Wednesday, 10 June 2020]

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OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

WEDNESDAY, 10 JUNE 2020

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ANNOUNCEMENTS

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The Speaker

1. Referral to Committees of papers tabled

(1) The following paper is referred to the **Portfolio Committee on Women, Youth and Persons with Disabilities** for consideration and report:

(a) Revised Strategic Plan of the Commission on Gender Equality for 2019 – 24.

(2) The following paper is referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report:

(a) Report dated 25 May 2020, on the confirmation of suspension/removal from office of Ms L B Freeman, a Senior Magistrate, Mossel Bay, in terms of section 13(4)(b) of the Magistrates Act, 1993 (No 90 of 1993).

TABLINGS

National Assembly

1. The Speaker

(a) Reply from the Minister of Agriculture, Land Reform and Rural Development to Budgetary Review and Recommendation Report of Portfolio Committee on Agriculture, Forestry and Fisheries, as adopted by the House on 15 November 2018.

Referred to the **Portfolio Committee on Agriculture, Land Reform and Rural Development.**

National Council of Provinces

1. The Chairperson

(a) A petition has been received from Hon. G Michalakis, submitted on behalf of the Lesawell organization. The petition seeks the intervention of the NCOP in relation to the alleged service delivery challenges facing the Masilonyana Local Municipality, Free State Province.

Referred to the **Select Committee on Petitions and Executive Undertakings** for consideration and report.

COMMITTEE REPORTS

National Assembly

[The following report replaces the Report of the Portfolio Committee on Home Affairs, which was published on page 40 of the Announcements, Tablings and Committee Reports dated 09 June 2020]

1. REPORT OF THE PORTFOLIO COMMITTEE ON HOME AFFAIRS: STRATEGIC AND ANNUAL PERFORMANCE PLANS AND BUDGET OF VOTE 5 -DEPARTMENT OF HOME AFFAIRS, ELECTORAL COMMISSION AND GOVERNMENT PRINTING WORKS DATED 29 MAY 2020.

The Portfolio Committee on Home Affairs (the Committee) met with the Department of Affairs (DHA) on 7 May 2020, the Electoral Commission of South Africa (IEC) and the Government Printing Works (GPW) on 11 May 2020 on their Strategic Plans and 2020/21 Annual Performance Plans (APPs). The Committee also met with the DHA and the entities on 3 March 2020 on their respective budgets and on 19 and 29 May to consider this report, reports as follows:

1. THE DEPARTMENT OF HOME AFFAIRS

1.1. Introduction

The purpose of the Department of Home Affairs is to:

- Determine and safeguard the identity and status of citizens.
- Regulate immigration to ensure security, promote the development and fulfil South African international obligations.

Mandate: The mandate of DHA is derived from the Constitution and various acts of Parliament and policy documents. The DHA's services are divided into two broad categories: Civic Services and Immigration Services. The DHA is mandated to manage citizenship and civic status international migration, refugee protection, and the population register. The DHA is the key enabler of national security, citizen empowerment, efficient administration and socioeconomic development. These functions must be managed securely and strategically.

Vision: A vision of the Department of Home Affairs is that of South Africa where identity, status and citizenship are key enablers of citizen empowerment and inclusivity, economic development and national security.

Mission: The DHA's mission to carry out its mission in line with its commitment to citizen empowerment and inclusivity, economic development and national security, by:

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

In order to fulfil the above, the Department of Home Affairs prepared the new Strategic Plans for the 2020 to 2025 period. The Strategic Plan was reported that is aligned with the new Medium Term Strategic Framework (MTSF) of Government.

The revised Framework for Strategic Plans and Annual Performance Plans (2019) was used for the development of the DHA strategic planning instruments (Strategic Plan for the 2020 to 2025 period and Annual Performance Plan for 2020/21). DHA Planning Instruments cover the following priorities:

a. National Priorities (as per the National Development Plan, Apex Priorities and MTSF related commitments).
b. Ministerial Priorities:

- Establish an effective Border Management Authority (BMA)
- Complete the Modernisation Programme
- Comprehensive review of Immigration Policy and subsequent legislation
- Upgrade the 6 priority land ports of entry / One-Stop Border Post (OSBP) Policy
- Improved client experience through leadership (Moetapele)
- Early birth registration
- Critical skill visas
- “War on Queues”
- key elements of the White Paper on Home Affairs which was approved by Cabinet for implementation in December 2019
- Improvement of service delivery initiatives (e.g. footprint development / access, efficient issuance of enabling documents.

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

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

1.2 DHA’s contribution to National Development Plan (NDP)

The National Development Plan aims to eliminate poverty and reduce inequality by 2030 and the major focus of the NDP is to confront the triple challenge of poverty, inequality and unemployment by achieving higher growth rates.

The DHA has a critical contribution to make to the achievement of the NDP 2030 objectives:

- The inclusion of all citizens in democracy and development is enabled by providing them with status and identity that gives them access to rights and services. This must be done in an efficient, effective, professional and secure manner.
- A further priority for the DHA is to facilitate the acquisition of the critical skills needed for economic growth as determined by the Department of Higher Education and Training (DHET) to build our own skills base.
- The DHA must continue to drive integrated and coordinated border management to ensure our borders are effectively protected, secured, and well-managed.
- The DHA could play a key role in enabling regional development by working with SADC countries through the Department of International Relations and Cooperation (DIRCO) to establish efficient, secure and managed migration.
- The DHA is central to harnessing the 4th industrial revolution and building a capable state. The modernization programme of the DHA can reduce fraud and the cost of doing business by enabling e-government which will attract more investment into the country.

1.3. The Medium Term Strategic Framework (MTSF) Commitments from 2019 to 2024.

APEX Priority	Link to Outcome	DHA contribution	MTSF Commitment (as per DPME)
Economic Transformation and Job Creation	Outcome 4 – Decent employment through inclusive economic growth	Secure the identity of citizens and foreigners Design and implementation of NIS Issuance of critical skill visas and implementation of revised visa regime (simplification aspects, the rollout of e-Visa, etc)	95% of critical skills visas adjudicated within 4 weeks by 2022 Implementation of the revised visa regime
(5) Social Cohesion and Safe Communities	Outcome 3 – All people in SA are and feel safe	Secure the borders of the country through the establishment and operationalization of the BMA Continue with the implementation of a risk-based approach to immigration	BMA established by 2020 BMA operational by 2021 at 11 ports of entry and 5 segments of the land borderline (BMA fully operational by 2024)

APEX Priority	Link to Outcome	DHA contribution	MTSF Commitment (as per DPME)
		Provision of enabling documents to access rights and services, e.g. early birth registration and smart ID cards	100% of selected ports of entry equipped with biometric functionality Implementation of ABIS by 2022/23.
6) A Capable, Ethical and Developmental State	Outcome 12 - An efficient, effective and development-oriented public service	Reposition the DHA in support of a capable, ethical and developmental state through the implementation of new service delivery, operating and organizational models supported by the required policy and legislative framework	
(7) A better Africa and World	Outcome 11 - Create a better South Africa, a better Africa and a better world	Introduce a world-class e-Visa regime and rollout of e-Visa	

1.4. Progress on MTSF Commitments 2014 to 2019

MTSF Commitment 2014 to 2019	Progress	Challenges
Establishing and putting into operation the Border Management Authority by 2017/18		• A major dependency for the establishment and operationalization of the BMA was the passing of legislation, which is linked to funding. • It is anticipated that the BMA Bill will be finalized by Parliament by early 2020.
Phased implementation of the Integrated Border Management Strategy (IBMS) in conjunction with other departments and organs of state		
Review of the policy on international migration and the amendment of relevant legislation in support thereof (Immigration and Refugees Acts)		• Delays were experienced with the Socio-economic Impact Assessment System (SEIAS). • SEIAS is an essential prerequisite to the next phases for the drafting of the Immigration Bill, and its subsequent consultation process with the identified clusters.
Registration of 810 000 or 74% of births within 30 calendar days		
The rollout of biometrics to all ports of entry equipped with the		• The interim biometric solution was rolled out to 10 ports of entry and selected counters at Cape Town harbour.

MTSF Commitment 2014 to 2019	Progress	Challenges
enhanced movement control system (EMCS)		• Capacity limitations within the Information Services Branch. • Connectivity challenges at 38 ports of entry. • The further rollout was positioned against the priority of piloting the newly developed full biometric solution in the 2018/19 financial year.
Ensuring that 85% of critical skills visas are adjudicated within 4 weeks		
Developing the National Identity System (NIS) by 2018/19 and having it operational by 2019/20		• The delay with the NIS was mainly due to complexities around the supply chain management processes in the appointment of a preferred service provider. • Dependency on service providers and a lack of internal IT capacity.
The establishment of the DHA contact center and two visa premium centers were achieved in the 2015/16 and 2016/17 financial years respectively		

1.5. Progress against 5 Year Strategic Objectives for 2014 to 2019

Strategic Objective	5 Year Target	Progress
An integrated and digitized National Identity System (NIS) that is secure and contains biometric details of every person recorded on the system	NIS operational by 2019/20 (as per MTSF)	This target was not achieved due to: • Supply Chain Management challenges in the appointment of a preferred service provider. • Dependency on service providers and lack of adequate IS capacity in DHA.
Ensure that systems are in place to enable the capturing of biometric data of all travelers who enter or exit SA legally	100% of all designated ports of entry equipped with interim biometric systems capable of processing travelers (at ports of entry equipped with EMCS) by 2018/19 (as per MTSF)	The target was not achieved. • Capacity limitations within the Information Services Branch. • Connectivity challenges at 38 ports of entry. • The further rollout was positioned against the

Strategic Objective	5 Year Target	Progress
		priority of piloting the newly developed full biometric solution in the 2018/19 financial year.
Movement of persons in and out of the country managed according to a risk-based approach	SA's borders effectively defended, protected, secured and well-managed through: - Policy and legislation development (Immigration and Refugees Bills submitted to Parliament for approval by 2018/19 as per MTSF, BMA legislation finalized) - Policy implementation (Integrated Border Management Strategy implemented as per APP, 2 Borderline surveys conducted, 400 Law enforcement operations/inspections conducted, 25 ports of entry and refugee reception infrastructure improvement)	The achievement of the target is dependent on the establishment of the BMA and the development of legislation to give effect to the White Paper on International Migration.
Enabling documents issued to foreigners efficiently and securely	Full compliance with service standards set for enabling documents issued to foreigners (permanent residence applications – specific sections, business and general work visas and critical skills visas) by 2019/20 • 85% for Permanent Residence Permits • 90% for Business and General Work Visas • 85% for Critical Skills Visas	The target was achieved up to the 2018/19 financial year. The DHA is on track for achieving the 2019/20 targets.
Refugees and asylum seekers are managed and documented efficiently	Establishment of public-private partnership process complied with (Request for Proposal submitted to National Treasury for approval)	The target was discontinued in the 2018/19 financial year pending agreement on a viable funding model in conjunction with National Treasury.
Eligible citizens are issued with enabling documents relating to identity and status	Enabling documents issued to 100% of identified citizens (births registered within 30 calendar days and smart ID cards issued to a projected 3 810 000 citizens)	The target was achieved up to the 2018/19 financial year.
	Full compliance with service standards set for enabling documents issued to citizens for adult passports (new live capture system) by 2019/20	The target was achieved up to the 2018/19 financial year. The DHA is on track to achieve the 2019/20 target.

Strategic Objective	5 Year Target	Progress
Secure, effective, efficient and accessible service delivery to citizens and immigrants	A professional DHA cadre established through training of nominated staff in relevant initiatives to transform the DHA into a highly secure and modern department (100% of nominated staff trained)	The target was achieved up to the 2018/19 financial year.
	DHA repositioned as a modern, secure and professional department by 2019/20 (fifth phase)	The target was achieved up to the 2018/19 financial year.
Ethical conduct and a zero-tolerance approach to crime, fraud and corruption	Counter Corruption Strategy of DHA implemented in respect of Prevention, Detection, Investigations and Resolution by 2019/20 (100% of identified interventions implemented as outlined in the APP)	The target was achieved up to the 2018/19 financial year.
Good governance and administration	No audit qualification by 2019/20	The achievement of the target is subject to the audit outcome for 2019/20. Unqualified outcomes were recorded for the last three financial years.
Collaboration with stakeholders in support of enhanced service delivery and core business objectives	Communication Strategy implemented in respect of Corporate Communication Services, Media Relations and Public Awareness Engagement	The target was achieved up to the 2018/19 financial year.

1.6. Strategic Plan Outcome Targets 2020 to 2025

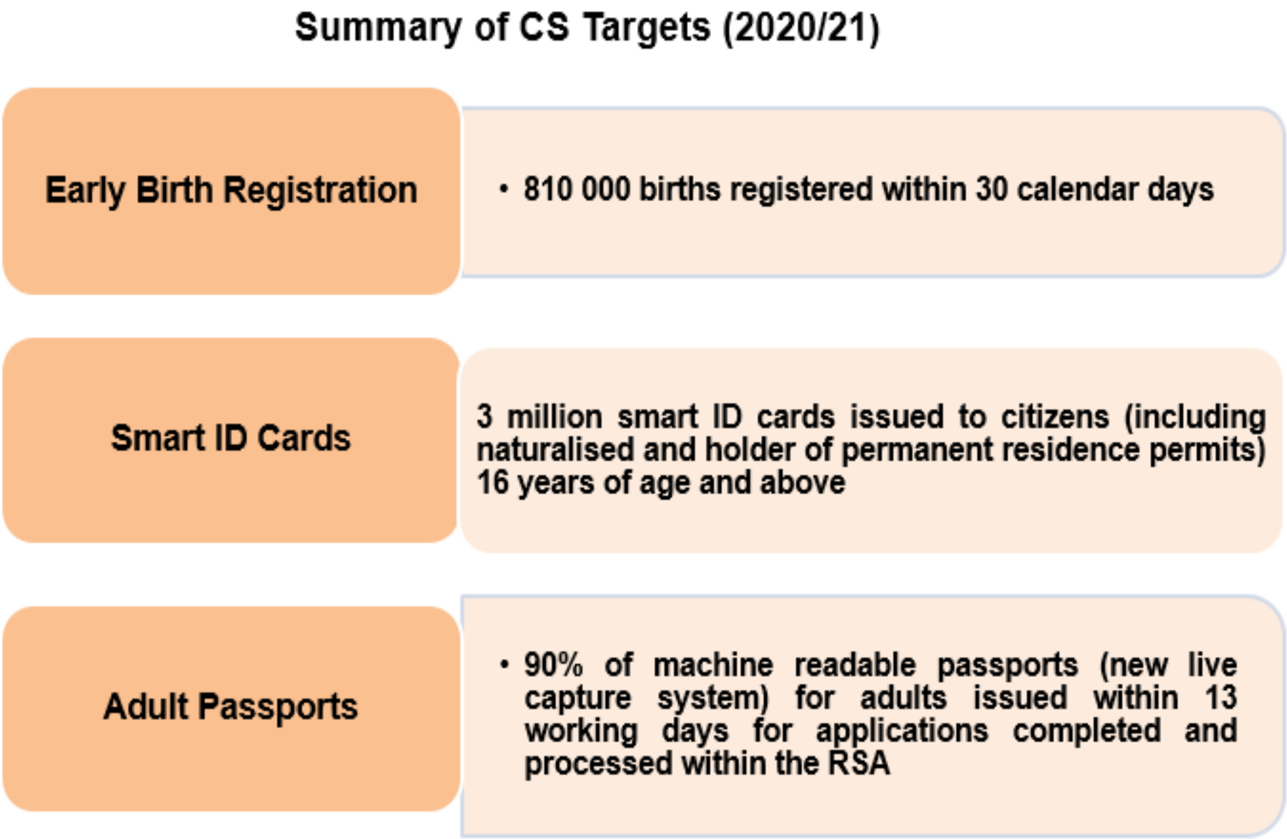
Outcome	Indicator	Baseline 31 March 2020	5 Year Target (2025)	Responsible
Secure management of international migration resulting in South Africa's interests being served & fulfilling international commitments	Risk-based & strategic immigration approach implemented against predetermined measures that ensure sovereignty, national security, public safety,	BMA legislation enacted.	BMA incrementally rolled out as per the BMA Roadmap 2032 to: 36 ports of entry • 10 segments of the land borderline & 2 community crossing points	Border Management Authority (BMA)
		Transaction Advisor appointed for the redevelopment of 6 priority land ports of entry.	Construction & redevelopment of six land ports of entry as one-stop border posts completed by 2025.	BMA

Outcome	Indicator	Baseline 31 March 2020	5 Year Target (2025)	Responsible
	stability & development	• BMCS piloted at 2 additional ports of entry • Draft Immigration Bill (including amendments to the Refugees Act) submitted to Minister for approval • 160 law enforcement operations/ inspections conducted to ensure compliance with immigration & DHA legislation.	A risk-based & strategic approach to immigration implemented in respect of: • Legislation implemented to support the White paper on International Migration & • Secure entry, documented stay & departure of persons through the rollout of biometric functionality & law enforcement operations.	(Immigration Services & Information System (IMS / IS**)**
Secure management of international migration resulting in South Africa's interests being served & fulfilling international commitments	Risk-based & strategic issuing of visas & permits against predefined, percentage-based targets to grow the economy by 2024/25	100% compliance with set service standards for: • Permanent residence permits • Business & general work visas • Critical skill visas	100% compliance with set service standards for risk-based & strategic issuance of visas & permits to grow the economy by 2024/25 as outlined in the annual performance plans for: • Permanent residence permits • Business & general work visas • Critical skill visas	IMS
	Risk-based & strategic visa system implemented	The pilot of e-Visa (Phase 1 - temporary residence visa for tourist module) in 6 missions	E-Visa rolled out to all selected countries (106) by 2025	IS
Secure & efficient management of citizenship & civic registration to fulfill constitutional & international obligations	Percentage of identified citizens & holders of permanent residence permits to which enabling documents are issued by 2024/25.	100% (3 810 000 - Smart ID cards = 3 million Births within 30 days = 810 000)	Enabling documents issued to 100% of identified citizens (including naturalized citizens) & holders of permanent residence permits (births registered within 30 calendar days & smart ID cards issued to a projected 19 050 000 by 2025).	Civic Services (CS)
	Legislation in operation in respect of the new Marriage Act	Green Paper on the recognition of marriages submitted to the Minister for approval.	New Marriage Act implemented to regulate all marriages	Infrastructure Planning & Support (IPS)
	Percentage of compliance with service standards set for adult	100% compliance with set service standard	100%	CS

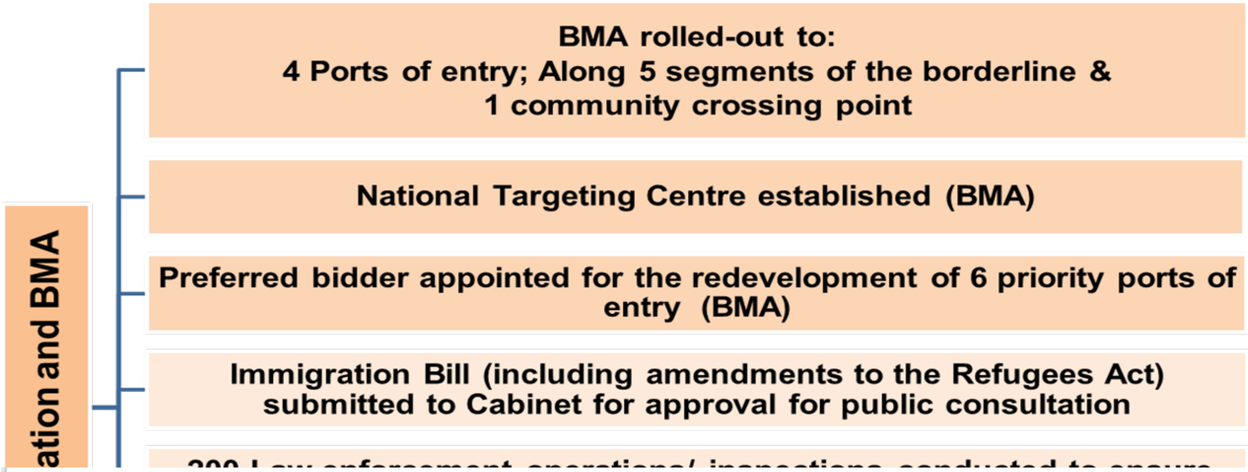
Outcome	Indicator	Baseline 31 March 2020	5 Year Target (2025)	Responsible
	passports issued (new live capture system) by 2024/25.			
Efficient asylum seeker & refugee system in compliance with domestic &international obligations.	Effective & efficient recording & monitoring of asylum seekers & refugees.	New PI	Asylum Seeker & Refugee System implemented	IS
Secure population register to empower citizens, enable inclusivity, economic development & national security.	National Identity System (NIS) operational as per requirements.	Specifications for NIS approved by DG.	NIS is operational by 2025.	IS
	Legislation in operation to regulate the collection, storage, accessing & processing of personal information.	Official Identity Management Policy submitted to Cabinet for public consultation	Population Register Act implemented to regulate the collection, storage, accessing & processing of personal information	IPS
DHA positioned to contribute positively to a capable & developmental state.	Measures implemented to reflect a repositioned DHA that contributes positively to a capable & developmental state.	White Paper on Home Affairs approved by Cabinet for implementation in December 2019. A final draft of the DHA Bill submitted to Cabinet for approval for public consultation.	DHA Act implemented to effect the repositioning of the department as a secure & modern department.	IPS
		New PI	Service Delivery Model implemented in line with repositioned DHA.	IPS
		DHA Access model approved by MMM	DHA Access Model implemented in support of the repositioning of the DHA.	IPS
		Communication Strategy implemented as per the communication plan.	Communication Strategy implemented as per the communication plan.	IPS
		Counter corruption strategy implemented as per set targets	Counter Corruption Strategy for DHA implemented in terms of	Counter Corruption & Security

Outcome	Indicator	Baseline 31 March 2020	5 Year Target (2025)	Responsible
			initiatives outlined in Annual Performance Plans.	Service (CCSS)

1.7. Civic Services Annual Performance Plan (APP) Targets 2020 to 2021



1.8. Summary of BMA and Immigration Services Annual Performance Plan (APP) Targets 2020 to 2021.



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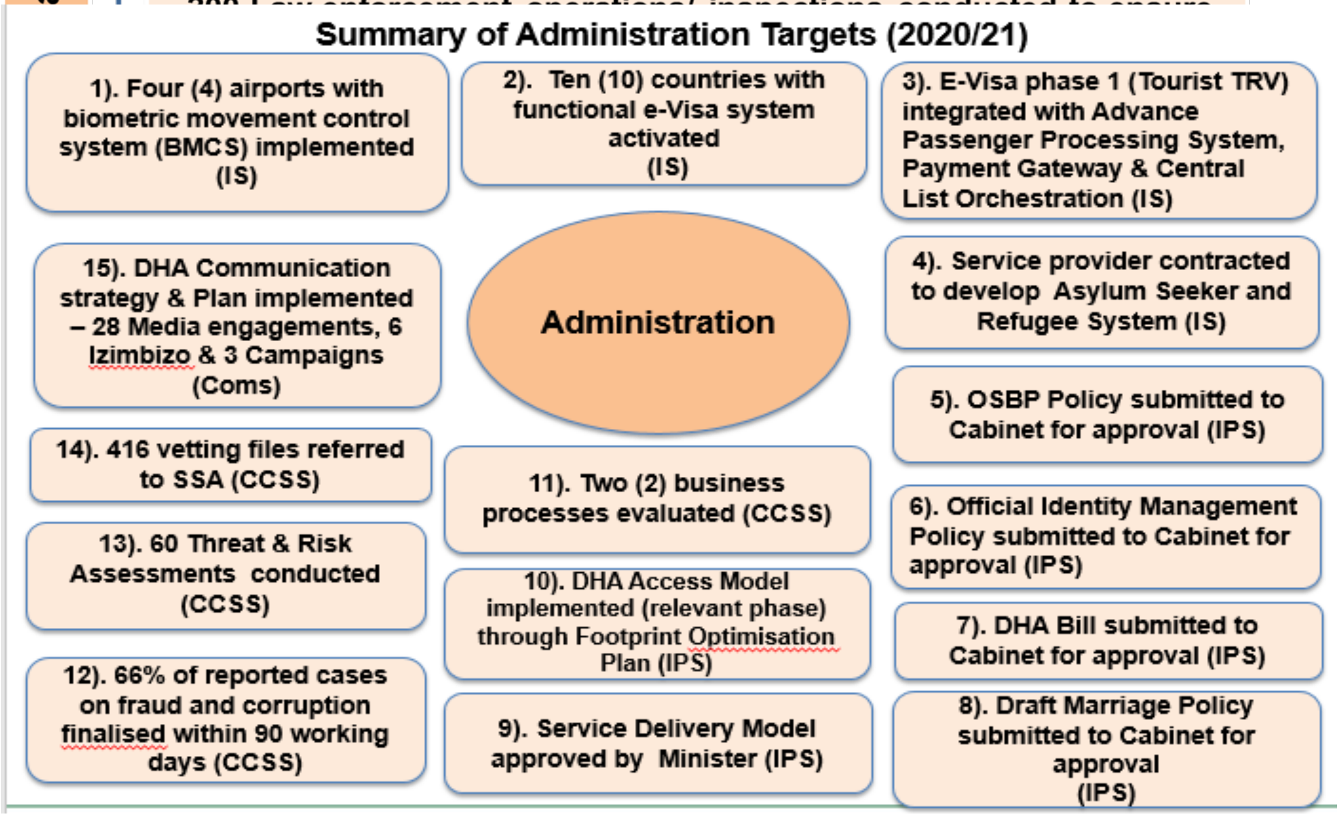


Summary of Administration Annual Performance Plan (APP) Targets 2020 to 2021.

