No 84—2014] First Session, Fifth Parliament

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 30 OCTOBER 2014

TABLE OF CONTENTS

National Council of Provinces

ANNOUNCEMENTS

National Assembly

The Speaker

1. Referral of matter to Powers and Privileges Committee

An incident in the National Assembly on 17 September 2014 involving Mr N F Shivambu MP of the Economic Freedom Fighters (EFF) was referred to the Powers and Privileges Committee on 24 October 2014 in terms of Rule 194 for consideration and report, as well as the unrevised Hansard, minutes and video recordings of the proceedings in question.

National Council of Provinces

The Chairperson

1. Message from National Assembly to National Council of Provinces in respect of Bills passed by Assembly and transmitted to Council

(1) Bills passed by National Assembly and transmitted for concurrence on 30 October 2014:

(a) **Legal Aid South Africa Bill** [B 8B – 2014] (National Assembly – sec 75) **–** (introduced as **Legal Aid Bill** [B 8 – 2014].

The Bill has been referred to the **Select Committee on Security and Justice** of the National Council of Provinces.

(b) **Attorneys Amendment Bill** [B 9B – 2014] (National Assembly – sec 75).

The Bill has been referred to the **Select Committee on Security and Justice** of the National Council of Provinces.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Environmental Affairs

(a) General Notice No 777, published in Government Gazette No 37984, dated 8 September 2014: Draft EIA Guideline for Renewable Energy Projects, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).

2. The Minister of Finance

(a) Report to Parliament on the over- and underspending of municipalities as at 30 June 2014.

3. The Minister of Tourism

(a) Memorandum of Understanding between the Republic of South Africa and the United Mexican States on Cooperation in the Field of Tourism, tabled in terms of section 231(3) of the Constitution, 1996.

(a) Explanatory Memorandum on the Memorandum of Understanding between the Republic of South Africa and the United Mexican States on Cooperation in the Field of Tourism.

COMMITTEE REPORTS

National Assembly

1. Report of the Standing Committee on Finance on the 2014 Revised Fiscal Framework, dated 30 October 2014

The Standing Committee on Finance, having considered the 2014 Revised Fiscal Framework, reports as follows:

1. Introduction

Section 12(3) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (the Money Bills Act) requires that the Minister of Finance tables a revised fiscal framework with the national adjustments budget if the adjustments budget effects changes to the fiscal framework.

Section 12(5) of the Money Bills Act requires that the revised fiscal framework be referred to a joint sitting of the Committees on Finance for consideration and report.

The 2014 revised fiscal framework, as part of the 2014 Medium Term Budget Policy Statement (MTBPS), was tabled in the National Assembly by the Minister of Finance on 22 October 2014. The Financial and Fiscal Commission (FFC), South African Reserve Bank (SARB), and Parliamentary Budget Office (PBO) made submissions at the oral hearings on the MTBPS.

2. Economic outlook

There is general consensus amongst the analysts that global economic growth will continue to be moderate and that growth will pick up momentum in the second half of 2014 and in 2015. The International Monetary Fund (IMF) has revised downwards the 2014 and 2015 Gross Domestic Product (GDP) growth forecasts to 3.3 per cent and 3.8 per cent in 2015, respectively. Growth in emerging markets is expected to expand by 4.4 per cent in 2014 and 5 per cent in 2015.

The revised growth projections envisage a rebound in growth from both the advanced and emerging economies in the remainder of 2014 and in 2015. The IMF further assumed that geopolitical tensions would decline; that activity in the United States and the Euro area would pick up and that the emerging market economies would gradually lift structural impediments to growth.

Major risks to the global economic outlook include geopolitical tensions; monetary policy normalisation in the US; deflation; low growth turning into stagnation in advanced economies as well as a decline in potential growth in emerging economies.

Sub-Saharan Africa (SSA) is forecast to remain one of the fastest growing regions. Economic activity in SSA remains robust, with growth projected to average above 5 per cent over the medium term. The SSA outlook is subject to risks such as a widespread contagion of Ebola in affected countries; heightened fiscal vulnerabilities; volatility in the global financial markets and lower growth in emerging market economies.

The South African economy is growing at a moderate pace and continues to perform below its potential. In line with the IMF, the South African Reserve Bank (SARB) and the Bureau of Economic Research (BER), the National Treasury has revised down its growth forecasts to 1.4 per cent in 2014, from 3.6 per cent in 2011. Similar to other analysts, the National Treasury attributed the economic slowdown to structural constraints in the economy. These include electricity supply and transport constraints, labour tensions and skills shortages. The Fiscal and Financial Commission (FFC) identified further constraints to growth as education and health outcomes while the Parliamentary Budget Office (PBO) identified the ability of spheres to implement cost-stabilising measures as a further risk.

