser amount they were given 100% of what they requested. In the digital sector, the threshold was R75 000.00 and this was based on setting up of a digital concert.
- *Repatriation Process:* On the issue of young artists who were stuck in Turkey, the Department explained that it was working together with the Department of International Relations and Cooperation (DIRCO) and they were doing their best to make sure that all South Africans who were trapped abroad were repatriated.
- *Conflicts:* The Department indicated that it has not received any complaint about a union asking people to join before they could receive relief funding. If there was such

a union, artists were going to be made aware of participating in those illegal and unethical activities and they should be reported to the law enforcement.

- *Service Providers:* The Department explained that Mr. Arthur Mafokate was one of three different service providers involved in the project and had every right to compete for a tender like any other South African and he was awarded on merit. The DSAC was in no position to discriminate against any individual and they were complying with Note 8 of the Treasury instruction on the Emergency Employment Process. Everything was done in accordance with the Public Finance Management Act (PFMA).
- *Business Deals:* The Department did not do business with non-tax compliant businesses or individuals and that was the reason the DSAC asked for tax clearance from anyone who was applying for the relief fund. The DSAC was also in a way assisting the South African Revenue Service (SARS) in the collection of revenue from those applicants who received the relief fund.
- *Advise:* The Department also advised the Members not to consider any list circulating on social media and should only rely on the list that the DSAC submitted to the Committees and if that list was proven to be inaccurate then the DSAC would be able to take full accountability for that. The DSAC noted that Members requested that the list be expanded to those applicants who were unsuccessful and the list would be provided to members in due course.
- *Applications:* Department outlined that the list of applicants that was provided to Members, 87 were paid R20 000 and 37 applicants were paid less than R20 000.
- *Accusation:* The Department also explained that Ladysmith Black Mambazo did not receive any amount of R20 million.
- *Promises:* The Department promised that the list of digital people that were approved would be made available to Members as soon as the process of adjudication was finalised.

7. Recommendations

The Committee, having considered the Strategic Plan 2020 – 2025 and Annual Performance Plan 2020/21 of the Department recommends that the Minister of Sport, Arts and Culture consider the following:

- The Department should discuss late payment of invoices with service providers to avoid legal battles.
- The Department should engage the National Treasury for additional budget because there is a concern that the overall budget allocation is below the inflation rate, therefore giving the Department less buying power and a possibility that it may not reach all its targets.
- If any performing artists were booked for the cancelled celebration of national days, the Department should provide the Committee with a list of these artists and also indicate which of them have applied for the COVID-19 Relief Fund and the status of their applications.
- The Department should come present a summary of expenditure on infrastructure for the medium term to the Committee. This report should include an itemisation of the project name, service delivery outputs, current stage of the project, total project cost and expenditure trends and estimates.
- Department should engage the Committee on how it plans to achieve more performance outputs with a reduced budget.
- The Department should engage the Committee on where the cost cutting measures will take place and how this will affect the day-to-day running of its operations.
- The Department should ensure that it eliminates the use of consultants.
- The Department should also get the best out of their available human resources (through innovation) in order to improve efficiency with limited resources.
- The Department need to brief the Committee on its efforts to reduce irregular and wasteful expenditure, especially when it comes to hiring of contractors for building of sports, arts, culture and heritage infrastructure, as well as organising of events and campaigns where exorbitant amounts are being paid to suppliers.
- The Department needs to provide the Committee with a detailed long-term plan for the ongoing support for practitioners in light of the impact of COVID-19 with respect to job and income losses.

- The Cultural and Creative Industries Federation of South Africa (CCIFSA), launched in 2015, is an independent body formed to give the cultural and creative industries decision making and bargaining power in the issues that affect them the most. Practitioners in the sector have however raised their discontent with CCIFSA. Issues cited include poor communication and lack of representation. The Department should update the Committee on the progress made to date by this body and how this body, especially at this time when practitioners in the cultural and creative sector are severely affected by the COVID-19 pandemic, is assisting artists. In addition, the Department should give clarity of the available funding to CCIFSA over the MTEF.
- In the 2020/21 financial year, the Department plans to spend R51.5 million on consultants. This increases to R54.1 million in 2021/22 and R57.8 million in 2022/23. The Department should reduce its dependence on consultants and the Committee should be given information on which projects these consultants will be employed to assist the Department with.
- A series of data sets to gauge progress made in respect of nation-building and social cohesion. The information presented indicates that inequality is one of the top sources of social division. It is predicted that the effects of the COVID-19 pandemic will exacerbate this. The Department should thus ensure that it accelerates its efforts to build a socially cohesive nation.

8. Concluding remarks

The COVID-19 pandemic has had and will continue to have very considerable effects on the sporting world as well as on the physical and mental well-being of people around the world. The above issues were raised to both support the safe re-opening of sporting events and tournaments following the pandemic, as well as to maximize the benefits that sport and physical activity can bring in the age of COVID-19 and beyond. At this point, almost three months have passed since the first local case of COVID-19 was confirmed and it has been just over three months since the World Health Organisation declared the outbreak of the virus a global pandemic. In this unprecedented time that has resulted in massive global disruptions, the SAC sector has been severely affected. The Committee should all be worried about the COVID-19 pandemic as the numbers are increasing exponentially and this is directly affecting our sport, arts and cultural programmes. The Department of Sport, Arts and Culture has clarified the plans to support our athletes and artists. The COVID-19 has forced all the Government departments to change some of the programmes in their APPs to support their affected stakeholders during the pandemic. The Committee needs to ensure that the Department has the budget to support the programmes (including the COVID-19 relief programme). It is, therefore, for this purpose that the Committee is recommending approval of the budget of the Department. The Department will then return later with a revised APP to present it to the Committee and submit a full report on the money used for COVID-19 programmes.

Report to be considered.