1.10. Summary and Analysis of the Budget of the Department of Home Affairs for the financial year 2020/21

Over the medium term, the DHA will focus on repositioning itself as a modern and secure organisation; improving and expanding client interfaces and service delivery imperatives; establishing and operationalising a border management agency; streamlining and securing international migration; and establishing public private partnership (PPP) in support of key infrastructure projects.

The DHA plays a crucial role in safeguarding the identity and status of citizens and regulate immigration to ensure security, promote development and fulfil South Africa's international obligations. The department is currently overhauling its IT infrastructure, introducing the E-VISA regime, piloting the One-Stop Boarder Posts, and Parliament is due to pass the Boarder Management Authority (BMA) Bill.

The 2020/21 financial year budget supports the long-standing policy priorities of the DHA. Some of the key highlights of Vote 5 include:

- To maintain the issuance of smart identity cards and registration of birth as an entry to the National Population Register (NPR). The DHA targets to issue 9 million smart identity cards over the MTEF. In this regard, DHA has allocated an amount of R7.5 billion for Service Delivery to Provinces to achieve this target.
- The Department has embarked on the program to simplify the issuance of permits and visas. This will be achieved by removing unnecessary barriers to requirements. In this regard, the DHA has entered into visa waiver agreements with selected countries while also rolling out the e-visa system starting with Kenya and India, with the intention to extend it to Nigeria and China. The Department has allocated R 759.6 million for this purpose.
- To improve and expand client interface, the DHA requires adequate and skilled personnel. Therefore, R7.1 billion is set aside over the medium term for expenditure on compensation of employees.
- The DHA is planning to incrementally implement the Border Management Agency (BMA) during the MTEF. The processing of the BMA Bill is in its final stages, and is likely to be signed into law during 2020/21 financial year. As such, an amount of R109.5 million has been set aside over the MTF period.
- In line with the implementation of the BMA, the Department continues to streamline and secure international migration. The DHA is introducing an advanced passenger processing system, which would enable passenger screening at the point of departure, instead of arrival. Over the medium term, the Department will allocate additional R606 million for the Admission Service sub-programme in the immigration programme, and R486 million for the advanced passenger processing system over the same period.

Table 1: Overall Budget 2019/20 and 202/21 – Department of Home Affairs

Programme	**Budget**		**Nominal Increase / Decrease in 2020/21**	**Real Increase / Decrease in 2020/21**	**Nominal change in 2020/21**	**Real change in 2020/21**
R million	**2019/20**	**2020/21**				
1. Administration	R2 540,5	R2 349,1	-R171,4	-R270,4	-7,53%	-11,43%
2. Civil Affairs	R5 692,9	R5 066,6	-R626,3	-R838,8	-11%	-14,75%
3. Immigration Affairs	R1 294,3	R1 614,0	R319,7	R251,7	24,7%	19,45%
TOTAL	**R 9 527,7**	**R9 029.7**	**-R478,0**	**-R858,6**	**-5,23%**	**-9,22%**

Nominal Increase/Decrease	***Is when inflation is not taken into account***
Real Increase/Decrease	***Is when inflation is taken into account***

Source: National Treasury (2020)

The DHA receives only a share of 1.2 percent from the R1.95 trillion. For the 2020/21, the Department receives an allocation of R9.029 billion compared to the R9.527 billion adjusted allocation for 2019/20. As stated previously, the adjusted budget includes revenue generated by the Department. Without inflation (nominally), the Department's budget decreases by 5.2 percent from the previous year. This allocation is much lower in real terms as the Department is allocated a decrease of 9.2 percent, which translates into decrease of R858.6 million in real rand value. The Department's responsibilities keep increasing considering the BMA, One-Stop-Boarder-Post and modernisation of its IT infrastructure.

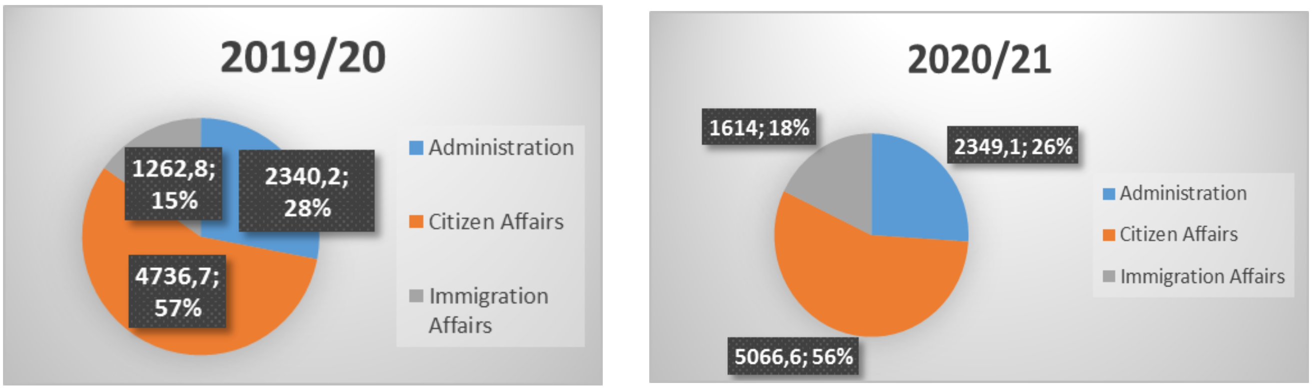
Only the Immigration Affairs Programme which shows a real increase of R251.7 million (19.5 percent). This increase could be attributed to the implementation of the One-Stop Boarder Post, the E-Visa regime and the procurement of the Advanced Passenger Processing System. Both Administration and Civil Affairs programmes have been allocated a smaller budget from the adjusted allocation of 2019/20. However, given the fact that the Department's revenue collected will be appropriated in September 2020, its respective programme budgets are likely to increase.

The Administration Programme budget is reduced by R 270.4 million (11.43 percent) in real rand value when taking into consideration inflation. Programme 2: Civil Affairs experiences the largest budget reduction by R838.8 million (14.75 percent) in real terms. In terms of economic classification, the main cost drivers for the Vote is compensation of employees (COE) at 42.8 percent (R3.892 billion), goods & services at 30.3 percent (R2.734 billion) and transfer payments to the Electoral Commission at 26.4 percent (R2.218 billion).

1.11 Allocation per programme

Figure 2 below shows a comparison of the proportional allocations per main programme between 2019/20 adjusted and 2020/21 voted funds. The Citizen Affairs programme retains its above 55 percent share of the total budget. There is an increase in terms of percentage share for Immigration Affairs up from 15 percent in 2019/20, to 18 percent whereas there is a decline 2 percent for Administration from 28 percent in 2019/20 to 26 percent in 2020/21 financial year.

Figure 1: comparison of the split of the Department of Home Affairs budget between programmes



Programme 1: Administration

The Administration programme is entrusted to provide leadership, management and support services to the department. The *Administration* programme receives R2.349 billion for 2020/21 compared to an adjusted appropriation of R2.539 billion the previous year. The current allocation translates into a decrease by 7.57 percent (or R191.6 million) before inflation, and 11.4 percent (or R290 million) when inflation is considered. With the exception of the *Office Accommodation* sub-programme, all others decline in real terms. The *Office Accommodation* sub-programme budget shows an increase of R 6 million (1.04 percent) in real terms. This sub-programme will fund the refurbishment of its existing mobile unit fleet and procuring an additional 15 units in the 2020/21 financial year. Over the medium term, expenditure will, however, decrease as funds will be shifted to Programme 2 to increase IT capacity in provinces.

Table 3: Programme 1: Administration

Programme	Budget		Nominal Increase/ Decrease in 2020/21 Rand)	Real Increase/ Decrease in 2020/21 (Rand)	Nominal Percent change in 2020/21	Real Percent change in 2020/21
R million	**2019/20**	**2020/21**				
Ministry	42.6	38.7	-3,9	-5,5	-9,15%	-12,98%
Management Support Services	248.3	207.5	-40,8	-49,5	-16,43	-19,95
Corporate Services	795,3	587,2	-208,1	-232,8	-26,17%	-29,28%
Transversal Information	909,6	940,9	31,3	-8,4	3,44%	-0,92%
Technology Management						
Office Accommodation	544,8	574,7	29,9	5,7	5,49%	1,04%
TOTAL	**2 540,6**	**2 349,1**	**-191,6**	**-290,6**	**-7,57**	**-11,44%**

Source: National Treasury (2020)

In terms of economic classification expenditures, the biggest cost drivers in this programme are the following current payments:

- Compensation of employees – R547.4 million (22.8 percent)
- Goods and Services – R1.785 billion (76.5 percent). The mobile unit fleet will be refurbished and additional units purchased to expand the DHA client interfaces, and continue the IT modernisation processes (including a paperless live capture system).

Programme 2: Citizen Affairs

The Citizen Affairs branch is responsible for providing secure, efficient and accessible services and documents to citizens and lawful residents. It ensures that entry to the population register happens within 30 days of a child's birth. It maintains the number of smart identity cards and it has target at least 3 million per year. Citizen Affairs targets to issue 90 percent of machine-readable adult passports through the new live capture process within 13 working days.

The *Citizen Affairs* branch budget declines from R 5.693 billion in 2019/20 adjusted allocation, to R5.066 billion in the 2020/21 financial year. This is a reduction of R626.4 million (or 11.0 percent) in nominal terms and R839.9 million (or 14.75 percent) with inflation. The *Electoral Commission* and *Service Delivery to Provinces* sub-programmes shows increases in both nominal and in real terms. The *Electoral Commission* increases from R2.012.7 billion in 2019/20 to R2.218 billion. This is growth of 10.24 percent in nominal terms, and 5.6 percent real terms. Whilst the *Service Delivery to Provinces* sub-programme shows an increase from R2.096 billion in 2019/20 to R2.248 billion in 2020/21 financial year. With inflation, this represent a 2.74 percent increase from the 2019/20 adjusted budget.

Table 2: Programme 2: Citizen Affairs

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**				
Citizen Affairs Management	25,5	19,3	-5,9	-7.0	-23,41%	-26,64%
Status Services	1 084,2	91,9	-992,2	-996,2	-91,52%	-91,88%
Identification Services	316,4	322,8	6,4	-7,2	2,02%	-2,28
Service Delivery to Provinces	2 096,7	2 248,9	152,2	57,4	7,26%	2,74%
Electoral Commission	2 012,7	2 218,9	206,2	112,7	10,24%	5,60%
Represented Political Parties' Fund	157,8	164,7	6,9	0,0	4,37%	-0,03
TOTAL	**5 693,0**	**5 066,6**	**-626,4**	**-839,9**	**-11,0%**	**-14,75%**

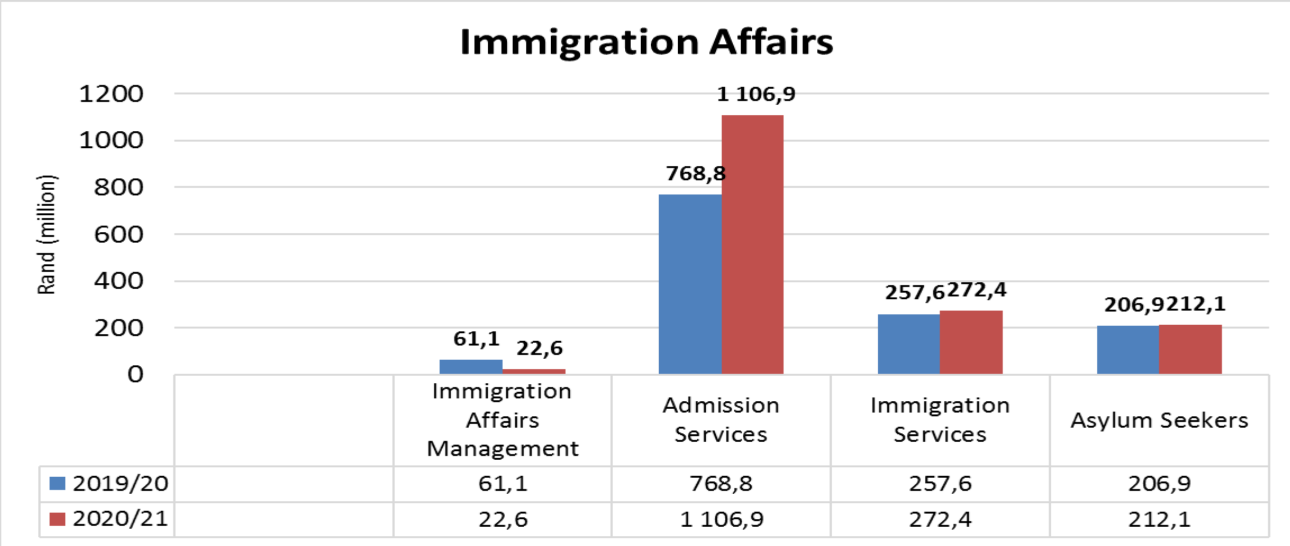
Source: National Treasury (2020)

The increases on both sub-programmes could be attributed to the preparation of the local government election due to take place in 2021. As per norm, the *Electoral Commission* will shortly initiate the voter registration campaign and will need additional resources to prepare for the local government election. The *Service Delivery to Provinces* sub-programme will increase efforts to issue identification documentation to potential voters.

Programme 3: Immigration Affairs

The immigration affairs branch facilitates and regulate the secure movement of people through ports of entry into and out of the Republic of South Africa. It also determines the status of asylum seekers and regulate refugee affairs. Programme 3 has four sub-programmes under it.

Figure 2: Comparison between 2019/20 and 2020/21 Immigration Affairs budget



Constituting only 17.8 percent of the Department's budget, the *Immigration Affairs* programme has the lowest spending area. However, the programme's budget increases from R1.294. billion in 2019/20, to R1.614billion in 2020/21. This is the only main programme within the Department which allocation grows in both nominal and real terms from the adjusted allocation of 2019/20.

Table 3: Programme 3: Immigration Affairs

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**				
Immigration Affairs Management	61,1	22,6	-38,5	-39,5	-63,01%	-64,57%
Admission Services	768,8	1 106,9	338,1	291,4	43,98%	37,91%
Immigration Services	257,6	272,4	14,8	- 3,3	5,75%	1,29%
Asylum Seekers	206,9	212,1	5,2	- 3,72	2,51%	-1,81%
TOTAL	**1 294,4**	**1 614,0**	**319,6**	**251,6**	**24,7%**	**19,44%**

Strong growth in this programme is driven by t the *Admission Services* sub-programme (37.91 real growth) On the contrary, the *Immigration Affairs Management* sub-programme has been drastically reduced to R22.6 million from R61.1 million the previous year.

Growth in the *Immigration Affairs* programme is intended to fund the establishment of the Border Management Authority – which will incrementally assume responsibility for enforcing border law at ports of entry-, as well as establishing new immigration-related systems. A passenger name record system and advanced passenger processing system will be funded through the *Admission Services* sub-programme.

2. THE ELECTORAL COMMISSION OF SOUTH AFRICA

The Electoral Commission of South Africa (IEC) is South Africa's electoral management body. The IEC is an independent organisation established under Chapter 9 of the Constitution of South Africa1. Its independence as an autonomous body is underwritten by the Electoral Commissions Act 51 1996, 3(1), (2). In terms of Section 190 (1) of the Constitution, the Electoral Commission must manage elections at national, provincial and municipal legislative bodies in accordance of national legislation; ensure that those elections are free and fair; and declare the results of those elections within a period that must be prescribed by national legislation and that is as short as reasonably possible.

The Electoral Commission Act, 51 of 1996 outlines the duties and functions of the IEC defined in Section 5. This include to manage any elections; ensure that any election is free and fair; promote conditions conducive to free and fair elections; promote knowledge of sound and democratic elections processes and compile; maintain a register of parties; compile and maintain a voters roll to mention but a few examples.

The purpose of this brief is to provide a short summary and analysis of the budget and Annual Performance Plan (APP) of the IEC for 2020/21 financial year. In order to provide context this analysis, the paper commences by outlining the IEC's strategic objectives and then provides a brief analytical overview of the 2018/19 performance.

2.1 Policy priorities for the electoral commission for 2020/2021

For the 2019 to 2024 Medium Term Strategic Framework (MTSF), the IEC will focus on the following key policy priorities:

- strengthen the regulatory space in relation to the requirements for electoral participation;
- place South Africa's electoral democracy on the cutting edge of digital innovation with a view
- to increased voter convenience;
- increase public confidence in electoral outcomes;
- work with partners in electoral democracy to increase voter participation, especially among the youth;
- anticipate and provide advice in relation to the national policy debate on the electoral system; and
- assess the viability of composite elections in the Republic.

2.2 Overview of the Electoral Commission performance during 2018/19

The IEC's performance for the 2019/2020 financial year will be contained in its Annual Report, which is expected to be released during September 2020. Therefore, a brief overview of the performance of the IEC for 2018/19, will be provided.

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Tracking the progress on set targets and strategic goals (outputs) of the entity is important in order to determine how well it functions in attainment of constitutional and legislative mandates for the benefit of society. It also improves transparency and accountability, and assists Parliament, members of the public and other stakeholders with information to hold the Electoral Commission executives accountable.

Table 1: Performance by programme for 2018/19

Programme	Strategic Outcome-oriented Goal	# targets	# achieved	not achieved	Achieved
Programme 1: Administration	Goal 1: Strengthening governance, institutional excellence, professionalism and enabling business processes at all levels of the organisation	10	7	3	70%
Programme 2: Electoral Operations	Goal 2: Achieving pre-eminence in the area of managing elections and referenda, including the strengthening of a co-operative relationship with political parties.	10	6	4	60%
Programme 3: Outreach	Goal 3: Strengthening electoral democracy	5	5	0	100%
Total		**25**	**18**	**7**	**72%**

The Electoral Commission achieved 18 of the 25 targeted outcomes set for 2018/19. Its overall target achievement was 72% while it was not successful in delivering 28% of its targets. Only Programme 3 achieved 100% of its targets. On the contrary, Programme 1 and 2 achieved 70% and 60% respectively. The key cost drivers for the 2020/21 are summarised below:

- The Electoral Commission needs to replace its obsolete zip-zip barcode scanners with approximately 60,000 new devices in preparation for the 2021 LGE.
- Extensive Civic and Democracy Education and communication campaigns
- Maintaining of addresses on the voters' roll.
- The appointment and training of approximately 350,000 fixed term and temporary electoral employees.
- ICT network, connectivity and security expenditure.
- The procurement, distribution and warehousing of registration materials.
- The rental & infrastructure associated with opening approximately 23,200 voting stations.

2.2 Summary and analysis of IEC 2020/21 budget allocation per programme

The Electoral Commission is allocated R 2.02 billion for the 2020/21 financial year shared amongst programme 1,2 and 3. Programme 4 had not been allocated any funding for the year under review as it will only be appropriated in the next financial year. Programme 2 receives the largest share of the allocation at R 1.12 billion (55.3%), of the IEC overall budget. The Administration Programme receives R 683.68 million (33.7%) while Programme 3 receives only R 221.84 million (11%) of the overall budget.

Table 5: IEC Budget Allocation 2020/21

PROGRAMME	2020/21 Budget	% of Total Budget
Programme 1:Administration	683 688	33.7%
Programme 2: Electoral Operations	1 120 620	55.3%
Programme 3: Outreach	221 840	11%
TOTAL	2 026 148	100%

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- Extensive Civic and Democracy Education and communication campaigns
- Maintaining of addresses on the voters' roll.
- The appointment and training of approximately 350,000 fixed term and temporary electoral employees.
- ICT network, connectivity and security expenditure.
- The procurement, distribution and warehousing of registration materials.

2.2.1 Programme 1: Administration Budget

The Administration programme main purpose is to achieve the strategic outcomes of strengthening institutional effectiveness at all levels of the organisation. This programme is comprised of three sub-programmes, namely, Management; Corporate Services and Financial Management.

Budget allocation under this programme is directed at supporting the strategic management and core business of the IEC. The Administration programme is allocated R 683.69 million (33.7%) for the 2020/21. The current allocation translates into a decrease of 9.09 % (-R 65.5 million) in real rand value terms from the previous year allocation of R 720.38 million.

The programme's cost drivers is largely made up of ICT costs and office accommodation. ICT which receives the largest share of the Programmes' budget at 33% (R 247.13 million) is made up mainly of professional services to maintain the security and integrity of the data held at the IEC. The office accommodation consists of the cost of the National IEC head office, nine provincial offices, 10 warehouses and 213 local electronic offices and is allocated 23% (R 151.49 million) of the programme's budget.

The Facilities Management and Legal Services sub-programmes received a significant percentage budget reduction of -31% (R 18.72 million) and -16,96% (R 3.82 million) in real rand value terms. The programmes which are allocated a slight increase is Corporate Services (4%); Risk Management (3,8%)

and Accommodation (3%). Refer to table 6 below for the budget allocated to sub-programmes for Administration programme.

Table 6: Programme 1 Budget

Programme (R'000)	Budget 2019/20	Budget 2020/21	Nominal Increase/ Decrease 2020/21	Real Increase/ Decrease 2020/21	Nominal Percent change 2020/21	Real Percent change 2020/21
Management	23 815	24 966	1 151	98,8	4,83%	0,41
Corporate Services Management	3 141	3 408	267	123,4	8,50%	3,93%
Financial Management	91 416	95 263	3 847	-167,9	4,21%	0,18
Human Resources Management	84 899	76 289	-8 610	-11 825,2	-10,14%	-13,93%
Legal Services	22 543	19 544	-2 999	-3 822,7	-13,30	-16,96
Internal Audit	19 859	20 967	1 108	224,3	5,58%	1,13%
ICT	272 373	247 138	-25 235	-35 650,8	-9,26	-13,09
Facilities Management	59 532	42 606	-16 925	-18 720,7	-28,43	-31,45
Risk Management	1 865	2 021	156	70,8	8,38%	3,80%
Accommodation	140 940	151 486	10 546	4 161,5	7,48%	2,95%
TOTAL	**720 382**	**683 688**	**-36 694**	**-65 508,4**	**-5.1%**	**-9,09**

2.2.2 Programme 2: Electoral Operations Budget Analysis

The purpose of this programme is to focus on the strategic outcome of managing and delivering free and fair elections. The expenditure under this programme increases significantly in an election year compare to a non-election year. During the 2020/21 financial year, expenditure for one main registration drive will be incurred with the actual registration weekend being in the first week of April 2021. Thus expenditure for this registration weekend will be largely incurred in the 2021/22 financial year. New voter registration devices will be procured in 2020/21 which has been included in programme 2 Refer to the table 7 below for the sub-programme budget breakdown for programme 2.