Table 1: Macroeconomic performance and projections, 2011 – 2017

Calendar year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Percentage change	**Actual**			**Estimate**	**Forecast**		
Final household consumption	4.9	3.5	2.6	1.9	2.3	2.8	3.0
Final government consumption	4.3	4.0	2.4	1.8	1.5	1.5	1.5
Gross fixed capital formation	4.2	4.4	4.7	2.7	3.6	4.7	5.1
Gross domestic expenditure	4.6	4.0	2.2	0.9	2.6	3.0	3.3
Exports	6.8	0.4	4.2	3.1	4.2	4.7	5.2
Imports	10.0	6.0	4.7	1.0	4.1	5.0	5.6
Real GDP growth	3.6	2.5	1.9	1.4	2.5	2.8	3.0
GDP inflation	5.9	4.5	5.8	6.1	5.8	5.7	5.6
GDP at current prices (R billion)	2932.7	3139.0	3385.4	3642.6	3952.6	4295.8	4675.6
CPI inflation	5.0	5.7	5.8	6.3	5.9	5.6	5.4
Current account balance (% of GDP)	-2.3	-5.2	-5.8	-5.6	-5.4	-5.2	-5.0

Source: National Treasury

Economic growth is expected to rise gradually over the medium term, reaching 3 per cent only in 2017. Moderate global growth; rising exports to the African Continent; the easing of transport and logistics constraints; stabilisation of electricity constraints and a recovery in private investment are expected to support economic growth over the medium term.

The electricity and transport constraints as well as labour stoppages have affected outputs in the mining and manufacturing sectors. The manufacturing sector has struggled to recover from the 2009 recession and the slowdown in Europe. Growth in manufactured exports has risen, suggesting competitiveness and efficiency gains.

The share of mining as a percentage of GDP has been declining and the sector accounts for just under 50 per cent of the country's exports. The agricultural sector has grown strongly in 2014, mainly due to large increases in maize and livestock production, favourable weather conditions and higher prices.

The pace of job creation lags behind growth in the labour force, contributing to persistently high levels of joblessness. The June 2014 Quarterly Labour Force Survey (QLFS) conducted by the Stats SA showed that the official rate of unemployment measured 25.5 per cent (from 25.3 per cent in the first quarter) and increases to 35 per cent if discouraged job seekers are included. Weak employment outcomes are reflected in slowing real disposable income and household consumption growth.

Headline Consumer Price Index (CPI) remained within the 3-6 per cent target range over the past four years and rose to 6.4 per cent in August 2014 due to a spike in maize and wheat prices coupled with the impact of the weaker Rand on petrol prices. National Treasury and the SARB expects Headline CPI to average 6.2 to 6.3 per cent in 2014, return and remain within the target band over medium term. Risks to the inflation outlook include exchange rate depreciation, higher electricity prices and possible wage demands in excess of inflation.

Structural challenges, prolonged industrial action, a moderation in global demand and declining commodity prices affected SA's export performance in the second quarter of 2014. The trade deficit deteriorated from 2.1 per cent to 2.8 per cent of GDP in the second quarter of 2014. The current account deficit is estimated to measure 5.6 per cent of GDP in 2014, declining to 5 per cent of GDP in 2017. Despite increased volatility in financial and foreign exchange markets and the downgrading by international credit rating agencies in the first half of 2014, the balance of payments proved to be fairly resilient. Capital flows have been sufficient to finance investment.

The low level of domestic savings and high investment requirements, increase the economy's reliance on foreign capital flows, hence the "twin deficits" that are larger than those of its emerging market peers. The twin deficits combined with electricity shortages and low growth prospects are seen as key risks by investors.

Risks to the domestic outlook include volatility and capital outflows from the emerging markets (current account deficit); weaker Chinese growth; lower commodity prices, lack of structural reforms in emerging markets; weaker growth outlook and domestic supply side bottlenecks.

3. The 2014 Fiscal Framework

South Africa's fiscal policy is guided by the principles of counter-cyclicality, debt sustainability and intergenerational equity. Over the medium term, the focus will shift to debt sustainability, allocative efficiency and obtaining value for money in public spending.

Government's fiscal objectives aims to reduce budget deficit; stabilise debt to ensure fiscal sustainability; continue to shift spending towards government's priorities and contain expenditure on goods and services and compensation of employees.

The 2014 consolidated fiscal framework makes R1.2 trillion available for spending in 2015/16, R1.3 trillion in 2016/17 and R1.4 trillion in 2017/18 financial years. Revenue of R1.055 trillion in 2015/16, R1.169 trillion in 2016/17 and R1.272 trillion in 2016/17 financial years have been set aside. National Treasury expects a revenue shortfall of R61 billion over the Medium Term Expenditure Framework (MTEF) period, R10 billion of which will occur in 2014/15.

Government's tax revenue collection is highly dependent on the developments in economic conditions both at a global and domestic level. National Treasury proposed to increase taxes, the details of which will be informed by the recommendations of the Davies Tax Committee Review report. These increases are expected to generate R44 billion over the next three years.

The framework estimates a budget deficit of 4.1 per cent of GDP in 2014/15, 3.6 per cent in 2015/16, narrowing further to 2.5 per cent in 2017/18, as economic growth and revenue collection pick up pace.

Table 2: Consolidated fiscal framework, 2013/14 – 2017/18

R billion/percentage of GDP	2011/12	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18
		Outcome		Budget	Revised	Medium-term estimates		
Main budget								
Revenue	**745.3**	**799.2**	**886.1**	**962.8**	**956.6**	**1 055.1**	**1 169.4**	**1 272.9**
Expenditure	**889.9**	**965.5**	**1 047.8**	**1 142.6**	**1 136.3**	**1 222.3**	**1 308.4**	**1 416.7**
of which								
Non-interest allocations	*813.5*	*877.4*	*946.6*	*1 024.7*	*1 021.9*	*1 090.8*	*1 153.9*	*1 222.0*
Debt-service costs	*76.5*	*88.1*	*101.2*	*114.9*	*114.5*	*126.5*	*139.4*	*149.7*
Unallocated reserves	–	–	–	*3.0*	–	*5.0*	*15.0*	*45.0*
Main budget balance	**-144.6**	**-166.3**	**-161.7**	**-179.8**	**-179.7**	**-167.2**	**-139.0**	**-143.8**
Budget deficit	*-4.9%*	*-5.2%*	*-4.7%*	*-4.7%*	*-4.8%*	*-4.1%*	*-3.2%*	*-3.0%*
Consolidated budget balance	***-110.8***	***-136.2***	***-134.7***	***-153.1***	***-153.2***	***-144.5***	***-114.1***	***-118.7***
	-3.7%	*-4.3%*	*-3.9%*	*-4.0%*	*-4.1%*	*-3.6%*	*-2.6%*	*-2.5%*

Source: National Treasury

Government's net debt as a share of GDP continues to grow, but the fiscal package is expected to stabilise debt at R2.4 trillion (R45.9 per cent of GDP) in 2017/18, an increase of R590 billion. South Africa's debt-to-GDP ratio increase is comparatively high among the emerging markets. Weak economic growth has entrenched a structural imbalance between revenue and expenditure.

Debt service costs for 2014/15 are expected to reach R114.5 billion, increasing to R149.7 billion in 2017/18, the fastest spending growth of 9.3 per cent. Weaker rand exchange rate pushes the value of foreign debt up; an increase in inflation increases the value of inflation linked debt and weaker economic growth impacts directly on increasing government debt.

Government has proposed a fiscal package with five elements, which are aimed at narrowing the deficit and stabilising debt over the medium term. These elements are reducing growth in spending; adjusting tax policy and administration; emphasizing long term planning and efficient resource allocation; freezing government personnel headcounts and adopting a deficit-neutral approach to the financing requirements of state owned companies over the next two years.

The main risks to the fiscal outlook are economic performance, public sector wage bill and balance sheets of state-owned companies (SOEs). A further deterioration in the GDP would require consideration of additional measures. Deviations from the CPI-linked cost of living adjustments will require either a reallocation of resources or a reduction in government employment. Capitalization for SOEs will be funded from sale of non-strategic state assets and will not be drawn from tax revenue.

4. Committee deliberations and observations

During the MTBPS briefing by the Minister of Finance and at the public hearings, the Committee:

4.1 Noted with concern that there were no submissions on the MTBPS from civil society organisations, despite extensive advertisements and overtures made by the parliamentary committee secretaries; and that the three organisations making submissions were all statutory bodies.

4.2 Appreciated the presentations made by the FFC, the SARB, and the PBO, and noted that while a good overview of the MTBPS and a macroeconomic picture are provided, these presentations do not contain any specific proposals or offer any alternatives to the proposals in the MTBPS and do not sufficiently contribute in assisting the Committee to consider the strengths and weaknesses of different options to deal with the current economic and financial challenges.

4.3 Noted that most of the FFC's proposals to NT were accepted, and that the FFC welcomes most aspects of the 2014 MTBPS, including economic forecasts; fiscal consolidation; a moderate public sector wage bill; government's intention to intensify initiatives to combat waste; inefficiency and corruption; proposals to increase taxes and a deficit reduction programme.

4.4 As also noted in the Committee's Budget Report, the Committee believes that it is not sustainable for NT to keep rescuing challenged SOEs who fail to improve their performance despite constant support. The Committee accepts that there may be a need to sell non-strategic assets, but is interested to know what criteria will be used to determine what non-strategic assets are and on what the terms they will be sold.

4.5 Agrees that while there are significant global constraints hindering South Africa's economic growth over which the country has limited control, there are also major domestic constraints that can and must be addressed, including badly managed labour disputes, energy and transport challenges, skills shortages and some policy uncertainties.

4.6 Noted that the current account and fiscal deficits combined with electricity shortages and high electricity tariffs low growth prospects are seen as key risks by investors.

4.7 Noted that National Treasury has allocated R561.1 million for Employment Creation Facilitation.

4.8 Noted the input from the PBO that reducing the public sector wage bill could serve to reduce domestic demand and lead to possible job losses and reduce the prospects of economic growth.

4.9 Welcomed the government's cost-containment proposals and stressed the need to ensure that these contribute to the country's economic growth, job-creation and developmental goals; and noted, further, that the FFC supported the NT's proposals.

4.10 Supported the NT's commitment to ensuring that fraud and corruption are more actively combatted and fruitless and wasteful expenditure are more decisively reduced.

4.11 Noted that government's anti-corruption task team has been investigating 169 criminal cases involving 945 individuals. These investigations have led to 54 convictions, with R1.8 million in assets frozen and R105 million in assets forfeited;

5. Recommendations

Most of the recommendations below need to be linked to the deliberations and observations in section 4 above.