The Electoral Operations programme is allocated a budget of R 1.12 billion for the 2020/21 financial year. The budget has been reduced by R 171.5 million (13,8%) in real rand value terms from the previous financial year allocation of R 1.24 billion. All sub-programmes receive a reduced budget except for Provincial and Local Offices which received 4% increase (R 19.55 million) in real rand value terms. The Electoral Matters and Electoral Operations Management sub-programmes reduced budgets is -41,37 % (-R 56.4 million) and -38,81% (-80.45 million) in real rand value terms.

The outlier in this programme is the Political Parties Funding sub-programme reduced allocation of -94% (-R 48.63 million). The much reduced allocation can be attributed to the IEC introducing a 4th Programme in the 2020/21 APP where most of the activities of this sub-programme will be carried out and be funded from.

Table 7: Programme 2 Budget Allocation

Sub-Programme	Budget allocation		Nominal Increase/ Decrease 2020/21	Real Increase/ Decrease 2020/21	Nominal Percent change 2020/21	Real Percent change 2020/21
R million	2019/20	2020/21				
Electoral Operations Management	6 366	4 306	-2 060	-2 241,5	-32,36%	-35,21%
Electoral Matters	136 189	83 363	-52 826	-56 399,4	-38,79%	-41,37%
Logistics and Infrastructure	207 262	132 394	-74 868	-80 447,8	-36,12%	-38,81
Political Parties	51 838	3 345	-48 493	-48 634	-93,55%	-93,82%
Provincial and Local Offices	485 645	527 419	41 774	19 545,6	8,60%	4,02%
Electoral Capacity Building	357 604	369 793	12 189	-3 396	3,41%	-0,95%
TOTAL	**1 244 904**	**1 120 620**	**-124 284**	**-171 513,2**	**-10%**	**-13,78%**

2.2.3 Programme 3: Outreach Budget Analysis

Constituting only 10% of the IEC budget, the Outreach programme has the lowest spending area. Budget allocation under this programme is directed at informing and educating civil society on democracy and electoral processes. Expenditure peaks during the registration and election period when the Civic and Democracy Education and communication peak. A further factor is the international observer mission that are hosted by commission services during these period.

Budget for the outreach programme increases in both nominal and real value terms from R 195.8 million in 2019/20, to R 221.84 million in 2020/21. This is the only main programme within the IEC which grew in both nominal (13,3%) and real rand value terms (8,52%) from the adjusted allocation of 2019/20. Strong growth in this programme is driven by the Communication sub-programme (27,26% real growth) which is expected to increase the IEC public relations campaign in the lead-up to the LGE in 2021. On the contrary, the International Liaison sub-programme has been drastically reduced from R6. million to R 3.5 million (-44%). The near consistency (minus -1% in real rand value terms) in the Civic and Democracy Education and Research sub-programme is intended for voter education in the build-up towards 2020 LGE.

2.2.4 Programme 4: Party funding

Programme 4 is a new additional branch to the IEC 2020-25 Strategic Plan. The programme is intended to focus on the strategic outcome of contributing to the enhancement of transparency in elections and party funding. For 2020/21, this programme has not been allocated any funding in the entity's appropriation. The IEC was allocated additional funding of R 50 million in the 2019/20 financial year for the establishment of the new Party Funding branch. These funds were allocated to cover costs for both 2019/20 and 2020/21.

Of this R50 million allocated to the IEC during 2019/20 for the establishment of this programme, it is estimated that approximately R38 million will be rolled-over to fund the unit in 2020/21. The expenditure used to date has been for ICT systems implementation, staff costs and research and development unit. The budget structure with sub-unit programmes is being drafted and will be submitted to National Treasury for approval during the 2021 MTEF process and related indicators and targets in the amended APP.

2.3 Overview of the IEC Annual/Strategic plans per programme

A number of strategic priorities have been set out by the IEC in the Strategic Plan for 2020-2025, as well as a set of planned annual targets, contained in the APP for 2020/21. This section provides analysis of the IEC 2020/21 APP per programme. The annual targets for the 2020/2021 financial year are presented below.

Table 9: Comparison of targets contained in APP for 2019/2020 and 2020/2021.

Programme	Number of Strategic Outcomes		Number of Targets		Budget	
R '000	**2019/2020**	**2020/2021**	**2019/2020**	**2020/202**	**2019/2020**	**2020/2021**
Programme 1	1	1	10	11	R 720,382	R 683,688
Programme 2	1	1	10	10	R 1 244, 904	R 1 120 620
Programme 3	1	1	5	8	R 195,808	R 221,840
Programme 4	0	1	0	3	R 000	R 000
Total	**3**	**4**	**25**	**30**	**R 2 161 094**	**R 2 026,148**

The 2020/2021 APP contains a total of 4 strategic objectives and 30 targets, in comparison to the 2019/20120APP, which contained 3 strategic goals and 25 targets. The number of strategic outcomes and targets increases to 4 and 30 respectively due to the addition of the 4th programme, the Party Political

Sub-Programme	Budget allocation		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'000)	**2019/20**	**2020/21**				
Outreach Management	5 180	5 121	-59,0	-274,8	-1,14%	-5,31%
Civic and Democracy Education and Research	108 656	112 389	3 733	-1 003,7	3,44%	-0,92
Communication	75 895	100 830	24 935	20 685,5	32,85%	27,26%
International Liaison	6 070	3 500	-2 570	-2 717,5	-42,34%	-44,77%
TOTAL	**195 808**	**221 840**	**26 032**	**16 682,4**	**13,3%**	**8,52%**

Funding. A brief summary of each programme will be provided below.

2.3.1 Programme 1: Administration

While the programme strategic outcome remains the same, the number of targets increases from 10 in 20219/20 to 11 in 2020/21. The Administration programme is allocated R 683.68 million (33.7%) for 2020/21 which is a decline from last year's allocation of R 720.38 million.

Programme 1 strategic outcome is to promote efficient and effective administrative processes. Below are the number of targets and output indicators:

Strategic Objective 1: Exercise leadership and governance, monitoring and evaluation to ensure the effective implementation of IEC's core mandate, strategic outcomes and outputs, aligned with the corresponding budget allocations and risks compliance

Target & Output Indicators:

- **4:** Number of quarterly performance reports approved by the CEO within 30 days after the start of the next quarter and submitted to the Commission for review and input.
- **4**: Number of quarterly reviews of the strategic register by the Executive Risk Management committee within 30 days after the start of the next quarter.

Strategic Objective 2: Strengthen assurance management procedures within the Electoral Commission

Target & Output indicator:

- **4**: Number of quarterly internal audit progress reports per annum prepared by the Chief Audit Executive and reviewed by the Audit Committee each year within 60 days after the start of the next year.

Strategic objective 3: Provide a cutting-edge, stable, secure ICT environment that meets all functional needs of the Electoral Commission and supports innovative business processes.

Target and Output Indicator:

- **97% of 2 232 hours' achievement:** Minimum annual percentage network and application systems availability measured in hours system-generated report available).
- **New:** Review and approve or review, approve and implement an ICT governance framework in each year covered by this plan New.
- **Platform upgrade completed (Phase 3): upgrades** of platforms and systems to be aligned with business needs and technological developments as indicated in the applicable year.

Strategic objective 4: Recruit and retain a talented permanent staff complement to meet operational requirements, as well as constitutional obligations.

Target and Output Indicator:

- **90%:** Number of permanent staff positions filled per annum.
- **100% of qualifying staff**: Extent of compliance with performance management system as evidenced by the existence of performance agreements and performance assessments for the year under review.

Strategic objective 5: Develop and upskill institutional capacity to enable the Electoral Commission to deliver on its constitutional mandate

Target & Output Indicator:

- **180**: Number of permanent staff who were provided with developmental training interventions per annum.

Strategic objective 6: Effectively manage financial resources in compliance with legislation.

Target & Output Indicator:

- **0**: Number of repeat findings that result in irregular expenditure as defined in the audited annual financial statements.
- **4**: Number of quarterly statistical analysis reports of procurement spend towards B-BBEE per annum.

2.3.2 Programme 2: Electoral Operations

The Electoral Operations programme is allocated a budget of R 1.12 billion for the 2020/21 financial year.

Strategic objective 1: Manage free and fair elections in accordance with the applicable electoral timetables to ensure the efficient and credible execution of the mandate of the Electoral Commission

Target & Outcome Indicator:

- **Within 90 days for by-elections**: Average number of calendar days within which elections are conducted from the date of the vacancy or the end of the term of office in each year covered by this plan.
- **Within 35 days**: Average number of calendar days in which to fill proportional representation (PR) seat vacancies in each year.
- **By-elections within 7 days**: Number of calendar days in which election results for each election are announced by the Electoral Commission in each year.
- **None**: Number of by-elections set aside each year.

Strategic objective 2: Maintain a credible national common voters' roll that is enabled by cutting- edge technology

Target & Outcome Indicator:

- **25 960 000**: Number of registered voters as of 31 March of each year.
- **1 000 000**: The number of registered voters who appear on the voters' roll for whom the Electoral Commission does not have recorded addresses at 31 March each year covered by this plan.

Strategic objective 3: Provide accessible voting facilities and comprehensive logistical resources at all voting stations to meet operational demands for main electoral events

Target & Outcome Indicator:

- **23 200**: Number of contracted voting stations in place on main registration weekends or general election days in the years when applicable.

Strategic objective 4: Provide accessible voting facilities and comprehensive logistical resources at all voting stations to meet operational demands for main electoral events

Target & Outcome Indicator:

- **30 000 Voting Streams**: Electoral Materials to be delivered to all voting stations and voting streams for each main electoral event as required by the approved materials requirement plan and bill of materials.

Strategic objective 5: Strive for excellence at voting station level to enhance the integrity of elections

Target & Outcome Indicator:

- **N/A**: Average number of registered voters per voting station stream during general election days.
- **68 000**: Number of electoral staff recruited and trained per annum.

2.3.3 Programme 3: Outreach

The programmes targets increases from 5 in 2019/20 to 8 in 2020/21. It has been allocated an increased budget in both nominal and real value terms from R 195.8 million in 2019/20, to R 221.84 million in 2020/21.

Strategic objective: Provide impactful and visionary research and thought leadership to strengthen electoral democracy.

Target & Output Indicator:

- **3**: The number of research initiatives achieved per annum.
- **10**: The number of thought leadership interactions achieved per annum.

Strategic objective: Actively promote and foster awareness and participation in electoral processes through civic and democracy education programmes.

Target & Target Indicator:

- **Overall 7 000 000:** Audience reached by Civic and Democracy Education (CDE) programmes through television, radio and YouTube in each year covered by the Annual Performance Plan.
- **55 000:** The number of face-to-face CDE events held per annum.

Strategic objective: Interact with domestic, regional and international stakeholders to build an understanding of the Electoral Commission's role in delivering credible elections.

Target & Target Indicator:

- **10**: Number of meetings Commissioners hold with key stakeholders per annum.
- **20**: Number of interactions or liaisons internationally achieved per annum.

Strategic objective: Advance and promote electoral processes through communication campaigns on diverse platforms to sustain visibility across the electoral cycle.

Target & Target Indicator

- 80% neutral/positive achievement: Public perception of the Electoral Commission held as evidenced by media reports for each year covered by this plan.
- Digital (all social media and online content: Facebook ad reach – 35 million impressions; Twitter ad reach –2 million; YouTube ad views –2 million; WhatsApp –number?; New Google AdWords 1 million impressions SMSs sent –1 million Please Call Me – 100 million Television:2 600 00 viewers Radio: 4 400 000 listeners Print: 6 million readers Out of home (150 billboards, 180 000 street pole posters,2 000 transit TV screens, commuter transport – 20 long-distance buses: Recorded reach across multimedia communications platforms (digital, television, print, radio and out of home).

The programme has managed to achieve all its five targets for 2018/19 financial year. It can be deduced that due the impact of COVID-19 and subsequent national lockdown regulation, the programme could struggle to achieve some of its annual targets. The programme targets to conduct 55 000 number of face-to-face Civic and Democracy Education in the 2020/21 financial year. This will be significantly impacted by the national lockdown regulations. The programme also plans to host 10 thought leadership interactions and 20 interactions internationally. These targets will also be affected by the national lockdown regulations.

2.3.4 Programme 4: Party Funding

As stated previously, the Party Funding unit is a new programme. The programme was allocated R 50 million for the 2019/20 and 2020/21 financial year. Of this R50 million, allocated to the IEC during 2019/20 for the establishment of this programme, it is estimated that approximately R38 million will be rolled-over to fund the unit in 2020/2133. The expenditure used to date has been for ICT systems implementation, staff costs and research and development unit. The budget structure with sub-unit programmes is being drafted and will be submitted to National Treasury for approval during the 2021 MTEF process and related indicators and targets in the amended APP34. The programme starts with four annual targets as summarized below:

Strategic objective: Manage party funding and donations in compliance with relevant legislation

Target& Output Indicator:

- **4**: Number of disbursements to represented parties per annum.

Strategic objective: Provide consultative and cooperative liaison platforms between the Electoral Commission and political parties and candidates to facilitate free and fair elections

Target& Output Indicator:

- **1 338 liaison sessions**: Number of liaison sessions held with members of party liaison committees at national (1), provincial (9) and municipal (213) levels per annum
- **10**: Number of cooperative liaison forums conducted with political parties and candidates at national (1) and provincial (1) levels per annum

Strategic objective: Provide effective management of the registration of political parties to strengthen multi-party democracy

Target& Output Indicator

- **100% of all new applications that meet the requirements of the Act**: Number of registered political parties as at 31 March of each year covered by this plan

The programme plan to have 1 338 liaisons session and 10 cooperative liaisons at national, provincial and local level of government. There is a great possibility that the current national lockdown regulations will derail some of these plans.

3. THE GOVERNMENT PRINTING WORKS (GPW)

Government Printing Works facilitates implementation of the legislation that governs the production and management of identification, citizenship and travel, which are developed by the Department of Home Affairs.

GPW contributes towards achievement of the objectives of the National Development Plan (NDP, Vision 2030) and strives to make a significant contribution to the national outcomes of government including the following:

- Outcome 03: All people in SA are and feel safe
- Outcome 11: Create a better South Africa, contribute to a better and safer Africa and a better world.
- Outcome 12: An efficient, effective and development oriented public service.
- Outcome 04: Decent employment through inclusive economic growth.
- Outcome 05: A skilled and capable workforce to support an inclusive growth path.

GPW aligns its work to the majority of apex Government priorities particularly the four that DHA directly contributes to, as highlighted below:

- Economic transformation and job creation (Outcome 4)
- Education, skills and health
- Consolidating the social wage through reliable and quality basic services
- Spatial integration, human settlements and local government
- Social cohesion and safe communities (Outcome 3)
- Building a capable, ethical and developmental State (Outcome 12)
- A better Africa and world (Outcome11)

3.1 GPW Budget Overview

The GPW's EXCO together with its Senior Management Team had focused engagements on the impact of the technological revolution, brought about by the 4th industrial revolution, broadly on the printing and packaging sector, and specifically, the implications of the 4IR on GPW's core operations. A modernisation project had as a result been initiated and discussions focused, particularly on the following areas:

- The strategic direction of the printing and packaging industry
- The security printing component
- The GPW's product approach and niche
- Leveraging on technology to deliver innovative, effective and efficient solutions to our customers i.e. the DHA's e-passport series
- Promoting a culture of innovation at GPW
- Remote operations to disseminate government information through technology, innovation and service excellence i.e. e-Gazette services

GPW will experience an introduction of specific projects to sstrengthen the foundation of the modernisation approach. These will include:

- Change Management, to harness organizational culture and have a renewed focus on Employee Value Proposition (EVP) and Customer Value Proposition (CVP)
- Review and upgrade to the (outdated/legacy systems) ICT infrastructure
- Skills gap analysis, and proposals to facilitate modernisation and change management
- E-marketing platforms to reach a variety of clients
- Strengthening of the project management approach and establish a Project Management Office (PMO) within GPW i.e. all products linked to a time frame handled as projects with early warning signs to facilitate timeous delivery.

The equipment recapitalisation plan is expected to cost R1.9 billion over the medium term. An existing building in Pretoria has been identified for refurbishment to serve as the entity's new headquarters from 2020/21. The total cost in 2020/21 for refurbishing the building is estimated at R107 million. As a significant portion of the entity's personnel are nearing retirement, the number of personnel in the entity is expected to decrease from 884 in 2019/20 to 874 in 2022/23. Expenditure is expected to increase at an average annual rate of 10.1 per cent, from R1.5 billion in 2019/20 to R2.0 billion in 2022/23. Revenue is expected to increase at an average annual rate of 8.1 per cent, from R1.6 billion in 2019/20 to R2.1 billion in 2022/23. The entity is set to generate 94.4 per cent (R5.4 billion) of its revenue over the medium term through business operations.

3.1.2 Budget: 2019/20 to 2021/22

R'000	2019/20 FY	2020/21 FY	2021/22 FY
Income			
Revenue	1,532,442	1,559,433	1,883,609
Other operating income	104,954	110,726	116,816
Interest received	3,814	4,092	4,501
Total income	**1,641,210**	**1,674,252**	**2,004,927**
Expenditure			
Compensation of employees	366,667	334,890	359,147
Goods and Services	1,038,003	977,627	1,172,977
Depreciation	83,295	205,798	284,449
Total expenditure	**1,487,965**	**1,518,315**	**1,816,573**
Profit	**153,245**	**155,937**	**188,353**

3.1.3 Financial Performance

R'000	Preliminary	Audited	Audited	Audited
	2019/20	2018/19 FY	2017/18 FY	2016/17 FY
Revenue	**1,217,811**	**1,497,015**	**1,405476**	**1,432,037**
Cost of sales	**-666,314**	**-773,999**	**-711,834**	**-713,445**
Gross Profit	**551,497**	**723,016**	**693,642**	**718,592**
Other operating income	**47,744**	**57,542**	**1,442**	**81,846**
Other expenditure	**-196,799**	**-253,969**	**-241,675**	**-208,481**
Operating profit	**402,442**	**526,589**	**523,409**	**591,957**
Interest received	**1,460**	**1,672**	**1,865**	
Profit for the year	**403,902**	**528,261**	**525,274**	**591,957**

3.2 Key Risks

Outcome	Key risk	Mitigation
Progress completed on the Masterplan/Visagie Street Site building	Risks associated with project execution phases including delays, compliance and obtaining value for money.	Roll out total risk management throughout the project cycle, from initiation to closure.
Young people and women taken through Artisan and Graduate programme(s)	Readiness to execute the project, considering limitations of the current facility.	Project manage the initiative and define milestones or targets annually.

Security printed materials produced	Failure to secure paper for the production of secure printed material due to among other things, a global move towards becoming green and moving away from printing towards digitisation.	Conduct research into acquiring own paper mill (vertical integration) and invest in research and development to monitor trends in future trends print requirements. Sign strategic relationship agreements with critical vendors, whereby any decisions to change or discontinue equipment and/or consumables is done in partnership with either GPW and/or the Printing SA.
Percentage of the workforce trained as per WSP priorities.	Value for money with regard to training programmes provided by successfully appointed service providers.	Evaluation through supply chain processes and screening of service providers.
	Value for money with regard to trainees	Ensure each training has SAQA unit standards
Effective and efficient internal corporate governance to enable organisational performance	Inadequate coordination and implementation of governance activities including compliance and risk, management of previous audit findings and implementation of recommendations by Internal Audit.	Discussions on compliance, risk management and audit matrix to find place as standard items at MANCO and EXCO structures.
Secured management of GPW operations, facilities, information and people	Delays in the implementation of the new security model for GPW.	Collaborate and engage with security departments and entities in the public sector to facilitate implementation of the security model.

3.4.1 Strategic/Annual Target Overview

The GPW has 5 Cost Centers for budget and strategic planning purposes:

i. **Operations and Productions** is the core business of GPW. The high technology machinery currently employed by the GPW is custom built, and requires replacement at regular intervals to ensure that the GPW respond to opportunities presented by the technological revolution and continues delivering high quality goods and services to its customers. Capacity increases in this Branch is being implemented through attracting the much needed technical skills in order to enhance service delivery.

ii. **Financial Services** is inclusive of financial and management accounting services, supply chain management, logistics and facilities management. The GPW is in the process of appointing a service provider to conduct the renovations of the building purchased to serve as its administrative Head Office in Visagie Street, Pretoria. The increase in the budget under financial services is to cater for its refurbishment, a project estimated to be completed by the end of the 2020/21 financial year. The increase over the MTEF period is inflation related.

iii. **Strategic Management** includes security services, legal services, strategic support inclusive of monitoring and evaluation and risk management, as well as marketing, stakeholder relations and communications. The strategic intent is to consolidate efforts towards retaining and growing current customers, whilst expanding GPW's footprint to other SADC countries for the printing of State security documents.

iv. **Human Resources** is composed of human capital management, employee relations, organizational development, and employee health and wellness. The salary benchmarking and organisational structure review projects serve to reposition GPW as an employer of choice, which invests in its human resources and grows its own timber.

v. **Office of the CEO** includes Internal Audit and Information Communication and Technology (ICT). The annual increase in the budget of the Office of the CEO is due to the replacement of computer equipment and software that ICT has implemented to enhance ICT security.