5.1 NT needs to be very clear about the criteria it uses to define non-strategic assets and the terms of any sale of these. NT also needs to seek to ensure that the sale of these non-strategic assets do not lead to job-losses or other unintended consequences that undermine the country's economic growth and developmental goals.

5.2 The sale of non-strategic assets, however defined, could be contested and could take time. However, some SOEs need financial assistance more immediately. NT will have to speedily finalise measures to separate the commercial and developmental aspects of the SOEs and other measures to assist the SOEs in ways that contribute to improving their financial position in the interim.

5.3 The 2015-16 Budget will have to clearly set out how NT will realise the assumptions of the MTBPS and mitigate the risks to implementing it. The Committee will actively engage NT on this.

5.4 The NT needs to be clearer about how government is going to deal with the domestic constraints to growth, including badly-managed labour disputes, electricity and transport challenges, skills shortages and some policy uncertainties.

5.5 NT will have to, through a variety of ways, assist provinces and municipalities to implement cost-containment proposals. The Committee wants to be briefed on this periodically.

5.6 NT needs to more actively monitor the outcomes of the Jobs Fund allocations, and the Committee will engage with the NT on this in the first quarter of 2015. The Committee is keen to understand the number, nature and quality of the jobs being created and how they link to the country's economic growth and developmental goals.

5.7 While the Committee recognises the need for foreign direct investment, it believes that there is a need for greater focus on domestic investment, and a right balance needs to be struck between domestic and foreign investment.

5.8 NT needs to more clearly explain how government will more actively combat corruption. The Committee will engage NT on this in the first quarter of 2015. If government is more effective in reducing corruption, there will be significant savings and NT will be in a better position to more carefully decide on tax increases.

5.9 The 2015-16 budget needs to be more clearly aligned with the NDP and the Medium Term Strategic Framework, and the Committee will engage with the NT on this when reviewing the budget.

5.10 In view of the lack of investor and public confidence in the prospects of economic growth NT needs to far more actively communicate its programmes and activities through the public media and its own media and through other ways.

To better prepare to monitor and follow-up on the above recommendations, the Committee further proposes:

1. As raised in the Budget Report, the Committee needs to engage with the Public Enterprises Portfolio Committee on the performance of SOEs and other related matters.

The Committee will request the PBO to undertake research on the financial aspects of SOEs and other related issues, following consultations with the Public Enterprises Portfolio Committee. A research report should be presented to the Committee in the first quarter of 2015.

2. Following the input by the PBO on the possible implications of reducing the public sector wage bill, the Committee will request the PBO to develop a research report for consideration by the Committee in the first quarter of 2015.

3. Parliament needs to look into new and more creative ways of encouraging civil society participation in MTBPS public hearings in future

The DA reserves its position on this report.

Report to be considered.

2. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, DATED 28 OCTOBER 2014

The Portfolio Committee on Cooperative Governance and Traditional Affairs, having considered the performance and submission of the Departments of Cooperative Governance and Traditional Affairs to National Treasury for the medium term period, reports as follows:

1. INTRODUCTION

1.1. Mandate of Committee

As a Committee of the National Assembly, as provided in Chapter 4 of the Constitution of South Africa, and in accordance with the Rules of the National Assembly, the Committee is mandated to:

- Consider, amend, approve or reject legislation;
- Consider and approve budgets and monitor expenditure of the Department and entities reporting to it;
- Consider progress reports from line-function departments, and provincial and local government authorities and entities on their respective mandates;
- Ensure that all appropriate executive organs of state are held accountable for their actions; and

- Conduct oversight over the national executive authority and any other organ of state.

1.2. **Description of core functions of the Department.**

The aim of the Department of Cooperative Governance and Traditional Affairs is to improve cooperative governance across the three spheres of government in partnership with institutions of traditional leadership to ensure that provinces and municipalities carry out their service delivery and development functions effectively.

In accordance with the Intergovernmental Relations Framework Act (2005), the Municipal Property Rates Act (2004), the Municipal Systems Act (2000) and the Municipal Structures Act (1998), the Department is mandated to:

- Develop, monitor and support the implementation of national policy and legislation, seeking to transform and strengthen key institutions and mechanisms of governance to fulfil their development role;
- Develop, promote and monitor mechanisms, systems and structures to enable integrated service delivery and implementation within government; and
- Promote sustainable development by providing support to and exercising oversight over provincial and local government.

The Department's aim and mandates underpins its three strategic priorities over the medium term, which are to:

- Strengthen accountability, governance and oversight of provincial and local government;
- Facilitate local economic development and improve access to basic services; and
- Develop a policy platform for a differential approach to municipalities.

The Department also oversees the following entities:

- The **Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities**, which promotes and protects cultural, religious and linguistic rights.
- The **Municipal Demarcation Board**, an independent authority responsible for determining municipal boundaries and also mandated to declare district management areas, delimit wards for local elections, and assess the capacity of municipalities to perform their functions.
- The **South African Local Government Association**, which is mandated by the Constitution to assist in the comprehensive transformation of local government

- The **Municipal Infrastructure Support Agent,** which is mandated to render technical advice and support to municipalities, as well as strengthen their capacity to provide access to basic services. However, during the financial year under review, the Department still accounted for MISA.

1.3. Purpose of the BRR Report

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, portfolio committees must compile Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR are also source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.4. Method

This Report assesses the service delivery and financial performance of the Department of Cooperative Governance and Traditional Affairs and its entities for the 2013/14 and 2014/15 (until October 2014) financial years. This assessment is informed by committee briefings and other sources of information.

1.5. Outline of the contents of the Report

The rest of the Report proceeds as follows: section 2 provides an overview of key policy focus areas on cooperative governance and traditional affairs during the period under review; a summary of previous key financial and performance recommendations of the Portfolio Committee on COGTA is presented in section 3; section 4 provides an overview and assessment of reported financial and service delivery performance for 2013/14 and 2014/15; Section 5 presents the Portfolio Committee's observations and responses on COGTA's technical, governance, service delivery and financial performance issues; a summary of additional reporting requests by the Portfolio Committee is tabulated in section 6; and recommendations in section 7 conclude the Report.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

Government's medium term strategic framework (MTSF) for the period 2014 – 2019 sets down the priorities for structural reform over this period. As recently articulated in the 2014 Medium Term Budget Policy Statement (MTBPS), these include:

- Building the capacity of the public sector, particularly at local government level, through the 'back to basics' approach, focused on improving service delivery, accountability and financial management; and
- Reshaping South Africa's urban environment through integrated spatial planning and expansion of the municipal debt market

The MTSF priorities give expression to the key priorities of the National Development Plan, whose achievement depends on an economy that is growing rapidly over an extended period of time. Public spending is the necessary foundation for this growth, and in this regard government is focusing on several policy goals. These include creating dynamic cities by fostering well-planned and well-managed urbanisation and reforming the structure and conditions of infrastructure grants to local government. Government is providing support to enable cities to promote growth and urban transformation by means of:

- A project preparation facility that helps municipalities prepare plans that are ready for implementation;
- An infrastructure delivery mechanism that is being expanded from provinces to large cities; and
- Technical assistance that will support the review of municipal borrowing strategies.

Over the next three years, R560 billion (inclusive of the local government equitable share) has been made available for service delivery and municipal infrastructure development, among other things. Strong spending growth is also envisaged for the Community Work Programme (CWP), which will be rolled out to every municipality by 2017. All these policy thrusts are fundamental to, and impact directly on, the mandates of the Department of Cooperative Governance, the South African Local Government Association, and the Municipal Demarcation Board.

3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE

3.1. 2012/13 BRRR recommendations and responses by the Department

With respect to the 2012/13 BRRR recommendations, the Portfolio Committee only received the following report from the Department:

INPUTS FOR THE REPORT ON 2012/13 GOGTA BUDGETARY REVIEW AND RECOMMENDATION REPORT (BRRR) OF THE PORTFOLIO COMMITTEE

With reference to the report from Parliament dated 21 October 2013, kindly receive the following progress in respect of the Financial Management aspects raised in the 2012/13 BRRR Report of the Port Folio Committee:

Observation	Recommendation	Timeframe	Progress
The Committee notes that the Department of Traditional Affairs is still reflected as a separate Programme (Programme 7) in Vote 3-	The Committee recommends that the matter be finalised in consultations with the National Treasury to create a separate vote for DTA as matter of agency.	Implementation by the end of the next financial year	The Department is in continuous consultation with the National Treasury in this regard.
Committee observed that CoGTA obtain an unqualified audit opinion with matters of emphasis mainly due to irregular, fruitless and wasteful expenditure.	The concerns were also expressed in the previous BRRR of the Portfolio Committee		The control-weaknesses experienced in respect of compliance to SCM policies and prescripts are receiving on-going attention while investigations are also underway on control-weaknesses. The Department has developed a detailed Post Audit Action Plan (PAAP) to address the identified control-weaknesses.
The Department was allocated an amount of R54.9 billion, for the 2012/13 financial year. At the end of the third quarter, the Department had spent R38.7 billion or 70.6% of the allocated budget.	The Committee is looking forward for more improvement on the spending patterns of the Department especially considering the 4.8% short of the projected expenditure.		There are discussions between the Department and the National Treasury on how best could municipalities be assisted on funds that are withheld due to poor performance of conditional grants.

3.2. **Evaluation of response by Department**

As the Table on sub-section 3.1 indicates, the Department had only three responses out of the nine directly relevant matters raised in the previous year's BRR Report. The last two of these response were not part of the Committee's Recommendations.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

4.1. **Financial and service delivery performance 2013/14**

For the 2013/14 period the Department of Cooperative Governance and Traditional Affairs had an available appropriation of R58.5 billion. 96 per cent of this allocation or R56 billion consisted of transfers and subsidies to provinces, municipalities and departmental entities. The Department had an available budget of R2.5 billion for operations. The lion's share of operational expenditure consisted of payments for participants in the Community Work Programme.[1] The Department spent 96.5 per cent of its total appropriation, thus incurring under-expenditure to the value of R2 057 335 000 billion. This is a substantial increase from the R1 412 259 billion under-expenditure reported in 2012/13 and represents the highest figure compared to all other financial years, beginning from 2007/08. The under-expenditure largely reflects Local Government Equitable Share allocations (relating mostly to the Municipal Infrastructure Grant) that were withheld from municipalities that did not return unspent funds.