GPW's APP 2020/21 has a total of 18 performance targets with critical targets aligned to the Strategic Plan, to ensure that all outcomes and desired impacts are achieved. A breakdown of the targets is as follows:

	Branch name	Performance Targets
1	Office of the CEO	3
2	Operations and Production	6
3	Strategic Management	4
4	Financial Services	3
5	Human Resource	2
Total targets		18

3.4.2 GPW Annual Targets in Detail

3.2.1 Office of the CEO									
No.	Outcome	outputs	Outputs Indicator	Audited/ Actual Performance 2017/18	Audited/Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
							2020/21	2021/22	2022/23
ICT									
1.	Secure and protect ICT environment	100% security vulnerabilities mitigated	Percentage of security vulnerabilities detected by security assessments mitigated	99.9% security vulnerabilities mitigated as detected by security assessments	99,67% security vulnerabilities mitigated	100% security vulnerabilities detected by security assessments mitigated	100% security vulnerabilities detected by security assessments mitigated	100% security vulnerabilities detected by security assessments mitigated	100% security vulnerabilities detected by security assessments mitigated
2	Ensure ICT availability	95.5% servers uptime availability	Percentage servers uptime availability of ICT systems	>99% system availability	97.79% system availability	99.5% system availability	95,5% servers uptime availability	95,5% server uptime availability	95,5% server uptime availability
Internal Audit									
3	Provide independent and objective assurance and consulting services	100% of approved annual internal audit plan implemented	Percentage implementation of the annual internal audit plan	94% of annual internal audit plan implemented	100% of approved annual internal audit plan implemented 7.79% system availability	100% of approved annual internal audit plan implemented	90% of approved annual internal audit plan implemented	100% of approved annual internal audit plan implemented	100% of approved annual internal audit plan implemented

3.2.2 Branch Operations and Production

No.	Outcome	outputs	Outputs Indicator	Audited/ Actual Performance 2017/18	Audited/Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
							2020/21	2021/22	2022/23
1	Produce security printed materials	100% of Identity Documents/ cards distributed that conform to client specifications	Percentage of Identity Documents/ cards distributed that conform to client specifications	100% of 2 869 257 Identity Documents/ Cards distributed produced conformed to the client's specifications	100% of Travel documents delivered that conform to the client specifications	100% of Identity Documents/ cards delivered that conform to client specifications	100% of Identity Documents/ cards delivered that conform to client specifications	100% of Identity Documents/ cards delivered that conform to client specifications	100% of Identity Documents/ cards delivered that conform to client specifications
2	Produce security printed materials	100% of Travel documents delivered that conform to client specifications	Percentage of Travel documents delivered that conform to client specifications	100% of 917 934 Travel Documents delivered conformed to the client's specifications	100% of Travel documents delivered that conform to the client specifications	100% of Travel documents delivered that conform to the client specifications	100% of Travel documents delivered that conform to client specifications	100% of Travel documents delivered that conform to client specifications	100% of Travel documents delivered that conform to client specifications
3	Produce security printed materials	100% of examination papers delivered that conform to client specifications	Percentage of examinations papers delivered that conform to client specifications	100% of 18 738 498 examination papers delivered conformed to client specifications	100% of 30 614 803 examination papers delivered conformed to client's specifications	100% of examination papers delivered that conform to client specifications	100% of examination papers delivered that conform to client specifications	100% of examination papers delivered that conform to the client specifications	100% of examination papers delivered that conform to client specifications

3.2.3 Strategic Management

No.	Outcome	outputs	Outputs Indicator	Actual Performance 2016/17	Audited/ Actual Performance 2017/18	Audited/Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
								2020/21	2021/22	2022/23
Marketing and Stakeholder Relations										
1	GPW Integrated Marketing Strategy implemented	Integrated Marketing and Communication Strategy and Plan implemented	Number of local customer engaged	N/A	N/A	100% of integrated marketing and communication strategy and plan implemented.	20 local customers engaged	20 local customers engaged	20 local customers engaged	20 local customers engaged
2.	GPW Integrated Marketing Strategy implemented	Integrated Marketing and Communication Strategy and Plan implemented	Number of countries engaged in the SADC region	N/A	N/A	N/A	7 countries in the SADC region engaged	8 countries in the SADC region engaged as follow up	8 countries in the SADC region engaged as follow up	8 countries in the SADC region engaged as follow up
Strategic Support										
3.	Resilient, agile and sustainable business in the event of disaster	All Business Continuity Management activities implemented	Percentage implementation of the Business Continuity Management activities	N/a	N/a	N/a	Business Continuity Plan submitted for approval and implemented	Business Continuity Management activities 100% implemented	BCM programme implemented	BCM programme implemented
Security Services										
4.	Assets, people and information protected and secured	100% of the approved GPW security model implemented	Reviewed security model for GPW implemented	80% of approved Security Risk Management Plan implemented	100% of planned activities as per the approved security plan implemented	100% of planned activities as per the approved security plan implemented	GPW security model reviewed and implemented	Implementation of the reviewed security model for GPW	Implementation of the reviewed security model for GPW	Evaluation of the reviewed security model for GPW

3.2.2 Branch Operations and Production									
No.	Outcome	outputs	Outputs Indicator	Audited/ Actual Performance 2017/18	Audited/Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
							2020/21	2021/22	2022/23
4	Coordinate and distribute government information	100% of Government Gazettes published that conform to client specifications	Percentage of Government Gazettes published that conform to client specifications	100% 176 300 of Government Gazettes published conformed to quality and timeline specifications	100% of 2056 Government Gazettes published conformed to client specifications	100% of Government Gazettes published that conform to client specifications	100% of Government Gazettes published that conform to client specifications	100% of Government Gazettes published that conform to client specifications	100% of Government Gazettes published that conform to client specifications
5	Produce security printed materials	93% of High Security Certificates delivered that conform to client specifications	Percentage of High Security Certificates delivered that conform to client specifications	N/A	N/A	93% of High Security Certificates delivered that conform to client specifications	99% of High Security Certificates delivered that conform to client specifications	99% of High Security Certificates delivered that conform to client specifications	99% of High Security Certificates delivered that conform to client specifications
6.	Progress completed on the Masterplan/ Visagie Street Site building	Project Milestones completed as per the Masterplan	Percentage progress completed on the Masterplan/ (Visagie street site building)	Construction of pavilion 3 at 71.3% completed Site development plan for remainder of secured facilities	Construction of Pavilion 3 completed and the migration of the machines commenced.	Construction of 10% of the master plan completed	Construction of GPW 35% Master Plan completed	20% progress completed on the Masterplan/ (Visagie street site building)	20% progress completed on the Masterplan/ (Visagie street site building)

3.2.4 Branch: Financial Services										
NO.	Outcome	Outputs	Output Indicators	Audited/ Actual Performance 2016/17	Audited/ Actual Performance 2017/18	Audited/ Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
								2020/21	2021/22	2022/23
1.	Quality financial and supply chain management services compliant with legislation and policies provided	Clean audit report maintained	Audit outcome	Unqualified audit opinion for the 2015/16 financial year	Unqualified audit opinion for 2016/17 maintained	Unqualified audit opinion for 2017/18 maintained	Clean audit opinion	Unqualified audit opinion for 2019/20	Unqualified audit opinion for 2020/21	Unqualified audit opinion for 2021/22
2.	Quality financial and supply chain management services compliant with legislation and policies provided	6 Positive working capital ratio maintained	Positive working capital ratio	11.7 positive working capital ratio achieved	16.2 positive working capital ratio maintained	18,1 positive working capital maintained	3 Positive working capital ratio maintained	3 Positive working capital ratio maintained	3 Positive working capital ratio maintained	3 Positive working capital ratio maintained
3.	Quality financial and supply chain management services compliant with legislation and policies provided	10% net profit margin maintained	Percentage of Net Profit Margin	N/A	N/A	40% net profit margin	10% net profit margin achieved	10% net profit margin achieved	10% net profit margin achieved	10% net profit margin achieved

3.2.5 Branch: Human Resource										
NO.	Outcome	Outputs	Output Indicators	Actual Performance 2016/17	Actual Performance 2017/18	Actual Performance 2018/19	Estimated Performance 2019/20	Medium Term Targets		
								2020/21	2021/22	2022/23
1.	Young people and women taken through Artisan and Graduate programme(s)	Recruitment plan implemented in relation to the filling of identified positions	Number of young people and women taken through Artisan and Graduate programme(s)	N/a	N/a	N/a	N/a	20 unemployed young people and women recruited for Artisan and Graduate skills development programmes	20 unemployed young people and women recruited for Artisan and Graduate skills development programmes	20 unemployed young people and women recruited for Artisan and Graduate skills development programmes
2	Capacity of workforce developed to support service delivery	80% of total workforce trained as per the WSP identified priorities	Percentage of total workforce trained as per the WSP identified priorities	N/A	N/A	For the year 86 out of 102 managers were trained, which translates to 84.3%.	50% of total workforce trained as per the WSP identified priorities	70% of total workforce trained as per the WSP identified priorities	70% of total workforce trained as per the WSP identified priorities	70% of total workforce trained as per the WSP identified priorities

4 OBSERVATIONS/ ENGAGEMENT WITH THE COMMITTEE

The Following were responses to issues raised by Members in the engagement with the DHA, GPW and IEC.

4.1 DHA

- The minister indicated that there were limited services such as the issuing of death certificates, replacement of birth certificates and replacement of IDs being offered at DHA offices during the level 5 lockdown. In level 4, the DHA has added the registration of new-borns and the collections of uncollected IDs.
- The Portfolio Committee conducted an oversight to some of the offices in Provinces and it was discovered that 55 offices out of over 400 offices in the country were closed as a results of non-compliance with Covid-19 regulations. The challenges were delays in procurement of Personal Protective Equipment and thermometers. After the PC engaged with the DHA, it was resolved that they must ensure all necessary measures for smooth resumption of services within 5 days from the date of the meeting held on 28 April. In the subsequent meeting held on 7 May, all measures were in place and offices were in full operation.
- The challenge with the procurement of the thermometers is they were not available in the country and the Minister reported that the thermometers were made available on 6 May 2020.
- The DHA appealed the closure of the offices in Gauteng by the Department of Labour on the basis that partitions were not realistic or necessary countrywide. The DHA office in Alberton was closed siting lack of pre-cautionary measures, however after bilateral discussions with the Labour Chief Inspector, it was decided to reopen all offices.
- There is no plan to issue new IDs at Level 4 and the Minister indicated that there are 500 000 uncollected IDs and 104 000 of these are new IDs. There is no further strategy except that it has been announced through the radios and the SMS to clients that they could collect their IDs.
- The DHA and the Department of Education would have a plan for mobile units to issue IDs at schools but this was delayed due to the lockdown, however, all registered children already have ID numbers and it would be quick to issue them with the Smart ID Cards.
- There are 100 mobile units and 65 are ready and the list could be made available to the Committee.
- Concerning the tracking of undocumented migrants, there are only 650 immigration inspectors to track those that did not wish to be found. The DHA had already presented to the Committee that its employment budget had been reduced.
- During Covid-19 lockdown at the Lindela Repatriation Centre, 37 foreign nationals escaped, compromising the security status of the campus. The DHA and the Committee conducted an oversight to the facility and law enforcement agencies are investigating the incident. The other major issue was the security which is contracted by the liquidator and it has an employment dispute with its workers. The Committee has tasked the DHA to investigate this matter and report back on

its interventions. Regarding the issue of the conditions at Lindela, there are offices of the South African Human Rights Commission and other organizations on site monitoring this.

- The difference between the people at Lindela and the protesting migrants in Cape Town is the people at Lindela had appeared before magistrates and in Cape Town most had official documents from DHA. In a case initiated by the city, the issue in Cape Town is the city not enforcing its own by-laws as per the judgement of the High Court delivered on 17 March 2020 by Acting Judge Thulare.
- It was reported the Department of Monitoring and Evaluations had indicated there would be a re-tabling of the Strategic Plans and Annual Performance Plans as well as the budget. The DHA was awaiting guidance from the DMPE.
- The Department of Home Affairs is not all times adhering to the turnaround times and issues raised by the Committee members on behalf of the members of the public.
- The Committee has previously called for consequence management, as per the Public Finance Management Act, in relation to staff not complying with Supply Chain Management regulations and is yet to receive feedback on this recommendation.
- The Committee noted that although there had been a reduction, there was a continued high record of contingent liabilities related to pending litigation. The Committee followed the recommendation of Western Cape High Court Judgement in the matter between *City of Cape Town vs Balus*, to conduct an oversight to the legal services section on how it would deal with the growing large backlog of cases against the DHA.
- The Border Management Authority Bill has been passed by both houses of Parliament and it is before the President for assent. Once the President assents, DHA will begin to implement its functions as per plan.

4.2 IEC

- The Constitutional Court gave an extension to the end of November 2019 to harvest addresses but voters who do not have an address, would provide an address at the voting station and allowed to vote in the upcoming 2021 Local Government Elections. Those who do not have an address, would still be allowed to vote as long as they are South Africans.
- On the issue of the extension granted on 19 March by the Electoral Court for by-elections across the country during lockdown, 30 days were added to the 90 days within which the IEC need to hold by-elections for a total of 120 days subject to further renewal applications.
- The number of voters on the voters roll do not reduce unless they are removed when they pass away.
- Lower voter participation is not only a matter of voter education and various reasons had been researched with attempted response by the IEC.

- For electoral training in terms of COVID-19, the IEC indicated that it would engage with the political parties, since educational campaigns conducted, through the likes of door to door campaigning, would be impacted.
- Recruitment of temporary electoral staff for elections, was reported as not perfect in terms of creating employment, because there is a need to mix experienced staff and new ones. The IEC is working with political parties to agree on the recruitment criteria for about 200 000 temporary staff.
- The procurement of the voter registration machines started in 2019 and has to give prospective bidders enough time to develop the system. The tender was closed in April 2020 and extended to May 2020 in line with Treasury instructions. The procurement of the voter registration machines was not part of the ICT refresh.
- The Electoral Law Amendment has been submitted to the Minister of Home Affairs to be tabled to Cabinet.
- The potential for voters to register at DHA offices has been considered and will be reported to the Committee at another meeting to allow time to cover the complicated issues.
- There would be two registration weekends ahead of the 2021 Local Government Elections.
- The CEO agreed that it has to grow its social media footprint.
- Electronic voting research had been conducted as well as a visit to Namibia.

4.3 GPW

- The Minister of Home Affairs reported that the initial vetting of employees is done by the Department and the appointment is done subject to the results with final vetting conducted by the State Security Agency (SSA).
- The allegations against the Acting CEO were being investigated and would be reported to the Committee once finalised. The DHA has requested the Public Service Commission to investigate this matter. The Preliminary report is scheduled to be presented on 2 June 2020.
- Entities such as GPW will project a loss as a result of the impact of Covid-19 because it relies on printing for the DHA. GPW's mandate is to deliver security printing and related services to government departments and their entities within the Republic of South Africa such as amongst others, passports, Identification Documents (Smart ID cards), examination material, (examination books and matric certificates).
- The Minister is concerned that some government departments are not printing with the GPW. The GPW is not printing ballot papers for the IEC.
- The Minister indicated that it was very difficult to appoint employees through a virtual platform.
- Some countries in Africa are still printing with their former colonisers and the Minister had visited some countries in the region. The Minister is engaging the relevant SADC counterparts and the Minister of Namibia has visited the GPW facility and would look into the possibility of using the

facility in the future. GPW has already visited Namibia after the visit by the Minister and a subsequent visit by officials from the Namibian government to GPW.

- GPW has been providing employees with PPE and everybody coming to GPW is screened by a nurse. Currently, urgent work is done and social distancing is observed.

5 RECOMMENDATIONS

The Portfolio Committee on Home Affairs, having considered the submissions of the DHA, IEC and GPW reported above recommended the following:

5.1. The revised plans and budgets of the DHA, GPW and IEC given the COVID-19 pandemic should be tabled with the Committee as soon after treasury revises the budget as possible to prevent further delays in service delivery.

DHA

5.2. The DHA should give Parliament regular updates on the implementation of the One-Stop Boarder Post in the six identified ports of entry at Beitbridge (bordering Zimbabwe); Lebombo (bordering Mozambique); Maseru Bridge (bordering Lesotho); Kopfontein (bordering Botswana); Ficksburg (bordering Lesotho) and Oshoek (bordering Swaziland). An estimated R233 million is allocated for this over the MTEF in the Administration programme.

5.3. The Department had started to pilot the e-visa regime with Kenya and India and negotiations are being held with China and Nigeria, given the potential risks associated with computerisation of services, Parliament should be briefed regularly on the risk and mitigating factors.

5.4. Once the President assents to the BMA Bill, the DHA should provide Parliament with a detailed implementation plan and related expenditure, including functions, funding and resources to be transferred from other relevant departments.

5.5. The funding provisions for critical staff should be treated by the National Treasury and the DHA as a matter of priority. In particular, capacity limitations resulting from a lack of key internal IT capacity within the Information Services Branch such as the Chief Information Officer must be filled.

5.6. The continued record of high contingent liabilities related to pending litigation against the DHA should be addressed including consideration of out-of-court settlements.

IEC

5.7. The local government elections will be held in 2021, the Department and the Electoral Commission should provide regular updates of their readiness to conduct the elections.

5.8. Funding and procurement of voter registration devices should be completed as a matter of urgency prior to local government elections.

GPW

5.9. The Minister of Home Affairs should continue to be an ambassador for the GPW to ensure other government departments do essential security printing with it, so as to protect intellectual property, security and save costs.

5.10. The allegations against the Acting GPW CEO were being investigated and should be reported to the Committee once finalised on 2 June 2020.

5.11. Cabinet must fast track the Security Printers Bill that will give effect for the GPW to print essential Security Documents on behalf of government. This against the background that GPW generate funds for other programs of government and institutions. Other government departments must assist GPW to secure printing services within SADC which will contribute to strengthen its revenue.

5.12. The GPW should give Parliament regular updates on the coordination and implementation of governance activities including compliance and risk, management of previous audit findings and implementation of recommendations by Internal Audit.

5.13. The GPW should give Parliament regular updates on the Master Plan building project to ensure that cost overruns and issues with Public Works do not prevent it from being delivered in the 2020-25 Strategic Planning timeframe.

Report to be considered.

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON VOTE 39: TRADE, INDUSTRY AND COMPETITION, AND ON STRATEGIC PLAN AND THE 2020/21 AND ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION, DATED 9 JUNE 2020

1. Background

The Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism and Employment and Labour (the Select Committee), having considered Vote 39: Trade, Industry and Competition, and the Strategic Plan and the 2020/21 Annual Performance Plan of the Department of Trade, Industry and Competition tabled by the Minister of Trade, Industry and Competition (the Minister), and in terms of the Public Finance Management Act of 1999 (PFMA), as well as the Money Bills Amendment Procedure and Related Matters Act, 2009, reports as follows:

2. Introduction

The Select Committee considered the 2020/21-2024/25 Strategic Plan, and the 2020/21 Annual Performance Plan of the *Department of Trade, Industry and Competition* (DTIC) on the 11 May 2020. The Select Committee has also further considered the adequacy of financial resources for the implementation of these plans and interrogated the allocation received by the Department. The Department submitted that the current strategic plans, and annual performance plan are aligned to the Medium Term Strategic Framework (MTSF).

It was further submitted that the strategic plans were crafted pre-COVID-19 outbreak in South Africa. The resultant negative impact of the pandemic on the economy to the fiscus necessitated reprioritisation of the spending plans to accommodate policy responses to COVID-19. It was reported that the impact of the COVID-19 to the economy is expected to be much greater than the impact of the Great depression to world and national economies. South Africa economic growth is anticipated to decline by 6.6 to 7 per cent in 2020, and the significant decline of the national economy is supported by the International Monetary Fund, Reserve Bank and the Organisation for Economic Cooperation and Development. Further, the Department indicted that the pandemic has caused supply-chain disruptions augur declining exports. The damage to the travel and tourism sectors was reported to be more pronounced. Retail (excluding food), automotive, hotels and restaurants, airlines, travel operators, arts and entertainment, and personal services like hairdressing, firms and workers were mostly affected including manufacturing.

It was noted that South Africa entered the COVID-19 phased already faced with weak fiscal position. Gross government debt has continued to rise as a result of weak economic growth, high levels of expenditure and repeated funding support to state owned companies. It was further reported that rating downgrades and currency weakness since the pandemic began would further increased the cost of government borrowing.

Rising unemployment remains a challenge, further declining real GDP per capita, and low business sentiment are some of the risks that need to be addressed. Depressed household finances would likely affect livelihoods. Unskilled, and semi-skilled workers are projected to be hit hard by the COVID-19 pandemic.

It was noted that Covid-19 pandemic would have significant implications for business with people being displaced, the movement of goods restricted or suspended, and supply chains disrupted. South Africa trade connection with other economies is not much deeper compared to other emerging economies. However, South Africa in terms of trade is much depended to the major economies such as China, Germany, UK and USA.

However despite the impact of COVID-19 on the economy, to the firms and households, and jobs, the re-iterated government commitment to ensure that basic machinery of government would continue to drive overall policy goals to facilitate job creation and build a larger productive economy which services both the urban and rural areas. Further, the Department emphasised that the COVID-19 pandemic present new opportunities, with more focus on repositioning industries, and further pushing hard to ensure that economy it does just grow but become more responsive to sustainable growth objectives.

3. Overview of the Legislative and Policy Mandate of the Department

The aim of the department is to foster a dynamic industrial, globally competitive South African economy, characterised by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens. Apart from the Constitution of the Republic, the legislative framework which informs the work of the department constituted by the following legislative Acts:

- Companies Act (2008)
- Manufacturing Development Act (1993)
- Broad-Based Black Economic Empowerment Act (2003)
- Consumer Protection Act (2008)
- Industrial Development Corporation Act (1940)
- Competition Act (1998), as amended
- International Trade Administration Act (2002).

The Department reported that the R500 billion COVID intervention bill is an attempt by government to insulate the impact of the pandemic to the public health, and the economy. Further to preserve jobs and restore livelihoods. Further, the Department will accelerate implementation of the automotive sector plans, including Master Plans for poultry industry and retail clothing, textiles, leather and footwear industries. Over the medium term, the Department will develop other sector plans covering critical industries, and new industries in the economy.

The implementation of the Integrated Resource Plan 2019 is expected to open the way for considerable investments in renewable energy generation (particularly wind power) and related components manufacturing. Further, the focus will be on implementation of investment projects announced at the second Investment Conference in 2018 and 2019.

Over the medium term, the Department and its entities will focus on the following policy mission:

- 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 Department to effectively deliver on its mandate and respond to the needs of South Africa's economic requirements;
- 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 with the overall government's political and economic objectives.

The Committee noted the critical policy strategy plans that informed the formulation of the current strategic plans, and other spending plans. Further the Committee recognised the effect of the COVID-19 to the *Medium-Term Strategic Framework* including the *National Development Plan 2030.* Further, the COVID-19 will affect global trade and political engagements. The international multilateral governance structure will have to be repurposed to respond to the new emerging global economic and financial developments, whilst responding to the old challenges facing international community.

4. Budget Policy Area

The Department reported that over the medium term it will continue to implement the National Development Plan. The 2020 medium term policy mission is expressed specifically to respond *Policy Priority 1: economic transformation and job creation*, and *Policy Priority 7: a better Africa* and world as articulated in the 2019-2024 Medium Strategic Framework. The work of the Department is directly aligned to these priorities and the industrial trade strategy titled Reimagined Industrial Strategy frames the departmental policy function. The Department emphasised that resources will be allocated to fulfil the following spending priorities:

- Providing industrial finance

- Developing industrial infrastructure
- Strengthening export capabilities
- Enhancing competition regulation

Further, the Department reported that it will also redirect resources to take advantage of opportunities brought about by the coming into effect of the African Continental Free Trade Area (AfCFTA) Agreement. Apart from the AfCFTA, the Department will position the country to exploit opportunities presented by various international trade agreements such as the *SADC European Union (EU) Economic Partnership Agreement* (EPA), *SACU Mozambique EPA with the United Kingdom* (UK) and *African Growth and Opportunity Act, 2000* (AGOA). South Africa role in G20 and BRICS will be enhanced to benefit the country and the rest of the African region.

It will also concentrate to paying attention on the implementation of the public sector's localisation. Value addition to South Africa exports would be prioritised, and thus improving enforcement of product designations in an effort to boost domestic manufacturing production remains critical.

Over the medium term the Department reported it will accelerate implementation of the *Special Economic Zones* (SEZs) and the *Revitalisation of Industrial Parks*, and continue to implementing the *Black Industrialist Programme*. The Committee noted the role of sub-national government in the development of economic development programmes. The Committee felt this is the area that need to be prioritised to ensure that provincial and local government including private sector are better engaged to ensure successful implementation of the programme.

4.1 Overview of Departmental Spending

It was reported that the Department is anticipated to spend R 11 billion for the 2020/21 financial year, of which 61 per cent or R 6,8 billion is expected to be transferred to public corporations and private enterprises for incentives programmes. Further, R2,1 billion will be transferred to the departmental entities to respond to their legislative and policy mandates. Allocations to the Industrial Financing programme account for the bulk of the Department's expenditure.

Spending in the programme is expected to decrease at an average annual rate of 4 per cent from R6 billion in 2019/20 to R5.3 billion in 2022/23. Further, the Committee noted that the operational expenditure, which comprises mainly of compensation of employees, and goods and services is expected to spend R2 billion of the total spending. Further it was noted that spending for the Department is anticipated to decrease from R11 billion in 2019/20 to R10.5 billion in 2022/23.

Table 1 indicates how the Department is expected to spend over the 2020 medium term. It should be noted that in response to the COVID-19 pandemic, allocated resources as well as programme priorities will be reprioritised by the Department. It is anticipated that the Minister of Finance when tabling the special adjustment budget the changes will be reflected in the *Special Adjustment Budget*. The Department has organised its expenditure into ten functional policy programmes, which comprise of *Administration; Programme 2: Trade, Policy, Negotiations and Cooperation, Programme 3: Spatial Industrial Development and Economic Transformation; Programme 4: Industrial Competitiveness and Growth; Programme 5: Consumer and Corporate Regulation; Programme 6: Industrial Financing; Programme 7: Export Development, Promotion and Outward Investments; Programme 8: Inward Investment Attraction, Facilitation and Aftercare; Programme 9: Competition Policy and Economic Planning and Programme 10: Economic Research and Coordination.*

It was noted by the Committee that the Department would need to focus to addressing challenges to its own operations brought on by Covid-19. Further the Committee recognised that the national budget is strained, and that would have an effect to the departmental budget, and thus affects spending priorities. As a result, other policy priorities might be scaled-back.

The Department indicated that the policy priorities and budgets will certainly be reviewed. Currently, the department was exploring of scaling back activities covered in the Export, Marketing and Investment Assistance (EMIA), Support Programme for Industrial Innovation (and Technology and Human Resources for Industry Programme THRIP). The aim is to redirect resources for the measures announced to mitigate the economic effects of CVID 19. Further additional funding may be required to assist affected sectors in the economy and stimulate investment by easing the cost of doing business while sustaining existing jobs. The Department indicate that the measures could take the form of a combination of grant and loan funding towards working capital, machinery and equipment, targeting manufacturing and its related sectors. The role *of National Treasury* in assisting in designing and funding, and financing the support measures was emphasised by the Department.

Table 1: Summary of the Departmental Spending for the 2020 Medium Term Expenditure Framework

				2020/21	2021/22	2022/23
R million	Total	Current payments	Transfers and subsidies	for capital assets	Total	Total
MTEF allocation						
Administration	873.6	860.3	–	13.3	927.2	970.3
Trade Policy, Negotiations and Cooperation	134.0	103.4	29.7	0.8	142.2	148.6
Spatial Industrial Development and Economic Transformation	171.9	157.7	13.7	0.5	184.3	190.1
Industrial Competitiveness and Growth	1 992.1	143.1	1 848.1	1.0	1 810.7	1 875.4
Consumer and Corporate Regulation	342.3	84.3	257.9	0.2	363.9	378.8
Industrial Financing	6 059.1	189.4	5 855.5	14.3	5 074.9	5 270.6
Export Development, Promotion and Outward Investments	456.7	246.6	207.6	2.5	486.6	502.4
Inward Investment Attraction, Facilitation and Aftercare	58.3	57.8	–	0.5	63.0	66.6
Competition Policy and Economic Planning	908.4	49.2	859.0	0.2	955.5	991.9
Economic Research and Coordination	85.7	84.8	–	1.0	89.9	94.4
Total	**11 082.1**	**1 976.6**	**9 071.4**	**34.1**	**10 098.3**	**10 489.1**

Source: Estimates of National Expenditure, National Treasury

In terms of the Industrial Financing programme, the Department aims to increase access to industrial finance measures to support investment in priority sectors in line with approved Master Plans. The activities covered in the programme include the *Manufacturing Incentives Programme,* Automotive Incentive Scheme, the Black Industrialist Scheme, the Agro-processing Support Scheme and the Aqua-culture Development Enhancement Programme. Infrastructure investment support is expected to spend approximately R1,5 billion in 2020 financial year, and the Manufacturing incentives programme is anticipated to spend approximately R3,8 billion. Other planned activities for the Industrial Financing over the medium term include development and implementation of various master plans to stimulate various sectors of the economy including: chemicals and plastics; clothing and textiles; steel and metals fabrication, furniture, sugar production and poultry.

The Department reported that it has planned to inject R75 billion through private sector investment leveraging efforts. The efforts are in recognition of the need to accelerate growth in the manufacturing and internationally traded services. In this regard, over the medium term, activities in the Industrial Financing Programme are aimed at leveraging more than R45 billion in investments from the private sector providing financial support to an estimated 1950 enterprises or projects that will create approximately 56 500 jobs over the medium term.

With regard to the developing investment infrastructure, the Department is set to provide grants for three industrial initiatives: Industrial Infrastructure Initiatives; Special Economic Zones, Industrial Parks and Critical Infrastructure Programme. These initiatives are aimed at enhancing the development of industrial infrastructure that has the potential to increase investments and exports. Allocations for the special economic zones in the Infrastructure Investment Support sub-programme are expected to increase at an average annual rate of 13 per cent from R1.1 billion in 2019/20 to R1.6 billion in 2022/23. Financial support to industrial parks is estimated to increase at an average annual rate of 2.8 per cent from R122.9 million in 2019/20 to R133.4 million in 2022/23, to support the refurbishment of 27 industrial parks across South Africa.

Further the Department reported that it will continue implementing the Integrated National Export Strategy in line with its ongoing effort to build capacity for increasing export in South African goods and services. Over the medium term it is set to assist more than 2000 South African companies to participate at organised national pavilions, trade missions and other export promoting initiatives. These initiatives will also incorporate historically disadvantaged enterprises and individuals, over the medium term R75 million is expected to be spent to support Export Marketing and Investment Assistance Scheme of the Industrial Financing Programme.

Over the medium term the Department planned to accelerate investment initiative, both from the domestic and foreign investment. Government has set the target over the medium term to attract R500 billion investment in various industries in the economy. There plans under way to implement measures to *Ease of Doing Business in South Africa,* and also establish the *BizPortal* that will form a single integrated company registration platform integration of the Unemployment Insurance Fund (UIF) and Compensation Fund, and to *BizPortal* with all Banks. The aim is to ensure that that South Africa ranking in terms of *Ease of Doing Business* is significantly improved.

The competition and consumer regulatory bodies will play a critical role to contribute to an efficient, competitive economic environment, balancing the interests of workers, owners and consumers and focused on economic development. The *Competition Amendment Act (2018)* expanded the mandates of the competition authorities to include the initiation of market inquiries, a number of which have already commenced in key economic sectors. Over the medium term, the Department plans to oversee the implementation of these expanded mandates. For this purpose, an additional R65 million is expected to be spent over the medium term to the Competition Commission and the Competition Tribunal to enhance their capacity to investigate cartels, and elements of dominance and collusion in the identified sectors.

Over the medium term the Department will also focus on enhancing the operational capacity to changing business environment, and further effecting changes to the management structure to increase representation of women and people living with physical disabilities. Further to extend internship duration to two years.

Public procurement will further be enhanced, as suppliers will be paid within 30 days. Further, consumer and corporate regulation activities will be scaled-up to increase public education and advocacy programmes. The aim of the Department is to improve regulatory environment to be conducive for consumers and companies as well as to providing access to redress for affected parties.

5. Issues Arising From Engagement

1. It was noted that both domestic and global economic growth will register negative growth due to the COVID-19 pandemic impact. The International Monetary Fund, have reduced South Africa’s GDP growth prospects for 2020 to negative 5,8 per cent and to

4 per cent in 2021. The South African Reserve Bank according to the Monetary Policy Statement released in April 2020 also revised its growth projections down to negative 6,1 per cent in 2020, and anticipating 2,2 per cent economic growth in 2021. Whilst National Treasury suggest the economic growth will contract between 6 and 7 per cent in 2020.

2. The Department indicated that the Re-Imagined Industrial Strategy is aligned to 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.
3. The Department acknowledged the trade deficit it has with BRICS member countries, but further emphasised that the industrial strategy adopted by government seeks to address some of the challenges that the country is experiencing. Hence it is important for South Africa to diversify the export basket to include greater share of higher value added manufactured products. Further, South Africa would pursue the global trade transactions guided by international trade and investment regime.
4. Committee noted the importance of the *Industrial Parks Revitalisation Programme* in stimulating rural and township economies. Further, the Committee was concerned with inadequate funding that the programme is receiving. The Department indicated that discussions are 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.
5. Further, the Department submitted that it has also engaged other partners including other departments such as the *Department of Cooperative Governance and Traditional Affairs*; the *Provincial Government*; and the *Municipalities*, to participate and contribute towards the *Industrial Parks Revitalisation Programme*.
6. The Committee expressed a need to invoke section 11 of the National Credit Act, 2005 (Act No. 34 of 2005) ('the NCA'), which deals with public interest credit agreements during the COVID-19 pandemic. The Department submitted that the proposal to invoke section 11 the National Credit Act, 2005.
7. Further the Committee emphasised consistency should be applied in implementing transformative legislation such as the Broad-Based Black Economic Empowerment (B-BBEE) Codes when providing relief to distressed businesses, a reference a case was the tourism industry where the Minister of Tourism was involved in the court case instituted by the AfriForum and the trade union movement, Solidarity. The Department reported that it will ensure compliance to the B-BBEE Act and its Codes of Good Practice during

the COVID-19 pandemic. It has established measures to strengthen compliance and redirect resources to where the greatest needs are.

8. Other Members of the Committee stressed that the BBBEE criterial is a fundamental policy requirement that is needed to address the legacy of economic exclusion. However, the world is dealing with an exceptional crisis-COVID-19, and interventions would in most instances shift to the normal legal and policy practices. Hence there is a need to accommodate moral policy consideration in applying relief funds. In the main is to support as many businesses, and protect jobs.
9. It was reported that that 150 black industrialists have been supported through the *Black Industrialist Programme*, and *Industrial Development Corporation* has given substantial support to the National Empowerment Fund to support black owned businesses.
10. The Department further reported that it is working very strongly with provinces in the allocation of budgets dedicated to local SMME's with priority given to enterprises owned by vulnerable groups such as women, youth and persons with disability.
11. The Committee was concerned with the decline of the number of enterprises that would be supported with financial support across all incentives offered by the Department. The Committee was stressed what was the rationale to discontinue application of the 12i tax allowance designed to support Greenfield investments and whether there are other alternative financial support measures that would be considered.
12. The Department submitted that the 12i tax allowance programme is legislated under *Section 12i of the Income Tax Act, 1962* (Act No. 58 of 1962), which incorporates the termination date of the 12i tax allowance programme. This is based on a budget allocation which is aligned to the termination date. An amendment of the termination date is not allowed unless supported by an allocated budget in order to allow for the receipt and the processing of applications. Alternative support measures may be considered via a Generic Manufacturing Support Programme should additional budget be allocated.
13. Further the Committee noted the decline of the 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 Department acknowledged the fiscal constraints as a result the allocation to the economic competitiveness support package was discontinued.

14. The Department noted the need to scale-up relief support to companies in distress in the productive sector of the economy to sustain existing jobs and productive capacity. Further, the Department propose that support that would be provided will be based on companies having a business case or turnaround strategy that demonstrate that the entity can prove it can be viable with support and lead to future sustainability within a period of 18-24 months. Further, specific conditionalities would be considered with regards to support given, such as the safe-guarding of employment. The package will be implemented once funds are allocated by the National Treasury, and thereafter appropriated by Parliament.
15. The Department reported that the *Competition Commission and Consumer Commission* have started to address incidences where service providers were alleged to be in contravention with the law. It was reported that the Competition Commission has received approximately 1354 complaints of price gouging on essential items such as face masks, hand sanitizers etc. One of the key cases before the Competition Commission and the Consumer Commission is the case of Dischem Pharmacies Pty, Ltd which stands accused of over pricing its face masks between 43 per cent and 261 per cent. At the time of the briefings the matter was reported to be before the Competition Tribunal.
16. The Department reported that one of the key priorities of is to reduce administrative burden on business and improve the Ease of Doing Business to create an enabling environment for investment and improve global competitiveness. Government is embarking on implementing several efficiency measures to improve functioning of the ports, including improving transparency of information at Deeds office including digitalisation of construction permits management in various municipalities.
17. The Committee noted the important role played by the automotive industry to the broader economy and job creation. The industry is one of the industries that have been hit hard by the COVID-19 pandemic. The Department indicated that it is in the process to reviewing the Automotive Production Development Programme (APDP) with the purpose of accommodating the industry following COVID-19. Some of the issues under consideration include relaxation of production volume requirements and extending submission timelines for Automotive Investment Scheme (AIS) applications and claims. Further, the Department is in constant engagement with the industry in efforts to understand the COVID-19 impact to the industry in order to be able to develop appropriate responses.

18. COVID-19 pandemic has also affected operations of the SEZs, including companies that are operation in SEZs. Various measures have been undertaken to offer relief to companies operating in SEZs. Construction works in the SEZs have also been affected by the implementation of the lockdown regulations. Various tenants operating in the SEZs are also involved in high impact projects directed to alleviate strain caused by the pandemic in surrounding communities.
19. The Committee questioned the rational of South Africa for not pledging support to the efforts announced by some of the Members of the World Trade Organisation 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 during the pandemic. Some of the Member countries which signed a pledged to continue to provide trade stability during the COVID-19 are South Africa main trading partners.
20. Further, the Committee wanted to understand the impact of the COVID-19 pandemic would be on the implementation of the *African Continental Free Trade Agreement* and on the out-of-cycle review of South Africa's continued participation in the *United States' African Growth and Opportunity Act* (AGOA). The Department submitted that the economic impact of COVID-19 has been devastating. Large parts of South Africa economy were closed, exports have ceased, and the country has witnessed capital flight and currency depreciation. Further Intra-African trade has been hit hard too with border closures and other lockdown measures being implemented across the continent. COVID-19 would severe damage African economies. As much trade initiative should be supported, it will be dependent on a broader agenda for financial support and debt relief across Africa. Further, the COVID-19 has disrupted vital meetings set to accelerate implementation of the AfCFTA. Including the postponement of the AU Extra-Ordinary Summit.
21. With regard to the out-of-cycle review of South Africa's continued participation in the United States' African Growth and Opportunity Act (AGOA), the Department reported that 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. The Department indicate that at this stage no such concerns have been raised. Further, the Department submitted that on 13 May 2020 the US Government initiated an overall review of sub-Saharan African countries' eligibility for AGOA preferences.

22. Further, the Department reported that US and South Africa has been severely impaired by the border measures taken by both side to address the health crisis brought on by COVID-19. These measures include lockdown in many sectors of the economy, restrictions on logistics and transport and border closures. It is anticipated that that trade will re-start as production and transport restart and as border measures and closures are scaled back.
23. According to the Department, South Africa has been part of a US country review process under the US Generalised System of Preferences (GSP) since October 2019. The review was initiated by a petition from US stakeholders in respect to concerns they have with South Africa's pending Copyright Amendment and the Performers Protection Amendment Bills. The Department indicated that government has participated in the review process and is in ongoing discussions with the United States Trade Representative (USTR) on the matter. According to the Department the review is mistimed and misdirected as these Bills are not law in South Africa. The President is assessing the constitutionality of the Bills and has not yet made the determination.
24. The Department submitted that the Joint Statement was signed by 21 Members of the WTO, and the WTO comprises 165 Members. The Joint Statement was referring to measures that have already been put in place on exports of medical supplies and other essential goods and services. It was making a pledge to lift the measures as soon as possible. According to the Department the Joint Statement 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." The Department further indicated that it is noteworthy that 141 countries have implemented trade measures. In addition, twelve of the sponsors of the Statement implemented export restrictions on medical products; and two of them implemented export restrictions on agricultural products. It should also be noted that trade, in general, has 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 are the result of measures to address the COVID-19 pandemic.
25. According to the Department, South Africa, along with most other Members, did not sponsor the Joint Statement as it is an undertaking that is inconsistent with existing WTO rules. Article XI of the General Agreement on Tariffs and Trade (GATT) on 'Export Restrictions' provides for the application of export prohibitions to prevent or relieve critical shortages of foodstuffs or other products essential. The Department

indicated that proposal contained in the Joint Statement is the latest of ongoing efforts by many of the same WTO Members to completely prohibit export restrictions even for developmental objectives. Many of the same Members, which signed the Joint Statement to 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. The Department submitted that it is important to leave open the possibility of resorting to export restrictions to promote food security or manage shortages of foodstuffs and other essential products.

6. Recommendations

Following the engagements with the Department, the Committee proposed the following recommendations to the Minister:

1. Over the medium term the Department working closer with subnational governments including the development agencies should develop action plan that outlines trade and investment opportunities presented by various International Trade Agreements. The action plan should be presented by the end of the 2020/21 financial year.
2. Given the vital role of provinces, local government and private sector in small enterprise development, industrial development and innovation, it is critical that an effective multilevel governance in supporting growth and development of businesses (Big or Small) need to be promoted and enhanced. It is recommended that the Department should engage National Treasury to provide additional allocation to scale-up COVID-19 Relief Funding.
3. Further, over the medium term the Department should engage National Treasury to offer funding to enhance the Manufacturing Competitiveness Enhancement Programme.
4. Over the medium term the Department should accelerate the implementation of the Industrial Parks Revitalisation Programme. Working in partnership with other departments such as Small Business Development, and sub-national governments the Department need to provide incubation and business development support in the Parks, which include market linkage facilitation so that the industrial parks can attract, support

and sustain new firms. Firms located in the Parks should be exposed to various government incentives schemes. The Department has several incentives schemes such as the manufacturing investment schemes, competitive investment scheme, service investment, industrial innovation investment cluster competitive investment, and infrastructure investment schemes. Coordination across levels of government is crucial, in order to allocate scarce resources better and provide support to businesses. Local government capacity and capability would need to be geared-up. What is vital is to have Parks that are aligned with growth opportunities within the region and its linkages to other regions.

5. South Africa has high number of unemployment, and with surplus of unskilled labour. There is a growing concern that the Special Economic Zones should also priorities labour intensive sector. The Department should consider that some of the SEZ to focus on labour intensive firms.

Report to be considered.

2. REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON BUDGET VOTE 31: EMPLOYMENT AND LABOUR, THE STRATEGIC PLAN AND THE 2020/21 ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF EMPLOYMENT AND LABOUR, DATED 9 JUNE 2020

1. Background

The Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour, having considered Budget Vote 31: Employment and Labour, the Strategic Plan and the 2020/21 Annual Performance Plan of the Department of Employment and Labour tabled by the Minister of Employment and Labour, and in terms of the Public Finance Management Act of 1999 (PFMA), as well as the Money Bills Amendment Procedure and Related Matters Act, 2009, reports as follows:

2. Introduction

The Committee considered the 2020/21-2024/25 Strategic Plan, and the 2020/21 Annual Performance Plan, Budge allocation, Budget Vote 31, and further observed the spending plans of the departmental entities. The Committee engaged the Department and its entities on 7, 12, and 14 May 2020, respectively. The Department submitted that the current strategic plan, and annual performance plan are aligned to the Medium Term Strategic Framework (MTSF).

It was further submitted that the strategic plans were crafted pre-COVID-19 outbreak in South Africa. The Committee noted that the 2008-09 financial crisis it was like a "small-scale rehearsal" in disrupting the socioeconomic system. South Africa economic growth is anticipated to decline between 6 and 7 per cent in 2020, and the significant decline of the national economy is supported by the International Monetary Fund, Reserve Bank and the Organisation for Economic Cooperation and Development. The resultant negative impact of the pandemic on the economy and to the fiscus would necessitate reprioritisation of the spending plans to accommodate policy responses to COVID-19.

Further, the Department indicted that the pandemic has caused huge disruption in global economy, and national economies. The damage to the travel and tourism sectors was reported to be more pronounced. Retail (excluding food), automotive, hotels and restaurants, airlines, travel operators, arts and entertainment, and personal services like hairdressing, firms and workers were mostly affected including manufacturing.

When South Africa entered the COVID-19 outbreak phase it was already experiencing weak fiscal position. Coupled with repeated funding support to state owned companies, which have huge hole in terms of their balance-sheet. Further, global rating agencies have downgraded the economy to an unattractive investment level and that would increase the cost of government borrowing. The currency weakness continues to rise.

It was noted that rising unemployment remains a challenge, further declining real GDP per capita, and low business sentiment are some of the risks that need to be addressed. Depressed household finances would likely affect livelihoods. Unskilled, and semi-skilled workers are projected to be hit hard by the COVID-19 pandemic. It was reported that some of the businesses would not survive, and even those, which will survive would lay-off workers. COVID-19 pandemic will certain result to an increase to unemployment. Mainstream media reports have indicated that unemployment could reach 50 per cent. The functional role of the *Commission for Conciliation, Mediation and Arbitration* (CCMA) would need to be enhanced, thus it will need resources to address tensions relating to the industrial relations.

The Committee recognised the depth of the unemployment crisis presented by the COVID-19 pandemic. Further, the Committee emphasised that preservation of jobs, and employment creation should be at the centre of economic and social policies in a post COVID-19 phase. Partnerships amongst social partners should be enhanced. Further, the *National Economic Development and Labour Council's* (NEDLAC) strategic and functional operations should be repurposed to tackle the current and emerging socio-economic issues.

3. Overview of the Legislative and Policy Mandate of the Department

The *Estimates of National Expenditure* articulates that the purpose Department is to play a significant role in reducing unemployment, poverty and inequality by pursuing the objectives of decent work for all through employment creation and enterprise development. Further, it aims to set the standards and the protection of rights at work, including the facilitation of equal opportunities and social dialogue, and the provision of social protection.

Apart from the Constitution of the Republic, the legislative framework which informs the work of the Department constituted by the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998), the Occupational Health and Safety Act (1993), and the Employment Services Act (2014). Further the Bill of Rights is pivotal section in the Constitution which find expression through various acts that regulate labour matters in South Africa.

It was reported that some of the funds earmarked to preserving the economy, including protecting jobs were also sourced from the Unemployment Insurance Fund. Current, the UIF has set aside R40 billion to meet government socio-economic commitments in response to COVID-19.

Over the medium term, the Department and its entities will focus on the following policy mission:

- Improve economic efficiency and productivity;
- Facilitate the creation of decent employment;
- Promote labour standards and fundamental rights at work;
- Provide adequate social safety nets to protect vulnerable workers;
- Promote and enforce sound labour relations;
- Further, to promote equity in the workplace;
- Eliminate inequality and unfair discrimination in the workplace;
- Enhance occupational health and safety awareness and compliance in the workplace;

- Give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for the competitiveness of enterprises, balanced with the promotion of decent employment.

The Committee noted the critical policy strategy plans that informed the formulation of the current strategic plans, and other spending plans. Further the Committee recognised the effect of the COVID-19 to the *Medium-Term Strategic Framework* including the *National Development Plan 2030.* The COVID-19 pandemic will affect the economy, and has the direct negative impact to employment. The duration of the pandemic remains unknown, and the depth of the damaged not yet clearly quantified. It has been accepted that the impact of the pandemic would ravage the economy, and affect jobs and cause strain to households and many companies. The Committee noted that the current situation would necessitate further withdrawals of the UIF reserve funds invested in various portfolios. Further, unemployment rate increase has the potential to erode the UIF reserve funds.

4. Budget Policy Area

The vision of the Department is to strive for a labour market which is conducive to investment, economic growth, employment creation and decent work. The Department reported that over the medium term it will continue to implement the National Development Plan. Over the 2020 medium term, the Department emphasised that resources will be allocated to fulfil the following spending priorities:

- Supporting work seekers;
- Increasing safety and fairness in the workplace;
- Regulating the workplace to establish minimum working conditions and fair labour practices;

Further the work of the Department is functional structured to respond to the following *Medium Term Strategic Priorities*:

- 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 Basic Services;
- Priority 5: Spatial Development, Human Settlements and Local Government. This priority has been identified by the Department that it does not have direct impact to its policy functional area.
- Priority 6: Social Cohesion, Safer Communities;
- Priority 7: A Better Africa and a Better World;

Over the medium term the Department reported that create 256 050 youth jobs as a response to the Presidential Comprehensive Youth Employment initiative. Public Employment Services is expected to lead by creating 190 000 jobs, and through the Labour Activation Programme, 61 050 jobs will be created and the Compensation Fund initiatives will create 4 000 jobs. In addition, the Public Employment Services is expected to develop Employment Policy.