4.1.1. Quarterly spending trends

The total expenditure of the Department amounted to R39.743 billion at the end of December 2013, which represented a 68.0 per cent spending rate of the total appropriation of the 2013/14 financial year.

<u>Programme 1: Administration</u>

Expenditure trends: The Programme reflected a 71.7 per cent spending rate at the end of December 2013. The key cost drivers within the Programme were external audits, operating leases, and property payments. Of the nine sub-programmes that make up the Administration Programme, *Financial Services* is the only sub-programme that showed a variance between the final appropriation and actual expenditure by the end of the financial year. R27 030 million was spent against a final appropriation of R27 412 million, leaving a balance of R382 000 in under-expenditure. This was the opposite case in the previous financial year where *Management* was the only sub-programme that showed no variance between appropriated funds and actual expenditure. Overall programme under-expenditure was R22 213 million during this period.

[1] Ibid.

Planned targets: The Programme achieved almost all the targets set for the year under review. Only one project was deferred for finalisation during the 2014/15 financial year and this was a monitoring and reporting system for local government, which was to be developed by 31 March 2014.

Irregularities and allegations of financial mismanagement: The Department reported that there were irregularities in the Information Technology Infrastructure at the National Disaster Management Centre, and that the Internal Audit assisted with finalising an investigation while the Department is in the process of implementing appropriate disciplinary action. It was also reported that the Special Investigating Unit (SIU) received a proclamation on 23 January 2014 to conduct an investigation into allegations of mismanagement of departmental funds by the South African National Cooperative Limited (SANACO).

<u>Programme 2: Policy, Research and Knowledge Management (PRKM)</u>

PRKM demonstrated a 61.3 per cent spending rate at the end of December 2013. The low spending was attributed to the delays with the migration from Novell to Microsoft and the renewal of SITA license that are paid in February each year. By 31 March 2014, the Programme recorded under-expenditure to the value of R730 000 due to vacancies not filled on time. The bulk of this under-expenditure fell under the *Knowledge and Information Management* sub-programme. This is slightly less than the under-expenditure of R1 852 million incurred in 2012/13.

<u>Programme 3: Governance & Intergovernmental Relations</u>

Expenditure trends: The Programme reflected a 70.3 per cent spending rate at the end of December 2013. The low spending was attributed to delays with the start of some planned projects as a result of consultations with different stakeholders. The available amount of R12 billion at the end of December 2013 related to the Local Government Equitable Share for payment to the municipalities in line with the Division of Revenue Act, 2013 (Act 2 of 2013) (DORA) requirements. The low spending was attributed to:

- Delays with the start of some planned projects as a result of consultations with different stakeholders; and
- The offsetting of the Local Government Equitable Share in terms of Section 21(4) of DORA in respect of some municipalities in consultation with the National Treasury, which may result in a saving on transfer payments funds allocated to this Programme.

By the end of the 2013/14 financial year, the Programme incurred a total under-expenditure of R1 645 285 billion, most of which relates to the withholding of equitable share funds in respect of some municipalities, which did not perform according to the requirements of the Division of Revenue Act. This is a significant increase compared to the R743 948 million incurred in 2012/13. The *Intergovernmental Fiscal Relations* sub-programme also showed substantial variance, with R11 274 million unspent in 2013/14 compared to R1 852 million in 2012/13. Interestingly, the sub-programme had a much bigger amount to spend (a final appropriation of R142 805 million) during the latter period compared to R26 903 million in 2013/14. The transfer to the South African Cities Network showed a substantial increase, amounting to R11 786 million in 2013/14 compared to R5 540 million in 2012/13.

Ward Committees: Deepening participatory democracy through a refined Ward Committee model is one of the Department's strategic goals towards realising the vision of an integrated, responsive and highly effective governance system. The Governance and Intergovernmental Relations Programme, which seeks to strengthen the functionality of Ward Committees (among other objectives), gives effect to this strategic goal. The Department reported that as at 31 March 2014, a total of 2 059 ward level operational plans had been developed and were being implemented in 125 local municipalities. Government's *Twenty Year Review* has noted that ward committees have not worked as intended, as characterised by the often formulaic and symbolic interactions that 'have generally not helped to strengthen links between communities and councillors.'[2]

Programme 4: National Disaster Management Centre (NDMC)

The Programme had a final appropriation of R694 439 million in 2013/14. It reflected a 26.9 per cent spending rate at the end of December 2013. R488 million (94.6 per cent) of the available amount of R516 million at the end of December 2013 related to the Disaster Relief and the Municipal Disaster Recovery Grants. The low spending was attributed to:

- The finalisation of the movement to the new premises and the effect thereof on related services; and
- The uncertain nature of disasters

At the end of the financial year there was a balance of R270 580 million in unspent funds, most of which related to the *Disaster Relief* sub-programme. R252 870 million of the unspent funds relates to the Provincial Disaster Grant and R17 386 million to the Municipal Disaster Grant. The under-expenditure was not unusual as disaster relief funds are only spent when disasters occur.

---

[2] Ibid.