In terms of meeting Employment Equity Act objectives, the Department submitted that it will conduct over the medium term 18 420 workplaces inspections. With regard to the implementation of the National Minimum Wage Act and the Basic Conditions of Employment Act, the Department indicated it will visit 838 560 workplaces over the next five years.

Another pivotal area over the medium term is the spending on health and safety taking into account certain health and safety measures that companies need to take to protect workers in workplaces in response to COVID-19 pandemic. The Department submitted that it will inspect 421 620 over five years, in year it will inspect 23 844 workplaces. However, this target does not take into account COVID-19 demands.

Further, the Department reported that it will visit 131 580 employers to ensure that they comply with *Unemployment Insurance Act, Unemployment Insurance Contribution Act* and *Compensation for Occupational Injuries and Diseases Act* legislative requirements. Over the medium term the Department submitted that employment equity initiative will be accelerated, starting with the legislative amendment of the Employment Equity Act. According to the 2018 Employment Equity Report, Africans constituted 23,2 per cent and 40,2 per cent at senior and middle management levels as reported by designated employers.

The Department has set a target to facilitate a progressive increase (2 per cent annually increase) of representation of Africans in senior and middle management levels. Further, persons with disabilities' interest will also be place at the centre of government transformative agenda. Current, Persons with disabilities constitute 1 per cent of the of the total workforce in both public and private sector, this is according to the 2018 Employment Equity Report. The Department intends to increase the representation of Person with disabilities to 2.5 per cent both in the private and public sector.

Further, the Committee noted the spending amount which is approximately R88.5 million set aside for the departmental international labour commitments in the International Labour Organisation and African Regional Labour Administration Centre. This spending commitment seeks to respond to the departments contribution to the government global commitment to create *A better Africa and a better World.*

As already stated elsewhere in the report that the current strategic plan of the Department was crafted in a different policy context, which did not take into account the Covid-19 pandemic. The current budget policy context will necessitate the Department to revise the spending plans to accommodate policy responses to the Covid-19 pandemic.

4.1 Overview of the Departmental Spending

It was reported that the Department is anticipated to spend R3,6 billion for the 2020/21 financial year. In terms of spending per functional policy programme, in 2020/21 financial year, Administration is anticipated to spend approximately R1 billion, Inspection and Enforcement Services to spend R677 million, Public Employment Services to spend R644 million and Labour Policy and Industrial Relations is expected to spend approximately R1,3 billion. Most of the spending in Labour Policy and Industrial Relations is made of transfers to departmental entities.

In 2020/21 financial year, approximately R2.2 billion is expected to be spent on current payments, of which Goods and services (R687 million) and Compensation of Employees (R1,5 billion), and Transfers and Subsidies anticipated to spend approximately R1,5 billion. Spending on *Compensation of Employees* over the 2020 medium term is expected to represent 40.8 per cent of the total budget spending, followed by *Transfers and Subsidies* recording 38.2 per cent and *Goods and Services* expected to register R 19,1 per cent. In 2020 financial year, approximately R1 billion is transferred to the CCMA. The Commission for Conciliation, Mediation and Arbitration aims to promote social justice and economic development in the world of work, and to be the best dispute management and resolution organisation.

The other entity that is expected to receive allocation to spend on current payments is the National Economic Development and Labour Council. NEDLAC plays a critical role to ensure that organised labour, organised business community-based organisations and government to work as a collective to promote the goals of economic growth, and social and economic equity. In 2020/21 financial year, NEDLAC is expected to receive R62 million. Whilst the *Productivity South Africa*, which aims to improve the productive capacity of the economy through interventions that encourage social dialogue and collaboration between government, labour and business. In 2020/21 financial year, *Productivity South Africa* is expected to receive R57 million.

Another pivotal departmental entity is the *Unemployment Insurance Fund. The aim of the entity is* to alleviate poverty by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits, as legislated in the *Unemployment Insurance Act* (2001). It is expected in the 2020/21 financial year for the fund to review all claims affected by the changes created by the retrospective implementation date of the *Unemployment Insurance Amendment Act* (2016). The Department submitted that an estimated 1.7 million claimants have lodged claims between 19 January 2017 and 31 December 2018 that were assessed and paid at a lower rate based on the old Act need to be reassessed and paid based on the amended act. As a result, expenditure on the payment of claims is expected to be R30.6 billion in 2020/21, R24.9 billion in 2021/22 and R27.4 billion in 2022/23.

To ensure the retention and smooth re-entry of contributors into employment, the fund has budgeted an estimated R7.5 billion over the medium term for the implementation of labour activation programmes such as training and business development aimed at enhancing the employability of contributors. To reduce the time spent by clients in labour centres, the fund has set aside R6.7 million per year over the medium term for the maintenance of the queue management system.

In 2020/21 financial year the UIF is expected to use a self-service application that can be used on smartphones and unstructured supplementary service data, and the self-service application is projected to cost R2.3 million in an effort to enable clients to use the fund's services without having to visit its offices. A further R10 million has been allocated in 2020/21 for the digitalisation of documents, and R85 million for the implementation of systems applications and products in data processing. Further, an estimated 20 per cent of the fund's investment portfolio (R33 billion) has been set aside for socially responsible investment in employment creation initiatives in agriculture, education, renewable energy, financial services, health, housing, agro-processing, mining and beneficiation, construction, petroleum, student accommodation, road infrastructure and technology. The *Public Investment Corporation* manages this investment on behalf of the UIF.

The UIF is financed through contributions from employees and employers, as legislated in the Unemployment Contributions Act (2002), and through interest earned on investments. Over the medium term, the fund expects to receive an estimated R66.8 billion of its total revenue through unemployment contributions. Income earned through returns on investments is expected to increase from R11 billion in 2019/20 to R13.9 billion in 2022/23.

However, the Committee noted the impact of COVID-19 to the strategic plan and operations of the UIF. It is reported elsewhere in the report that unemployment rate increase as result of the effects of COVID-19 pandemic has the potential to erode the UIF reserve funds. Current, the UIF has set aside R40 million to tackle challenges that affect companies, and to preserve jobs.

In 2020/21 financial year, *Supported Employment Enterprises* (SEE) is anticipated to receive R153 million. The entity was established in 1943 as the Sheltered Employment Factories, for the sole purpose of creating employment for ex-serviceman and women who could not secure employment in the labour market due to barriers that prevented their participation. The Department reported that the entity now has 13 factories located in 8 of the 9 provinces, with *Mpumalanga Province* currently being the only province without a factory. The Employment Services Act 4 of 2014 now establishes the entity as the Supported Employment Enterprises to promote work and employment opportunities for persons with disabilities. The SEE now employs just over 1024 persons with disabilities across 13 factories, with the capacity to collectively employ an additional 2000.

The factories can be found across the country and are located in industrial part outside major cities as follows: Kwa-Zulu Natal: Durban and Pietermaritzburg; Eastern Cape: East London and Port Elizabeth; Western Cape: N'dabeni and Epping; Northern Cape: Kimberley; Free State: Bloemfontein; North West: Potchefstroom; Limpopo: Seshego; Gauteng: Silverton (Pretoria) and Rand (Johannesburg) Springfield.

It was reported that the *Western Cape Department of Health* placed an order of bed sheets, surgical gowns, theatre pants, doctors' shirts, operation gown as part of material that will be used in response to the COVID-19. The project value approximately R9 million in total.

The Committee noted that the capacity and capability of the SEE should be prioritised in order it can be able to maximise its revenue generation thus it should improve sales and expand to new markets. Financial sustainability of the SEE should be prioritised. Further, SEE should leverage the current funding instruments to source private sector financing.

The *Compensation Fund* (CF) is expected to receive approximately R18 million in 2020/21 financial year. The Compensation Fund is mandated to administer the Compensation for Occupational Injuries and Diseases Act (1993), which makes provision for the compensation of employees who are disabled as a result of occupational injuries or sustain or contract diseases, or the compensation of the nominated beneficiaries of employees who die from such injuries or diseases.

Over the medium term the CF is expected to improving its operational efficiency. Further, expenditure on claims and pension benefits is expected to increase from R946.3 million in 2019/20 to R1.3 billion in 2022/23 at an average annual rate of 10 per cent. Total expenditure on benefits is expected to increase at an average annual rate of 7.2 per cent, from R3.8 billion in 2019/20 to R4.7 billion in 2022/23. Included in this amount is expenditure for 4 200 university bursaries and 800 bursaries to technical and vocational education and training colleges to upskill unemployed workers who have suffered occupational injuries.

It was submitted that the cost of administering the fund, paying compensation benefits and medical expenses, and rehabilitating and reintegrating injured and diseased workers is funded through levies paid by registered employers and revenue earned from investments. The fund's total revenue in 2019/20 is expected to be R13.2 billion, increasing at an average annual rate of 5.4 per cent to a projected R15.4 billion in 2022/23.

It was noted by the Committee that the Department would need to focus to addressing challenges to its own operations brought on by Covid-19. Further the Committee recognised that the national budget is strained, and that would have an effect to the departmental budget, and thus affects spending priorities. As a result, other policy priorities might be scaled-back. Further additional funding may be required to assist the Department to carry tasks in response to COVID-19 pandemic. The role *of National Treasury* in assisting the Department to meet occupational and health support measures including public employment support measures and to minimise industrial relations conflict in response to the COVID-19 pandemic, was stressed by the Committee.

Table 1 shows on what the Department is expected to spend funds over the 2020 medium term. The Department has organised its expenditure into four functional policy programmes, which comprise of *Programme 1: Administration, Programme 2: Inspection and Enforcement Services; Programme 3: Public Employment Services and Programme 4: Labour Policy and Industrial Relations.*

Table 1: Summary of the Departmental Spending for the 2020 Medium Term Expenditure Framework

				2020/21	2021/22	2022/23
R million	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	1 011.7	965.6	1.0	45.1	1 073.0	1 113.6
Inspection and Enforcement Services	676.9	659.8	0.1	17.0	720.5	747.7
Public Employment Services	643.5	386.1	250.7	6.7	685.9	711.4
Labour Policy and Industrial Relations	1 305.7	166.0	1 139.6	0.1	1 377.8	1 437.2
Total	**3 637.7**	**2 177.6**	**1 391.4**	**68.8**	**3 857.2**	**4 009.8**

Source: Estimates of National Expenditure, National Treasury

It should be noted that in response to the COVID-19 pandemic, allocated resources as well as programme priorities will be reprioritised by the Department. It is anticipated that the Minister of Finance when tabling the special adjustment budget the changes will be reflected in the *Special Adjustment Budget*.

In terms of *Inspection and Enforcement Services* the Department submitted that in 2020/21 financial it will conduct 221 556 inspections in respect of various labour laws in all provinces. In 2020/21 financial year, the Department is expected to conduct 24 408 inspections in the *Eastern Cape Province*, 18 732 in *Free State*, 47 520 in *Gauteng*, 44 436 in *KwaZulu Natal*, 20 892 in *Limpopo,* 16 812 in *Mpumalanga,* 9 660 in *Northern Cape*, 14 976 in *North West*, and 23 832 in the *Western Cape.* Further, the Department is expected to conduct education and advocacy awareness initiatives to increase awareness of employment law.

The Department through the 2018 national macro reorganisation of government in recognition of the need to respond to increasing levels of unemployment, inequality and poverty in South Africa was given an additional responsibility to drive employment creation initiative across the government. Young people are reported to be the most affected group. According to the official definition, unemployment in South Africa has reached 29 per cent, and according to the expanded definition, is sitting at 38.5 per cent. With the COVID-19 outbreak, mainstream media reports have indicated that South Africa unemployment rate could reach 50 per cent.

More than half of unemployed youth find it difficult to access opportunities in the labour market because of their low levels of education and skills, lack of experience, and other social and economic factors. In response to some of these challenges, the 2018 presidential jobs summit delivered a framework agreement consisting of high-impact actions aimed at driving job creation, job retention and economic growth.

Over the medium term the Department reported that it will develop an employment policy in line with International Labour Organisation guidelines, to coordinate all employment initiatives. In addition, an employment schemes framework will be developed to facilitate the provision of short-term employment in response to the oversupply of labour and the lack of available opportunities for adequate employment. The employment schemes framework aims to provide short-term employment, especially for young people, to stimulate the economy through multiple strategies that will allow participants to generate their own income.

The number of work seekers registered on the Employment Service s of South Africa database is set to increase from 700 000 in 2019/20 to 800 000 per year from 2021/22 due to a planned increase in advocacy campaigns and the number of employment counsellors employed. Employment counselling will be provided to an estimated 690 000 registered work seekers over the medium term at a projected cost of R45 million in the Work Seeker Services sub-programme.

The Department submitted that it will registered 90 000 work-seekers on Employment Services in the Eastern Cape Province, 52 500 in Free State, 195 000 in Gauteng, 127 500 in KwaZulu Natal, 52 500 in Limpopo, 60 000 in Mpumalanga, 30 000 in the Northern Cape, 45 000 in North West, and 97 500 in the Western Cape.

In job seekers platform work seekers will be profiled so that those who require less intervention and job preparation can be fast-tracked to job opportunities, thereby availing career counsellors to focus on work seekers who require more assistance and enhancing their prospects of securing employment. In 2020/21 financial year, the Department reported that it will register 27 938 work-seekers to be provided with employment counselling, 19 206 in Free State, 45 396 in Gauteng, 27 938 in KwaZulu Natal, 22 698 in Limpopo, 26 190 in Mpumalanga, 12 222 in the Northern Cape, 17 460 in North West, and 20 952 in the Western Cape.

The Department reported that the placement process of the job seekers will be streamline and integrated with the systems of the Unemployment Insurance Fund and the Compensation Fund, as well as the national learner's record database. Further the department will also play a more active role in facilitating job creation by establishing partnerships with stakeholders such as the Department of Higher Education and Training, the Department of Public Works and Infrastructure, the National Youth Development Agency, municipalities and the private sector.

Productivity South Africa is expected to play a critical role in the implementation of the training lay off scheme, business recovery and turnaround solutions, and job-saving programmes. As a result of these efforts, the number of registered employment opportunities filled by registered work seekers is expected to increase from 90 000 in 2019/20 to 105 000 in 2022/23 at an estimated cost of R140.4 million over the medium term in the Work Seeker Services sub-programme. In the Eastern Cape 13 000 work seekers would be placed for employment opportunities, 7 500 in Free State, 18 200 in Gauteng, 15 000 in KwaZulu Natal, 10 000 in Limpopo, 8 000 in Mpumalanga, 5 800 in the Northern Cape, 6 500 in North West, and 11 000 in the Western Cape.

In terms of the Labour Market Policy & Industrial Relations the Department submitted that it will table the to Parliament the amendments to the Employment Equity Act by the end of the 2020/21 financial year. Over the medium term the Department reported that it will continue to to facilitate the establishment of an equitable and sound labour relations environment and promote South Africa's interests in international labour matters through research, analysing and evaluating labour policy, providing statistical data on the labour market, and supporting institutions that promote social dialogue.

The Department further committed to review of the National Minimum Wage by the end of the financial year. The National Minimum Wage Commission and secretariat established in 2019 will be responsible for reviewing, adjusting and monitoring the social and economic impact of the national minimum wage, which is set at R20 per hour.

In addition, Department will ensure that collective agreements are assessed and verified within 180 working days of receipt by the end of the 2020/21 financial year. As already stated in this report the CCMA will be key government structure that will assist to ensure there is better industrial relations taking into account the expected retrenchment notices as result of the impact of the COVID-19 pandemic.

In terms of its contribution to realise to the government priority 1: priority 1 to developing a *Capable, Ethical and Developmental State,* the Department indicated that it will ensure that 80 per cent of vacant funded posts are filled within 4 months of becoming vacant. Over the medium term the Department has planned to continue tackle cases of irregular, fruitless and wasteful and/or unauthorised expenditure. Further, the Department has planned to enhance its ICT capability to improve services to the clients, and also to strengthen governance structures.

5. Issues Arising from Engagement

1. The Committee noted the impact of COVID-19 to the domestic and global economies, and the resultant effect to the South Africa economic growth, fiscal health of the country.
2. Further the Committee noted that the strategic plan and spending plans of the Department would need to be revised to accommodate the policy response to the COVID-19 pandemic.
3. The Committee agreed with the Department that SEEs need to be supported. Further, the Department should use internal functional policy programmes to gear up the performance of the SEE. Inter-intra departmental strategic support should be used to optimise the functioning of the SEE. The organisational health and capability including financial sustainability of the of the SEE should be prioritised. Partnership with the government development agencies should be formalised and cemented.
4. The Committee noted the concerns raised in relation to the procurement of Personal Protective Equipment (PPE). Further, the Committee encouraged a streamlined procurement process that would enable SEEs, SMMEs (including those, which owned by young people, person with disabilities, and women) to supply PPEs. Local economic enterprises should also benefit including social enterprises.
5. The Committee noted that the *Public Employment Services* will be facing an increase of the number of jobseekers, and it will need reallocate many of the job seekers across occupations, sectors and regions. This requires providing them with good labour market information and support for skills development. The Committee recognised that additional resources would be needed to support the increasing number of the people who will be unemployed.
6. Services of the Labour Activation Programme would be in high demand. Reserve funds of the CF and UIF would be in high demand. That pose future risks on the availability of the funds as significant withdrawals could be warranted as many companies face solvency and putting jobs at risk.
7. The Department stressed the commitment of government to ensure that many companies need to be served, and jobs be protected. Collaborative effort will be undertaken to save as many companies and protecting current jobs, and shifting the workforce to new industries and sectors.

8. The Department further submitted that it will develop the *Employment Policy* to create labour market stability, and creation of decent employment in order to support an inclusive economy. The initiative will be done taking into consideration international law and treaties that support open and dynamic labour market.
9. The Department submitted that over the medium term it will continue to prioritise gender equity considerations in the workplace including tackling sexual harassment of women. The gender based violence regulations in the workplace would also be aligned to international conventions.
10. Municipal environmental inspectors are in the process of exploring collaboration with a whole host of other inspection bodies that license to operate and will go a long way in augmenting numbers the Department have.
11. The Sheltered Employment Enterprises (SEE) expectation that it should generate an income instead of being funded by the Department will decrease demand on fiscal allocation and focus on improving manufacturing towards self-reliance and funding. There is an intention to expand for example in areas like Mpumalanga. As long as guaranteed work is achieved and then the factories will be able to generate their own income and reduce their reliance on government funding.
12. The Department submitted that it is planning to recruit additional specialist inspectors in an attempt to increase occupational health and safety inspection. It was indicated by the Department that it is competing with private sector including the Department of Mineral Resources in attracting inspection talent. The private sector has an edge in terms of recruitment as it offers better remunerative package. Over the medium term, the Department indicated that it will pay particular attention on recruiting the best talent in the inspection services. Additional resources would be required.
13. The Committee commended the strategic plan of the CCMA, and noted the essential role of the CCMA, particular in the current socioeconomic situation. Further, the Committee recognised that the CCMA would need additional resources to address industrial relations disputes that would be worsened by the COVID-19 pandemic in labour market.
14. Further, the Committee noted that CF need to pay particular attention to ensure that it improve the organisational health, and enhance ICT infrastructure

services in order to improve service delivery. Further, CF should prioritise spending in Compensation of Employees to fill critical vacant posts.

15. The Committee noted the strategic focus of NEDLAC including the work that has been done to respond to COVID-19. On top of the internal reprioritisation process, additional resources would be needed by NEDLAC. The current services would be shifting to migrating into digital services. That would need much support to be provided to the stakeholders in order they are able to effective participate in NEDLAC's legislative and policy processes.
16. The Committee also noted the review process that NEDLAC has undertaken to improve its strategic focus and functional operational requirements to meet the new socio-economic developments.
17. The Committee, further noted the pivotal role played by NEDLAC in assisting government to manage COVID-19 interventions, particular to efforts in forging collaborative initiatives amongst social partners. Partnerships with *Business SA* including organised labour was noted by the Committee.
18. The Committee recognised that role played by *Productivity South Africa* in the overall functioning of the industries, and by extension to the economy. It was noted by the Committee that South Africa in terms of ratings in competitiveness is ranking lower than G20 member countries including BRICS member countries. Productivity South Africa has also identified this a challenge that needs to be tackled. Over the medium term the entity has planned to enter into partnerships with other government departments such as the *Department of Trade, Industry and Competition, Small Business Development, Innovation and Technology* institutions, including the private sector and post-secondary institutions implement initiative that would boost productivity of the companies, and build workforce skills development.
19. Over the medium term *Productivity South Africa* indicated it will also pay particular attention on the organisation's financial sustainability. This is the issue that the Committee recognised as some of the challenges that pose organisational risk that would affect the functioning of the entity.
20. Further, the Committee noted that the services of *Productivity South Africa* would be needed by many companies as a result of the COVID-19. The entity would need to redirect the resources to meet the needs of companies that would be facing operational distress. Further, the role of industry associations would

be critical, thus *Productivity South Africa* should enhance the relationship with industry players.

6. Recommendations

Following engagement with the Department and entities, the Select Committee proposed the following recommendations to the Minister of Employment and Labour:

1. Taking into account the demands that would require policy responses as a result of the COVID-19 pandemic, particular with occupational health and safety requirements. National Treasury taking into cognisance available resources should consider to allocate additional resources to the Department to meet commitments necessitated by the COVID-19 pandemic.
2. The Committee recognised that the organisational health and capacity including financial sustainability of the SEEs should be prioritised. The Department working closely with *National Treasury* should work on a mechanism that would ensure that business operations of the SEEs are adequately funded. Further, over the medium term both National Treasury and the Department should explore alternative funding and financing sources to support growth and expansion of the SEEs.
3. COVID-19 would disrupt the economy, and would have negative impact to the labour market. Over the medium term, the Department should engage National Treasury to allocate additional resources to the CCMA in order it can meet policy commitments in response to the COVID-19.
4. Over the 2020 medium term *Productivity South Africa* should develop a business model that would ensure that it becomes financial sustainable.
5. Further, the Committee recommends the Department to finalise the development of the Employment Policy by the end of the 2020/21 financial year.

Report to be considered.

3. REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON BUDGET VOTE 38: TOURISM, THE STRATEGIC PLAN AND THE 2020/21 ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF TOURISM AND SOUTH AFRICAN TOURISM, DATED 9 JUNE 2020

1. Background

The Select Committee on *Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour* (Committeee), having considered Budget Vote 38: Tourism, the Strategic Plan and the 2020/21 Annual Performance Plan of the *Department of Tourism* (Department) and the *South African Tourism* (SA Tourism), tabled by the Minister of Small Business Development (the Minister), in terms of the *Public Finance Management Act of 1999* (PFMA), as well as the *Money Bills Amendment Procedure and Related Matters Act, 2009*, reports as follows:

2. Introduction

The *Department* tabled the 5-year Strategic Plan for 2020/21 -2024/25 and the Annual Performance Plan for the 2020/21 financial year on 18 March 2020. However, due to the impact of COVID-19 on the tourism industry, 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 20 May 2020.

The Committee considered the 2020/21-2024/25 Strategic Plan, and the 2020/21 Annual Performance Plan of the Department *and South African Tourism on 26 and 27 May 2020.* The Committee has also considered the adequacy of financial resources for the implementation of these plans. The Department submitted that the current strategic plan, and annual performance plan are aligned to the Medium Term Strategic Framework (MTSF). The actions of the Minister to withdrew the initial strategic plans was a clear demonstration that the COVID-19 has a direct impact to the initial spending plans of the Department and its implementation agency-SA Tourism.

Long before the COVID-19 outbreak, South African economy was experiencing low economic growth, weak fiscal position, decline in investment attractive ratings and major State-Owned Entities experience deep hole in their balance sheet. The COVID-19 has worsened an already bleeding economy posing a potential for social instability. Recent reports from the Reserve Bank and the World Bank including National Treasury show that the country would register higher rate of unemployment that might surpass the current rate of 29 per cent, and the economy might decline between 6 and 7 per cent in 2020.

The Department reported that the pandemic has created massive damage to the tourism industry. Massive job loses would be witnessed, and many businesses would face liquidation. The COVID-19 pandemic has ravaged international tourism economy. It was reported that 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. From a domestic tourism perspective, lockdown measures to contain the spread of the virus have significantly damaged the tourism economy. However, it was reported that with sound recovery strategy and plan for tourism, depending on the duration of the pandemic. It is expected the that the tourism industry would recover and continue to play its important role to the national economies.

The Committee recognised the depth of the crisis presented by the COVID-19 pandemic in relation to the operations of SMMEs in the tourism industry, and the deeper problem of the unemployment that would have to be tackled. According to the 2019 WTTC annual review that tourism in South Africa contributed 1.5 million jobs and R425.8 billion to the economy in 2018. The registered tourism performance of South Africa reveals that South Africa is the largest tourism economy in Africa. Further, the tourism industry plays major role in the economies of many regions, and cities in South Africa.

The Committee emphasised that preservation of jobs, and support to many tourism related businesses should be on top of government agenda taking into account the important role that the industry plays in the economy, and employment. Further, the Committee support the interventions initiatied by the Department to establish the *Tourism Relief Fund* geared to support SMMEs operating in the tourism industry. The Committee urged that existing transformative policies and legislation should be applied taking into account the exceptional situation presented by the COVID-19 to the economy, and to the livelivehoods. Partnerships amongst social partners should be enhanced, and to ensure that the impact of the pandemic to businesses and jobs is minimised.

The Committee noted that the tourism industry is primary driven by the private sector, hence partnership between government and the indystry players such as the Tourism Business Council of South Africa (TBCSA) would be crucial in jump-starting the tourism economy, and also driving transformative initiatives in the tourism industry. Further, the Committee noted the importance of directing resources in stabalising and stimulating domestic tourism.

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 initiave planned to maximise the contribution of domestic tourism to the economy were commended by the Committee.

3. Overview of the Legislative and Policy Mandate of the Department

The *Estimates of National Expenditure* advocates that the purpose of the Department is to promote and support the growth and development of an equitable, competitive and sustainable tourism sector, enhancing its contribution to national priorities. Beside the Constitution of the Republic, the Tourism Act of 2014 (Act No. 3 of 2014) is the current legislation governing tourism in South Africa. 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.

The *White Paper on the Development and Promotion of Tourism in South Africa, New Growth Path, National Tourism Sector Strategy* emphasise the crucial role that the tourism industry could play in addressing unemployment, inequality and poverty including driving the transformative agenda of the country. Further the *National Development Plan* (NDP) recognises that the tourism industry could play a significant role in stimulating growth of national economies, as such it places the tourism industry at the centre of government inclusive growth agenda. The Department submitted that over the 2020 medium term it will continue to structure its functional operations to respond to the government economic policy plans such as the NDP.

4. Budget Policy Area

The Department submitted that over the medium term it will respond to the *MTSF priority 1 Building a capable, ethical and developmental State, priority 2: Economic Transformation and Job creation and priority 7: Better Africa and the World* by focusing on the following departmental outcomes:

- Improving its governance and accountability systems towards achieving an unqualified audit outcome including implementing the departmental integrity management programme to promote integrity and ethical conduct;
- Increase tourism's contribution to employment creation and the gross domestic product;
- Support and promote investment in tourism infrastructure;
- In partnership with SA Tourism, implement measures and initiatives to increase the number of international tourist arrivals and domestic travellers, including , reintroducing tourism safety initiatives;
- Improving the regulatory environment;

- Further increase diversification of the country's product offering; and improve transformation levels in the sector.

The Department submitted that over the 2020 medium term it will conduct the following policy and legislation reviews:

- 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

Further, the Department reported that it will continue to implement the *National Development Plan 2030*. The Committee noted the commitment of government to increase international arrival target by facilitating an additional increase of 21 million by 2030. However, the Committee agreed with the Department that the COVID-19 pandemic would have an impact to the *Medium-Term Strategic Framework* including the *National Development Plan 2030,* as such the it would have an effect on the implementation of the departmental strategic spending priorities. The revised strategic plan submitted by the Department acknowledge the effect of the COVID-19 to the departmental operations and the required functional operation of the SA Tourism. The Committee noted that the national budget is strained, and that would have an effect to the spending plans across government departments. As a result, other policy priorities might be scaled-back. Taking into account the significant impact the pandemic caused to the tourism industry additional funding and financing would be required to assist the Department to carry tasks in response to COVID-19 pandemic, and also implement standing priorities, which are pivotal. Over the medium term, the Department was urged by the Committee to improve working relations with the private sector, and tourism industry players. Further to enhance partnership with the private sector, and use current resources to leverage private sector resources to reset the tourism industry.

Further, the Committee emphasised that transformative policies such the *Broad-Based Black Economic Empowerment* should be implemented. However, the Department should also be mindful that the current crisis would necessitate flexibility in implementing standing government policies taking into account that the pandemic has affected productive capacity of all businesses, which employ many people irrespective of race, gender and class. The key focus of government should mitigate the impact of the pandemic to the businesses and save as many jobs possible to minimise the impact of COVID-19 to the income of businesses and households. South Africa need growth and expansion of small businesses to fuel economic growth, and create needed jobs.

5. Overview of the Departmental Spending

The COVID-19 would certainly put pressure on the current departmental budget. The demands of businesses operating in tourism industry would require policy responses to mitigate the damage that would be caused by the COVID-19 pandemic. Further, the Department would need over the medium, resources to support and promote initiative that seek to reset the tourism industry.

The Department is expected to increase spending at an average annual rate of 4 per cent from R2.39 billion in 2019/20 to approximately R2.7 billion by 2022/23. The bulk of the Department's spending over the medium term is on transfers to the SA Tourism amounting R4.1 billion for the implementation of initiatives to marketing South Africa as a tourism destination of choice.

Over the 2020 medium term period, approximately R1,1 billion is expected to be spent on *Compensation of Employees* spending item. Whilst, approximately R2 billion is anticipated to be spent on *Goods and Services* spending item. As already indicated in this report, the bulk of the Department spending is deployed to the *Transfers and Subsidies* spending item, which covers transfers to SA Tourism (R4.1 billion), departmental transfers to Public corporations and private enterprises (R441 million), Non profit institutions (R1,3 million) and foreign agencies (R7,3 million). Over the medium term, the Department is expected to implement various tourism incubator programmes, extend the *Working for Tourism* Programme and implement the *Tourism Incentive Programme* to support growth and development of tourism in rural areas in in townships. Further, the Department intends to restructure the *Tourism Transformation Fund*, a collaboration with the *National Empowerment Fund* (NEF).

Table 1 shows how the Department is expected to spend over the 2020 medium term. The revised departmental annual performance plan indicated areas that the department would implement to accommodate the COVID-19 pandemic policy response. It is anticipated that the Minister of Finance when tabling the special adjustment budget the changes will be reflected in the *Special Adjustment Budget*. The Department has organised its expenditure plan into four functional policy programmes, which comprise of *Programme 1: Administration; Programme 2: Tourism Research, Policy and International Relations; Programme 3: Destination Development and Programme 4: Tourism Sector Support Services.*

Table 1: Summary of the Departmental Spending for the 2020 Medium Term Expenditure Framework

	2020/21				2021/22	2022/23
R million	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	308.6	305.3	0.2	3.1	327.0	340.5
Tourism Research, Policy and International	1 391.4	80.5	1 310.3	0.5	1 465.8	1 522.7
Destination Development	485.9	485.8	–	0.1	519.1	537.6
Tourism Sector Support Services	295.1	127.0	168.0	0.1	274.3	287.0
Total	**2 481.0**	**998.7**	**1 478.5**	**3.8**	**2 586.2**	**2 687.7**

Source: Estimates of National Expenditure, National Treasury

Over the medium term period, the *Tourism Research, Policy and International Relations functional policy programme is* anticipated to spend approximately R4,4. As indicated in this report, the bulk of the spending would be directed to the SA Tourism (R4.1 billion), departmental transfers to Public corporations and private enterprises (R441 million), R11,6 million will provide bursaries to drive external human capital for benefit of the tourism industry, and R7,3 million would be directed to meet departmental international obligations as required by the UNWTO.

Over the medium term the functional policy programme is expected to continue to monitor and evaluate tourism projects and initiatives which entails developing and publishing an annual state of tourism report, including developing quarterly reports on tourism performance, provide monthly analyses of tourist arrivals and to review the implementation of *National Tourism Sector Strategy.* Further, the functional policy programme will promote and enhance the value of tourism and its opportunities by hosting annual tourism research seminar, and continue to participate and engagement in multilateral and bilateral processes by participating 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.

Over the medium term, the Department will host a workshop targeting African countries to share best practices in the tourism industry. Over the medium term, the Department made a commitment to improve oversight over the South African Tourism, and further enhance partnerships with industry players.

It was reported that the aim of the SA Tourism 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 work of the is structured on 5 functional policy programmes:

- Programme 1: Corporate Support – provides support services to the organisation, as well as ensure compliance with statutory requirements. In 2020/21 financial year the programme is anticipated to spend R140.9 million.
- In 2020/21 financial year, *Programme 2: Business Enablement is anticipated to spend R94.7 million.* The purpose of the programme is to 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. In 2020/21 financial year the programme is anticipated to spend R1.1billion.
- Programme 4: Business Events – markets South Africa as a business events destination. In 2020/21 financial year the programme is anticipated to spend R140.9 million.
- In 2020/21 financial year, *Programme 5: Tourist Experience is anticipated to spend R72,5 million. The programme functional purpose is to* deliver quality experience expected by international and domestic tourists through: grading establishments; product capacity building; and itinerary building.

It was reportec that over the medium term, the SA Tourism would focus on: boosting domestic and international tourism, improving customer relations management and increasing trade partnerships. Further, over the medium term SA tourism is anticipated to spend approximately R4,9 billion. Of which, R674 million would be directed on *Compensation of Employees* spending item, approximately R4,2 billion would be directed on Goods and Services spending item. The COVID-19 pandemic will also have effect on the operations of the SA Tourism. To that effect other priorities would be scaled-back, and new priorities as policy response to COVID-19 will be introduced.

Apart of the grant that SA Tourism receives from the Department, it also receive 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 are expected to be affected by the COVID-19. TOMSA – R144 million, however the shutdown of the sector has resulted in zero TOMSA levy collections. In 2020/21 financial year, SA Tourism does not expect to recieve TOMSA. Further, SA Tourism is expected to lose R63,5 million revenue generated from the *Exhibition Income*. The revenue generated from TGCSA, which amount to R25 million would not be forthcoming, and the COVID-19 pandemic would have an effect to the expected *Interest Income* amounting to R23 million.

Over the medium term, SA Tourism in partnership with the Department is expected to support tourism recovery strategies and plan to stabilise and spur growth of the tourism industry to meet government policy outcomes. As indicated in this report the SA Tourism spending represents bulk of the departmental spending (56.3 percent). Most of the spending is directed to support international marketing functions. The Committee made an undertaking to pay attention to monitor public expenditure of the SA Tourism. The Committee urged the Department to turn the COVID-19 crisis to an opportunity to invest in activities that seek to spur domestic tourism, and support local communities to enjoy local tourism products and services (offering cheaper domestic tourism deals). The Committee emphasised that resources should also be allocated to support growth and expansion of Villages, Townships, Small Towns and Dorpies (VTSDs) tourism initiative.

Further, the Committee stressed that the Department should enhance multi governance function with local and provincial government to ensure that investment in the tourism industry have an impact to rural economies to improve rural incomes for both small businesses and households.

The Department should scale-up coordination with other departments and agencies in energy and transport industry to ensure that investment support tourism.

The Committee noted the actions of the Department to scale back other marketing activities due to disruption caused by the COVID-19. The Committee would also monitor the implementation of the *Tourism Relief Fund.* As indicated in this report the Committee agrees in principle that transformative policies should be implemented, however the current crisis need flexibility in implementing standing government policies. The current aim is to preserve tourism business productive capacity, and protecting jobs.

With regard to *Destination Development functional policy programme, over the medium term period, the programme is anticipated to spend R1,5 billion. Most of the spending in this programme would be directed* to the Working for Tourism Programme. The spending priorities in this programme are geared to boost tourism destination, job creation, accelerate skills development, and drive transformation in the tourism industry. 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. Over the medium term, in terms of *Compensation of Employees*, the programme is expected to spend approximately R192 million. For the *Goods and Services*, it is anticpated to spend R1,35 billion.

Over the medium term, the Department through *Destination Development* is planning to increase the tourism sector's contribution to inclusive economic growth by diversifying and enhancing tourism offerings in priority areas by implementing nine destination enhancement and route development initiatives. Further, the Department would undertake 18 destination planning and investment development initiatives.

The Committee emphasised the important role that the *Working for Tourism* development initiatives could play in tourism industry particular in developing tourism infrastructure in *Villages, Townships, Small Towns and Dorpies* (VTSDs). The Committee stressed that a coordinated approach with other departments and government agencies such as SANParks including local and provincial government would need to be stregthened and enhanced. Further, implementing of tourism infrastructure projects should be scaled-up, and governance issues should be tackled. 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 Committee urged the Department to ensure that the Tourism Sector Master Plans should be integrated to local government integrated plans to ensure the efficiency of the District Development Model.

Further, the Committee urged the Department to improve the implemtation of the Tourism Safety initiative. The Committee stated that the role of the South African Police services need not further emphasis.

In relation to the functional policy programme 4: *Tourism Sector Support Services,* the Department submitted that the programme is anticipating to spend approximately R856 million, over the medium term period. Over the medium term, spending on *Compensation of Employees* is expected to be approximately R285 million, and for *Goods and Services*, spending is expected to be approximately R155 million. For the same period, spending on Transfers and Subsidies is expected to be approximately R455 million. This spending covers transfers and subsidies to *Departmental agencies and accounts* (R12,3 million), *Public corporations and private enterprises* (R441 million) *and* R1.3 million *to Non-Profit Institutions.*

The Tourism Sector Support Services 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.

The Committee noted the existence of the *Tourism Transformation Fund, and Tourism Equity Fund. The Committee made a commitment to oversee the implementation of the two funds including* the *Tourism Incentive Programme*. The Committee emphasise the importance of the initiatives to drive inclusive, and sustainable tourism industry that would benefit women, youth including rural and township areas. The Committee over the medium term would monitor the implementation of tourism incubators. Further, the Department was urged to work with the private sector to leverage funding and financing to scape-up tourism initiatives. Further, the Committee stated the need for development resources to be spread equitable across provinces, and with in provinces to address imbalance distribution of development initiatives.

6. Issues Arising from Engagement

1. The Committee noted the impact of COVID-19 to the domestic and global economies, and its direct impact to the global and domestic tourism economy.

2. Further, the Committee noted that government prior to the COVID-19 outbreak, government tax revenue was low, as a result of low economic growth, and debt to GDP was increasing, big state owned enterprises were experiencing weak balance sheet and put pressure to the already contained fiscus.
3. The Committee urged the Department to balance these challenges whilst ensuring that assistance to small business is not compromised. The Department would have to reprioritised programmes. In some instances, it will have to scale back other priorities.
4. Further the Committee noted that the COVID-19 would have an effect to the implementation of the departmental strategic spending plans, and the Department although submitted a revised annual performance plan it is expected to revised the spending plans after the Minister of Finance has tabled the Special Adjustment Budget.
5. Greater working and collaboration with the Department of Health to mitigate the impact of COVID-19 to the tourism industry would be needed.
6. As the result of COVID-19, the SA Tourim revenue generation is expected to be affected. The tourism industry was most affected by the lockdown measures adopted by many national governments including South Africa. The only expected revenue generation stream is the transfer and subsidy spending item received from the Department.
7. The Committee indicated a need for the Department to finalise the Tourism Amendment Bill, including the review of the National Grading Scheme and Sharing Economy (e.g. Airbnb).
8. The Department indicated that it is planning to review the National Grading Scheme to accommodate transformative goals in the tourism industry.
9. The Department further reported it will over the medium term develop a new White Paper with the aim to promote development and growth tourism industry in line international best practices.
10. The Committee urged the Department to continue to work with other departments such as Home Affairs, and Transport to ensure harmonisation of of policies across departments. The Committee commended the Department for advancing for the introduction of world-class e-visa regime including e-gates at the airports.
11. Further, the Committee noted efforts by the Department to stabilise its organisational operations including that of the SA Tourism. The Department has renewed the employment contract of the Director-General, and the Chief Executive Officer of the SA Tourism was 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. Further, the Committee noted the two resignations in the Entity in the positions of the Chief Strategy Officer and the Chief Quality Assurance Officer.

12. The Committee emphasise the need for the Department and the SA Tourism to build intenal capacity to drive implementation of government policy outcomes.
13. The Committee emphasised that the Department and its entity should ensure corporate and financial governance should be streghthened. The implementation of development initiatives such as the Working for Tourism Programme should be implemented in an efficiently and effective manner. Cases of Corruption should dealt with decisively. Findings and recommendations of the Auditor General should be respected, and adhered to.
14. Multi-governance approach should be adopted in implementing tourism development programmes. The Committee urged the Department to ensure that local and provincial governments should be invoved in the development and implementation of the tourism development programme.
15. The national tourism development programmes should find expression in the *Integrated Development Plans* of local governments. The District Development Model adopted by the national government could only be effectively implemented if multi-governance forums are effective, and *Tourism Sector Master Plans* are integrated into the IDPs.
16. The Committee noted the efforts of the Department working in collaboration with the *Department of Cooperative Governance and Traditional Affairs* for the integration of tourism development programme to the development plans of the *OR Tambo District Municipality and eThekwini Metropolitan Municipality.*
17. Taking into account that the fiscus is strained, development partnerships with private sector including civil society should be strengthened and enhanced. The Committee urged the Department to ensure that the funds and financing are used to leverage the private sector investment to drive growth and development of tourism.
18. SA Tourism has adopted the Digital Marketing Strategy, and the strategy is aimed to ensure that the entity conducts a more focussed and highly targeted marketing and maximise the return on investment to the development programmes. The Department indicated that the digital solutions are being developed by the tourism industry to create virtual tourism experiences. Over the medium term, the Department and the SA Tourism indicated that the COVID-19 crisis has also created opportunity for the industry to adjust

to meet new challenges presented by the 'new normal environment' that would affect financial, economic and business environment.

19. Further, Department and SA Tourism would development in partnership with industry role players the tourism recovery strategy and action plan. The recovery plan would include activities to stimulate domestic domestic tourism.
20. The Committee urged the Department and its entity to explore marketing strategies to attract tourists going beyond African Continent, BRICS countries to include G20 countries and other emerging markets.
21. Over the medium term the Committee indicated that it would pay oversight over the implemtation of the tourim development funds. Further, the Committee emphasised that the implementation of the Tourism Relief Fund should balance the need to drive transformative agenda in the tourism industry, and the need to preserve current business productive capacity, and preserve jobs.
22. Further, the Committee noted the Department commitment to improve the implemtation of the *Tourism Safety initiative*. The Department indicated that collaborative efforts with the South African Police services would be at the centre of the implementation of the tourism development programmes.
23. The Committee noted that the Department and its entity in partnership with Brand South Africa, and InvestSA should forge collaborative initiatives to promote South Africa as an investment destination to attract investments, boost economic growth and job creation.
24. The Committee suggested that the Department should engage National Treasury including industry players to investigate other revenue generating stream that could be used to boost development funding for the tourism industry.

7. Recommendations

Following engagement with the Department and SA Tourism, the Committee proposed the following recommendations to the Minister of Tourism:

1 The COVID-19 would certainly put pressure on the current departmental budget. The demands of businesses operating in the tourism industry would require policy responses to mitigate the damage that would be caused by pandemic. National Treasury taking into

cognisance available resources should consider to allocate additional resources to the Department to scale-up policy response necessitated by the COVID-19 pandemic.

2 Additional funds would be needed to scale-up the efforts to attain objectives of the Tourism Relief Fund. Further, a balanced approach should be used in implementing the relief funds. The key focus of government should mitigate the impact of the pandemic to the businesses and save as many jobs possible to minimise the impact of COVID-19 to the income of businesses and households.

3 By the end of the current financial year, the Department in partnrship with the tourism industry role players develop the COVID-19 recovery strategy and implementation plan.

4 Over the medium term the Department should in collaboration with local and provincial governments ensure that the Tourim Development Master Plan is integrated to the local government IDPs to support the implementation of the government District Development Model. The Tourim Development Master Plan should also support the development of rural economies.

5 Public spending to boost tourism industry should be strategic allocated to avoid mis-allocation of resources. Partneship in resource allocation geared to stimulate tourism must be done taking into account the needs, and opportunities presented by provinces, regions, and citities including rurul towns. Equity considerations should be incoporated in the distribution of resources.

6 The Department in partnership with SA Tourism and local and provincial governments' tourism development agencies in collaboration with the private sector and civil society should develop drive domestic tourism initiatives.

7 The Department in partnership with SA Tourism should use the current development funds to attract private sector funding and financing to drive transformative agenda in the tourism industry.

8 In efforts to ensure additional improvement of the visa regime for South Africa, the Department should engage the Department of Home Affairs to look at the possibility of recognising other reputable visas to allow tourists to come to South Africa.

9 Over the medium term, the Department and its entity in partnership with Brand South Africa, and InvestSA should forge collaborative initiatives to promote South Africa as an investment destinition to attract investments, boost economic growth and job creation.

10 The Department in partnership with industry players should expedite digitalisation of the tourism industry to modernise tourism marketing in line with global practice.

11 The Department should work with energy and transport sector departments to ensure policies in these industries support growth and development of tourism industry.
12 The Department and its entity to should explore marketing strategies to attract tourists going beyond African Continent, BRICS countries to include G20 countries and other emerging markets to increase to increase the contribution of the tourism industry to the county's Gross Domestic Product.
13 The Department and its entity should enhance the organisational health and capability to meet government policy outcomes.
14 The Department in partnership with the SA Tourism and collaboration with industry players should provide digital tourism industry solutions to improve tourist experience, and improve the industry competitiveness. The digital tourim solutions should be made available to rural and township tourism businesses.

Report to be considered.

4. REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON BUDGET VOTE 36: SMALL BUSINESS DEVELOPMENT, THE STRATEGIC PLAN AND THE 2020/21 ANNUAL PERFORMANCE PLAN OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT, DATED 9 JUNE 2020

1. Background

The Select Committee on *Trade and Industry, Economic Development, Small Business Development, Tourism and Employment and Labour* (the Committee), having considered Budget Vote 36: Small Business Development, the Strategic Plan and the 2020/21 Annual Performance Plan of the *Department of Small Business Development* (the Department) tabled by the Minister of Small Business Development (the Minister), and in terms of the *Public Finance Management Act of 1999* (PFMA), as well as the *Money Bills Amendment Procedure and Related Matters Act, 2009*, reports as follows:

2. Introduction

The Committee considered the 2020/21-2024/25 Strategic Plan, and the 2020/21 Annual Performance Plan of the *Department of Small Business Development* (DSBD) on the 13 May 2020. The Select Committee has also further considered the adequacy of financial resources for the implementation of these plans and interrogated the allocation received by the Department. The Department submitted that the current strategic plan, and annual performance plan are aligned to the *Medium Term Strategic Framework* (MTSF).

It should be noted that due to the COVID-19 pandemic and its resultant negative impact on the economy, the *Minister for Small Business Development*, Ms K Ntshavheni indicated that the Department is expected to align its planning and reporting processes to respond to the COVID-19 pandemic, as such the tabled Strategic Plan and Annually Performance Plan would be revised to accommodate COVID-19 policy responses. The Minister further noted that the

Department would reprioritise some of its budget priorities in response to COVID-19 interventions, and the process would be guided by the *Public Finance Management and Disaster Management Acts*. The Department submitted that it has commenced the review of the tabled Strategic Plan and APP's, and the revised strategic plans would be tabled after the Minister of Finance has the tabled in Parliament the Adjustment Budget.