Programme 5: Provincial & Municipal Government Systems (PMGS)

The Programme indicated a 96.7 per cent spending rate at the end of December 2013. By the end of the financial year there was no reported variance between the Programme's final appropriation and actual performance in terms of expenditure. This trend was almost similar to the previous financial year, except that the *Management: Provincial and Local Government Support* sub-programme reportedly incurred under expenditure to the amount of R139 000 in 2012/13.

Programme 6: Infrastructure and Economic Development (IED)

The Programme reflected a 63.5 per cent spending rate at the end of December 2013. R5 287 billion (88.8 per cent) of the available amount of R5 971 billion at the end of December 2013 related to the Municipal Infrastructure Grant. By the end of the financial year, all the sub-programmes under Infrastructure and Economic Development showed a variance between the final appropriation and the actual performance in terms of expenditure. Consequently, the Programme underspent its allocation by R140 358 million, which is slightly less compared to R209 902 million in 2012/13. The bulk of the unspent funds related to the Municipal Infrastructure Grant (R130 084 million) and the Community Work Programme (R9 619 million). The MIG fund was stopped for those municipalities that reported an expenditure of 30 per cent and below of their 2013/14 MIG allocation as at end January 2014. The under expenditure on the MIG was an increase from the R2 471 million recorded in 2012/13, while that of the CWP showed a decrease from R158 955 million in 2012/13.

Programme 6.1: Community Work Programme (CWP)

Expenditure trends: The Community Work Programme reflected a 67 per cent spending rate at the end of December 2013. The sub-programme received roll-over funds which were planned to be spent in February and March 2014. The key cost drivers within CWP were wage costs, material costs, project management and material costs. The low spending was attributed to municipal sites that were established later in the 2013/14 financial year. While noting improvements in the internal controls of the Department during the financial year under review, the Audit Committee has raised concerns regarding the monitoring and evaluation of the CWP sub-programme. An independent consulting firm also conducted a forensic investigation, based on a number of allegations and complaints regarding the implementation of the CWP. This related to procurement and irregularities in the awarding of the tender to lead agents as well as the validity of participants. These irregularities amounted to R356 703 million. In 2012/13 an amount of R418 600 million relating to a CWP contract was detailed as an irregular expenditure not recoverable (not condoned). With the approval of National Treasury, R804 617 million in irregular expenditure had to be written off as no official was found liable for this expenditure.

Programme 6.2: Municipal Infrastructure Support Agency (MISA)

59.8 per cent of the available budget of R262 040 million was paid to and in respect of MISA up to the end of December 2013. The slow spending was attributed to the progressive operationalization of MISA to function independently as a government component. During the financial year under review, the MISA, previously a sub-programme under the Infrastructure and Economic Development Programme, became an independent entity with effect from May 2013. The Audit Committee has also raised concerns regarding the functionality and legal status of the entity. The sub-programme also incurred fruitless and wasteful expenditure amounting to R328 000.

Programme 7: Traditional Affairs (DTA)

The total DTA expenditure amounted to R111 702 million for the period under review. DTA reflects a 76.2 per cent spending rate at the end of December 2013. There was no reported variance between actual expenditure and the final appropriation. The DTA has attained most of the targets it had set out achieve in the 2013/14 Annual Performance Plan. However there is still much room for improvement in relation to the National Traditional Affairs Amendment Bill.

Conditions of Service for Traditional Leaders: In 2013/14 the Department had undertaken to engage in 'consultation on norms and standards for tools of trade for the institution of traditional leadership to address inconsistencies across provinces.'[3] The inequities in 'tools of trade' had also been a major area of contention when the Portfolio Committee on Cooperative Governance and Traditional Leadership met with traditional leaders in King Sabatha Dalindyebo Municipality in the Eastern Cape towards the end of the 4th term of Parliament. Both the Annual Report and the DTA's Strategic Plan 2014 – 2019 made reference to the 'development and adoption by all stakeholders of the Framework for tools of trade for traditional leaders'[4] in 2013/14. Parliament appears not to have been involved in the development and adoption of the Framework for Tools of Trade for Traditional Leaders.

4.1.2. Auditor-General Reports

For the period under review, the Department received an unqualified audit opinion with findings on the usefulness and reliability of performance information and non-compliance with certain laws and regulations. In particular, the Report of the Auditor-General noted that the Department did not have adequate monitoring systems in place to ensure that all supporting records of attendance registers, registration forms and contracts for the Community Work Programme are maintained. Consequently performance data on the CWP could not be verified.

[3] Department of Traditional Affairs (2013).
[4] Department of Traditional Affairs (2014).

For the second year in succession, SALGA achieved a 'clean audit', which is a welcome departure from the era of disclaimers in 2004/05, 2005/06 and 2006/07.The MDB has received an unqualified audit opinion for the period under review, which is short of the clean audit it had targeted, because the Auditor-General raised emphasis of matter relating to incidences of irregular expenditure.[5] The CRL Commission has also received an unqualified audit opinion.

4.2. **Financial performance 2014/15**

- Quarterly spending trends

Between April and September 2014, the Department of Cooperative Governance and Traditional Affairs had spent R23.4 billion (or 36.5 per cent) of its R63.4 billon allocation for the 2014/15 financial year.