Further, the Committee noted that the South Africa economic growth is anticipated to decline between 6 and 7 per cent in 2020, and the significant decline of the national economy is supported by the International Monetary Fund, Reserve Bank and the Organisation for Economic Cooperation and Development. COVID-19 pandemic would have significant implications for business with people being displaced, the movement of goods restricted or suspended, and supply chains disrupted.

The Committee further noted that many small enterprises were in a weak position, and faced with long standing challenges such as lack access to finance, managerial skills, inadequate infrastructure support, and regulatory burden, before the pandemic outbreak. Covid-19 has weakened the SMMEs further, and it is critical to save existing productive and commercial capabilities, including the saving of jobs.

The Committee recognised the depth of the crisis presented by the COVID-19 pandemic in relation to the operations of SMMEs, and the deeper problem of the unemployment that would have to be tackled. The Committee emphasised that preservation of jobs, and support to many businesses should be at the centre of government agenda. Partnerships amongst social partners should be enhanced to accelerate economic recovering.

3. Overview of the Legislative and Policy Mandate of the Department

The *Estimates of National Expenditure* articulates the aim of the Department is to promote the development of small business that contributes towards an all-inclusive economic development and growth. Further it is stated that the Department is tasked with the responsibility of leading an integrated approach to the promotion and development of small business and cooperatives by focussing on economic and legislative drivers that stimulate entrepreneurship to contribute towards radical economic transformation. It expected that the realisation of this mandate will lead to increased employment, poverty reduction and reduce inequality.

The legislation which underpins the work of the Department are the following:

- National Small Business Act (1996)
- National Small Business Amendment Act (2004)
- Small Business Development Act (1981)
- The Cooperatives Act (2005)
- The Cooperatives Amendment Act (2013).

The Department expressed that the *National Development Plan* (NDP) envisages that by 2030, 90 per cent of the 11 million jobs will be created through small to medium enterprises. Further stressed that government itself does not create jobs, but creates the enabling environment. The jobs creation initiative would require a collective effort from the private, civil and the public sectors.

Over the medium term, the Department indicated it will also focus of the following priorities:

- Finalisation and implementation of the *Township Entrepreneurship Fund*;
- Establishment of *Fund of Funds in* partnership with the private sector;
- Review and implement *Credit Guarantee Scheme*;
- Finalise and implement the *SMME Funding Policy*;
- Finalise amendments to the *National Small Enterprise Act*, which seeks establish *SMME Ombud Office*, ensure regulations/licensing of businesses owned by foreign nationals and regulate unfair business practices;
- Implement *National Incubation Policy and Incubation Standards*; and
- Accelerate establishment of incubators and digital hubs in the townships and rural areas.

As the policy response to Covid-19, the Department designed interventions to help SMMEs to insulate the effects of the pandemic to the business operations. In response to Covid-19, the Department reported that it has established the *SMME Debt Relief Fund, Business Growth and Resilience Facility* to support SMMEs to navigate the current uncertain situation, and *Small Enterprise Finance Agency* (SEFA) has also offered payment holidays to the clients. The main purpose of these interventions is too keep businesses afloat during the lockdown as they are not able to generating any income to sustain themselves and protect jobs. The interventions also cover township and rural enterprises. The Department submitted that it is working on post-lockdown interventions to ensure that businesses are assisted to upgrade their business processes and get appropriate financial support to operate in a 'new normal operating environment'.

The Committee noted the effect of the COVID-19 to the *Medium-Term Strategic Framework* including the *National Development Plan 2030.* The COVID-19 pandemic will affect the economy, and has the direct negative impact to SMMEs and employment. Since the duration of the pandemic remains unknown, it has been accepted that the impact of the pandemic would ravage the economy, and affect jobs and cause strain to households and many companies.

4. Budget Policy Area

The Department submitted that over the medium term in response to the *MTSF priority 2: Economic Transformation and Job creation* will ensure that the following outcomes are attained:

- Grow small business contribution to GDP from 35 per cent to 50 per cent by 2024. In order to achieve the target, the Department intends to upscale support to SMMEs and Co-operatives through the provision of blended finance instruments, the establishment of the Incubation centres and Digital Hubs;
- Increase participation of SMMEs and Co-operatives in domestic and international markets;
- Boost the contribution of the Creative Industries Sector to GDP,
- Scaled-Up and improve coordination of support for SMMEs, Co-operatives, Village and Township economies;
- Implement responsive targeted financial and non-support programmes to new and existing;
- Further, expanded access to finance for SMMEs and Co-operatives through innovative service offerings.
- Further, the Department intends to increase the percentage share on government spending to the benefit of local firms. Thus it will intensify coordination and monitoring of the implementation of government policy in relation to the 30 per cent public procurement programme for small businesses;

- In partnership with the departments such as the Department of Trade Industry including the Competition Commission, the Department will facilitate broader participation in the economy to ensure that the current concentrated South African product market open up for new entry (including black owned SMME);
- The Department recognise the crucial role that women, young people, and people with disabilities can play in the economy. Over the medium term the Department will design and implement development programmes that seek to increase representation of the women, young people, and people with disabilities in the mainstream economic activities.

Over the medium term, the Department submitted it will continue to implement the *National Development Plan 2030*. The Committee noted the critical policy strategy plans that informed the formulation of the current strategic plans, and other spending plans. As indicated in this report the Committee emphasised that the COVID-19 pandemic would have an impact to the *Medium-Term Strategic Framework* including the *National Development Plan 2030*. Further the Committee recognised that the national budget is strained, and that would have an effect to the departmental spending priorities. As a result, other policy priorities might be scaled-back. Additional funding may be required to assist the Department to carry tasks in response to COVID-19 pandemic, and also implement standing priorities, which are pivotal.

4.1 Overview of Departmental Spending

The Department is expecting to increase spending at an average annual rate of 6.8 per cent from R2.3 billion in 2019/20 to approximately R2.8 billion by 2022/23. The bulk of the Department's spending over the medium term is on transfers to the *Small Enterprise Development Agency* (SEDA) amounting R2.8 billion, and the *Small Enterprise Finance Agency* (SEFA) for the implementation of the Township Entrepreneurial Fund, amounting to R2.8 billion. Further the Department is anticipated to internally administered incentives amounting to R1.5 billion to support SMMEs and Cooperatives. Thus over the medium term, the Department indicated it will establish a one stop SMME platform for business to access financial and non-financial support; and improving access to finance by providing the blended finance model in the Township Entrepreneurial Fund, and extending the finance of SMME's and cooperatives.

Over the 2020 medium term period, approximately R516 million is expected to be spent on *Compensation of Employees* spending item. Whilst, approximately R281 million is anticipated to be spent on *Goods and Services* spending item. As already indicated in this report, the bulk of the Department spending is deployed to the *Transfers and Subsidies* spending item, which covers transfers to SEDA and SEFA. Over the medium term the Department is expected to spend approximately R7 billion as covering spending to SEFA, SEDA, *Black Business Supplier Development Programme and National Informal Business Upliftment Scheme.*

In terms of the *Black Business Supplier Development Programme*, the Department indicated that it will over the medium term spend approximately R894 million. Further, approximately R251 million is expected to be deployed to accelerate the implementation of the *National Informal Business Upliftment Scheme.* The Department further reported that approximately R275 million would be spent to spur growth and expansion of the Cooperatives through the implementation of the *Cooperatives Incentive Scheme*.

Table 1 shows how the Department is expected to spend over the 2020 medium term. However it should be noted that in response to the COVID-19 pandemic, allocated resources as well as programme priorities will be reprioritised by the Department. It is anticipated that the Minister of Finance when tabling the special adjustment budget the changes will be reflected in the *Special Adjustment Budget*. The Department has organised its expenditure into four functional policy programmes, which comprise of *Programme 1: Administration; Programme 2: Sector Policy and Research; Programme 3: Integrated Cooperative Development and Programme 4: Enterprise Development and Entrepreneurship.*

In relation to Programme 4: *Enterprise Development and Entrepreneurship,* the Department submitted that over the medium term it will develop the *Small Enterprise Development Masterplan*, support 100 000 start-up companies owned the youth and further support 33 332 youth entrepreneurs. The *Small Enterprise Development Masterplan* is envisaged to ensure the delivery of an integrated, targeted and effected support interventions aimed at promoting entrepreneurship as well as providing financial and non-financial support to qualifying small enterprises. Further, the *Enterprise Development and Entrepreneurship* is expected to conduct impact assessment report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas. The Department submitted that it will table in Parliament the National Small Enterprise Amendment Bill. The *Enterprise Development and* Entrepreneurship is anticipated to spend approximately R6,9 billion, over the medium term period. As indicated in this report, the bulk of the spending covers spending directed to SEFA, SEDA, Black *Business Supplier Development Programme and National Informal Business Upliftment Scheme.*

However, the Committee noted that various reports state that public business support programmes are relatively fragmented, and do not appear to have a significant impact on creating new small businesses including Cooperatives. This is the issue that the Department needs to tackle. Further, in the recent past report of the *Financial and Fiscal Commission* flagged the utilisation of financial intermediaries (wholesale lending) as one of the cost drivers that increasing the cost of capital for struggling small enterprises. The Committee advanced that that the challenges faced by SMMEs need to be significantly improved.

In terms of *Programme 3; Integrated Cooperative Development,* the Department is expected to spend over the medium term period, approximately R440 million. Of which approximately R275 million will be directed to the Cooperatives Incentive Scheme. Over the medium term, the Department has planned to support 1000 Co-operatives through Financial and non-financial programme.

With regard to Programme 2: *Sector Policy and Research*, the Department has indicated that over the medium term period is expecting to spend R89 million. Of which approximately R57 million will be directed to the *Compensation of Employees spending item,* and R32 million would be deployed to cover *Goods and Services spending item.*

Over the medium term period, spending for *Programme 1: Administration* is anticipated to be approximately R409 million. The Department indicated that over the medium-term period it will undertake various initiatives to strengthen governance, and enhance organisational capacity and capability. Going forward, the Committee indicated that it will pay particular attention to monitor the Department's organisational health and capability in order to meet government policy outcomes.

Table 1: Summary of the Departmental Spending for the 2020 Medium Term Expenditure Framework

Budget summary

	2020/21				2021/22	2022/23
R million	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	129.1	125.5	–	3.5	136.8	143.5
Sector Policy and Research	28.0	27.9	–	0.1	28.7	31.8
Integrated Cooperative Development	140.0	52.4	87.3	0.3	147.1	152.9
Enterprise Development and Entrepreneurship	2 109.7	45.5	2 063.8	0.3	2 383.6	2 432.5
Total expenditure estimates	**2 406.8**	**251.4**	**2 151.1**	**4.3**	**2 696.1**	**2 760.7**

Source: Estimates of National Expenditure, National Treasury

It should be stated that the departmental estimates of the expenditure for the 2020 medium term is not aligned to the department's policy and planning strategic documents. The Committee emphasised that it is pivotal that the budget is aligned to the planning strategic documents. The mis-aligment of the policy and planning strategy shows that the Department did not adequately connect the planning and budgeting process. The Committee emphasised that the planning and budget documents are very critical to determine the stability and growth of the Department.

Box 1: Shows mis-alignment of the Budget Structure with Planning Structure

Planning Structure	**Budget Structure**
Programme 2: Sector and Market development **Subprogrammes** 1. **Business Information and Knowledge Management** - To provide evidence based (economic analysis, econometrics, research) business information to direct sector thought leadership 2. **Ease of Doing Business** – To reduce the administrative and regulatory burden of document business for SMMEs. 3. **Access to Market Support** – To provide domestic and international market support services to SMMEs. 4. **Sector Specific Support** – To support the entry and growth of SMMEs in	**Programme 2: Sector Policy and Research** **Subprogrammes** 1. **Research** provides knowledge management services to direct sector thought leadership, and guides evidence-based policy making and programme design. 2. **Policy and Legislation** develops and reviews policies and legislation to create and promote sustainable growth for small businesses and cooperatives, and advances coordination and cooperation among the spheres of government 3. **International Relations** promotes sector interests in the global

<table>
<tr>
<td>prioritized and designated sectors of the economy.</td>
<td>marketplace through negotiations and lobbying at different regional and international forums, and the development of strategies and position papers
4. Monitoring and Evaluation provides monitoring and evaluation services to evaluate performance and identify factors that improve service delivery outcomes</td>
</tr>
<tr>
<td colspan="2">However, resources are allocated based on Subprogrammes: Co-operatives Development, Co-operatives Programme Design and Support and Supplier Development and Market Access Support. Budget not aligned to the policy planning documents.</td>
</tr>
<tr>
<td>Programme 3: Enterprise Development

Subprogrammes
1. Enterprise and Supplier Development: To drive the transformation of the economy through the formulation of policy instruments and advocacy work aimed at the inclusion of SMMEs in the mainstream economy
2. Entities Performance: To exercise oversight including overseeing the execution of programmes by the implementing agencies that report to the Department of Small Business Development, namely Seda and Sefa.
3. SMME Competiveness: To work with Municipalities through their integrated Development Plans to develop, enhance and implement enterprise development programmes toward improved Local Economic Development (LED).
4. Entrepreneurship: To coordinate the provision of an entrepreneurship development and support service infrastructure by government in general and the DSBD in particular. Drive implementation of youth focused entrepreneurship interventions in partnership with various stakeholders.
5. Policy and Legislation Support (IGR and Coordination): to develop and review policies and legislation to create and promote sustainable growth opportunities for small businesses and co-operatives and to advance coordination and cooperation amongst the different spheres of government.</td>
<td>Programme 3: Integrated Cooperative Development

Subprogrammes
1. Cooperatives Development manages and facilitates the creation of new cooperatives and the growth of existing cooperatives to improve their competitiveness.

2. Cooperatives Programme Design and Support reviews existing programmes and designs new programmes based on review outcomes, and changes in the cooperatives development landscape and economic conditions
3. Supplier Development and Market Access Support manages strategic partnerships with the private sector, state-owned entities and the public sector with the aim of developing cooperatives to become suppliers of goods and services, and facilitating their readiness to access market opportunities</td>
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However, resources are allocated based on Small Enterprise Development Agency, Research, Policy and Legislation, Policy and Legislation, International Relations and Monitoring and Evaluation.	
Programme 4: Development Finance **Subprogrammes** 1. **Programme Policy:** to develop and review policies to create and promote financial support interventions aimed at supporting small businesses and co-operatives and advance coordination and cooperation amongst the different sphere of government 2. **SMMEs Design and Support:** To design programmes, models and mechanisms to support businesses throughout their lifecycles. The Sub-programme also review existing programmes, models and mechanisms as well as designing and pilot new and improved programmes 3. **Risk Cover & Business Rescue:** To provide for interventions that are aimed at supporting those enterprises that can still recover **4. Co-operative Support:** to review existing programmes and design new one based on the review outcomes and changes in the co-operatives development landscape and economic conditions **5. Monitor and Report on entity transfers** To guide development of programmes sitting with the entities and report on the impact of the interventions	**Programme 4: Enterprise Development and Entrepreneurship** **Subprogrammes:** 1. **Enterprise and Supplier Development** manages and facilitates the establishment of new and productive enterprises, and the sustainability and growth of existing enterprises 2. **SMMEs Programme Design and Support** reviews existing programmes, and designs new programmes based on review outcomes and changes in economic conditions and the SMME development environment 3. **SMME Competitiveness** manages and facilitates strategic partnerships that seek to enhance the work of the department in the provision of market access for SMMEs in the supply value chains of corporations, state-owned enterprises and government departments. This subprogramme also works with municipalities to develop, enhance and implement enterprise development programmes towards improved local economic development. **4. Entrepreneurship** provides leadership and oversight on the conceptualisation, design and implementation of the entrepreneurship development framework, and instruments and programmes in support of enterprise development
However, resources are allocated according to Subprogrammes; Township Entrepreneurship Fund, Co-operative Incentive Scheme, Black Business Supplier Development Programme, Craft Customised Sector Programme, National Informal Business Upliftment Instrument and Entrepreneurship.	

The Department would need to firm the alignment of the budget with the strategic plan. This would help the Department to allocate resources in an effective and efficient manner. Further, The Committee stressed that the Department would need to accelerate the development of the macro-organisational structure. The Department submitted that it will fast track the development of the macro-organisational structure, and also made an undertaking to align the budget structure with the strategic plan.

5. Issues Arising from Engagement

1. The Committee emphasised that preservation of jobs and business capacity should be at the centre of economic and social policies in a post COVID-19 phase. Partnerships amongst social partners should be enhanced.
2. Further, the Committee noted that government prior to the COVID-19 outbreak, government tax revenue was low, as a result of low economic growth, and debt to GDP was increasing, big state owned enterprises were experiencing weak balance sheet and put pressure to the already contained fiscus.
3. The Committee urged the Department to balance these challenges whilst ensuring that assistance to small business is not compromised. The Department would have to reprioritised programmes. In some instances, it will have to scale back other priorities.
4. The Department reported that in response to the COVID-19 pandemic, it has established SMME Debt Relief Fund, Business Growth and Resilience Facility including the *Spaza Shops Support Programme*. For the COVID-19 relief efforts, the Department has set aside R530 million to support companies in distress.
5. In terms of the SMME Debt Relief Fund, the fund objectives aim at ensuring business survival, provide working capital, job protection and income protection.
6. In addition, the Department indicated that SEFA will be providing a payment holiday to clients. There are currently 219 clients in the Direct Lending active book who will be eligible for a blanket payment holiday. These clients have total outstanding loan balance of R335 million. There are also opportunities for SMME's to restructure existing loans with SEFA.
7. Further, the duration of the pandemic remains unknown, and the depth of the damaged to the economy, and livelihoods not yet clearly quantified. The Committee agreed that that the impact of the pandemic would affect jobs and cause strain to households and many companies.
8. The Department indicated that in the post COVID-19 environment, it will focus on applying resilient interventions to ensure that small businesses are able to operate in 'new normal economic, financial and business environment'. ICT infrastructure support, and productivity strategies will be prioritised.

9. Further, the Committee emphasise that the Department should form partnership with the *Productivity of South Africa* to improve and enhance support to small business, which are under distress as part of the recovering and sustainability planned interventions.
10. The Department submitted that the current strategic plan, annual performance plan and the budget were developed in a different policy context, which did not take into account the Covid-19 pandemic. The Committee agreed that the current budget policy context will necessitate the Department to revise the spending plans to accommodate policy responses to the Covid-19 pandemic.
11. Further, the Committee expressed concern about the mis-alignment of the budget with the broader strategic plan (misalignment of the planning structure and budget structure) of the Department. The Department indicated that during the current financial year it will submit the final macro-organisational structure to the *Department of Public Service and Administration.* The envisaged macro-organisational structure would enable the Department to develop a new budget structure that will be aligned to the strategic planning structure.
12. Members urged the Department to sufficiently focus on providing both non-financial and financial support to SMMEs including Cooperatives to be able to navigate the prevailing negative economic conditions. Members noted that South Africa has experienced low business confidence and lower than expected investments before the COVID-19 pandemic outbreak. Further, Members indicated that many small businesses have expressed that programmes offered by the Department do not adequately addressed their challenges.
13. The Committee indicated that reports by various institutions advance that public business support programmes are relatively fragmented, and do not appear to have a significant impact on creating new small businesses including Cooperatives.
14. Further, The Committee urged the Department to ensure that the business development support programmes it offers, including funding and financing support initiatives should reach rural and township enterprises.
15. The Department indicated that over the medium term it has planned to *Scaled-Up* and improve coordinated support for *SMME's, Cooperatives, Villages and Township enterprises* in order to accelerate economic growth, and further improve rural and township economies.

16. Further, the Department submitted that over the medium term service delivery will be aligned with the district based model, and the envisaged *Small Enterprise Master Plan* would enable small enterprises to realise their full potential.
17. The Committee urged the Department to accelerate the development and finalisation of the *National Small Enterprise Amendment Bill*.
18. Over the medium term period, the Department submitted that it will embark on a merger process that would see SEFA, SEDA and the *National Empowerment Fund* (NEF) to form a single entity that will offer support to SMMEs and Cooperatives. The Committee supported the initiative, and stated that it has been a policy view that the Committee has advocated for.
19. The Committee noted the establishment of the *Rural Township Entrepreneurial Fund* including other access to finance initiatives planned by the Department. However, it has emphasised that the Department to ensure that the programmes reach the intended beneficiaries including businesses residing in rural and township areas.
20. Further, the Committee urged the Department to leverage private sector finance to improve the impact of the business development support programme to ensure that small businesses contribute towards the economy, and job creation. The Committee called for stronger measuring tools to evaluate performance of SMMEs.
21. The Department also submitted that it is working close with local government, and provinces to spread the reach of the support offered to small businesses. The Committee urged the Department to improve its working relations with local and provincial governments. Many small business, particularly in rural areas were not able to acquire permits to operate as essential services during the first phase of the lockdown period.
22. The Department acknowledged that in some instances communication could have been improved. However, the challenge experienced with many small businesses particular in rural towns was exacerbated by the fact that some municipal offices were closed during the lockdown period. The Department is working closely with the *South African Local Government Association* (SALGA) to ensure that the *Local Economic Development* (LED) units in municipalities to remain operational in order to assist small businesses.
23. Partnerships with other departments, and the private sector including civil remains a critical priority. Over the medium term, the Department indicated that it will work close with the Department of Trade, Industry and Competition in areas such access to finance, market access and non-financial support geared to improve performance of SMMEs.

Further, better coordinated approach in serving rural communities would be enabled with greater participation of local and provincial governments including taping to the wide network of civil society and private sector.

24. Multi governance forum such as the *Ministers and Executives of Executive Council* meetings would play a critical role to improve coordination to eliminate duplication in implementing development programmes.
25. The Department also submitted that in response to the *Presidential Announcement* of the creation of 1000 jobs to youth within 100 days, it is working partnership with the *National Youth Development Agency* to support youth owned enterprises. Further, it has established a women's development programme to support women owned businesses.
26. Over the medium term, the Department indicated that is in the process of developing a Small Business Index which is intended to measure the health of SMME's and measure the impact of deliverables of the Department.
27. Further, The Department submitted that it will extend the *Credit Guarantee Scheme* to support business, which under normal commercial banking practices would not qualify to get a credit. The payment guarantee for loans to commercial banks will be provided by SEFA.

6. Recommendations

Following the engagements with the Department, the Committee proposed the following recommendations to the Minister:

1 The COVID-19 pandemic would certainly put pressure on the current departmental budget. The demands of businesses would require policy responses to mitigate the damage that would be caused by the COVID-19 pandemic. National Treasury taking into cognisance available resources should consider to allocate additional resources to the Department to scale-up policy response necessitated by the COVID-19 pandemic.

2 The Department by the end of the current financial year should finalise the *Small Enterprise Master Plan* including the *Small Enterprise Amendment Bill*.

3 In preparation for the 2021 medium term, the Department must finalise the macro-organisational structure, and formulate the budget structure that is aligned with the strategic plan. The Department of Public Service and Administration, National Treasury, and the Department of Monitoring and Evaluation should provide support to the Department to develop the macro-organisational structure including the strategic plan in accordance with their legislative and policy mandates.

4 Organisational health and capability should be one of the key priorities that the Department should prioritise. In preparation of the 2021 medium term period, the Department would need to fill critical posts to realise the government, and departmental policy outcomes. This should form part of the broader re-engineering of the Department, and to repurpose the Department to meet the needs of the small enterprise industry.

5 Further, in preparation for the 2021 medium term, the Department must fast track the process of merging SEFA, SEDA and NEF to form a focused, single and coherent *SMME Development Agency. The* merger process of SEDA, SEFA and NEF should be prioritised. The Presidency and National Treasury should provide necessary resources to support the merger of the mentioned development entities.

Report to be considered.