- Reported spending pressures.

  a) Effective and efficient management and administration of the CWP, including providing and maintaining 1 million work opportunities in all municipalities.
  b) Strengthening the capacity of municipalities to deliver sustainable infrastructure and increase access to basic services through the 'back to basics' approach, including provision of free basic services to the poor.

4.2.1. Key reported achievements

- Department of Cooperative Governance and Traditional Affairs

The period under review marks twenty years of democratic government in South Africa, which has seen an impressive record of expansion of service delivery. As some academics have noted 'basic service delivery has been extended to the marginalised to a degree that is unprecedented in South Africa's history, at a pace that is noted and commended internationally.'[6] A 'close of term report presented to Cabinet reveals that households with access to water now stands at 95 per cent, up from 92 per cent in 2009.'[7] 86 per cent of households now have access to electricity, though this remains short of the targeted 92 per cent by the end of 2014. By September 2013, 86 per cent of households had access to sanitation – an increase from 81 per cent in 2009 – while households with access to refuse removal increased to 72 per cent.[8]

[5] MDB (2014).
[6] De Visser (2009).
[7] COGTA (2014).
[8] Ibid.

- South African Local Government Association

Assignment of housing function to six metropolitan municipalities: During the year under review, SALGA successfully lobbied and advocated for the assignment of the housing function to Cape Town, Nelson Mandela Bay, Johannesburg, Tshwane, Ekurhuleni and EThekwini metropolitan municipalities. Consequent from SALGA's submission to the Local Government Budget Forum in October 2013, a new conditional grant (the municipal human settlements capacity grant) for the six metros was introduced into the 2014/15 budget.

Clean audits: SALGA's achievement of clean audits in 2012/13 and 2013/14 marked it as a credible voice in campaigning for clean audits in the local government sector.

4.2.2. Key reported challenges

- Despite departmental efforts at monitoring and supporting municipalities to fill critical posts with suitably qualified and competent persons, some municipalities have continued to fill such posts without due regard to the regulations on minimum competency requirements. The Systems Act requires the MEC to take appropriate steps to enforce compliance which may include an application to court for a declaratory order on the validity of the appointment. If the MEC fails to do this the Minister may take the same steps.
- The intermittent departmental restructuring processes have resulted in the loss of critical skills and the shrinking of the staff establishment, thereby rendering the department unable to deliver on its mandate. The Department is engaging with the Department of Public Service and Administration (DPSA) and the National Treasury to review DCoG's organizational structure and the financial requirements to address the above.
- There are limited human and financial resources to develop and maintain systems and processes necessary for the enhancement of COGTA's ability to fulfill its role as a champion of cooperative governance.
- All the entities reporting to the Department of Cooperative Governance and Traditional Affairs reported that they were not adequately funded, which hindered their ability to fulfil mandates.

5. KEY COMMITTEE OBSERVATIONS

- Governance and operational issues

'Back-to-basics' approach: During the period under review the Minister of Cooperative Governance and Traditional Affairs introduced the 'back to basics' concept. This is aimed at getting the basics right in municipalities, guided by five basic principles:

a) Putting people first by listening and communication;
b) Adequate and community-oriented service provision;

c) Good governance and transparent administration;
d) Sound financial management and accounting; and
e) Robust institutions with skilled and capable staff.

The Committee welcomes the ‘back to basics’ initiative and envisages that this will contribute to building the capacity of the public sector in general, and local government in particular, in relation to issues of service delivery, accountability and financial management. However, the Committee has noted that provincial government, a key sphere that also faces problems, has been somewhat left out. The Committee hopes that the much needed focus on local government would not be at the expense of overlooking the building of capacity in provinces.

- Service delivery performance

Traditional Affairs: While impressed with the achievements of the Department of Traditional Affairs during the year under review, the Committee felt that these tended to be high level achievements whose impact did not seem to cascade down to traditional communities.

Death of initiates: The Committee noted with concern the recurring death of initiates in the Eastern Cape, Mpumalanga and the Western Cape. It noted that addressing this problem required not only collaboration between the relevant parliamentary committees and traditional leaders but also the involvement of the community, including the parents of the initiates.

Bucket system eradication: The Committee noted with concern that the amount of buckets eradicated in previous financial year was very low and that more should be done to address this problem. However the Committee noted that this was a complex problem and an important component to resolving it is linked to functional water and sanitation systems.

Non-financial survey of municipalities: The Committee noted the findings of the non-financial survey of municipalities, released by Statistics South Africa in August 2014, for the financial year ending in June 2013. In particular it noted the reported increased access to municipal water, electricity, sewerage and sanitation, and solid waste management services.

Municipal Infrastructure Grant: The Committee noted that in municipalities with non-functional Project Management Units (PMUs) MIG funds tend not to be spent. The Committee noted the Department’s envisaged initiative to strengthen the capacity of municipalities including providing support to all municipalities that spent less than 80 per cent of the MIG in the previous financial year. The Committee also noted with concern cases of municipalities that still use their MIG allocation to finance operational expenses. The Committee welcomed the announcement that it will soon be permissible to use 7% percent of the MIG for infrastructure maintenance.

- Financial performance including funding proposals

Review of the Municipal Infrastructure Grant: The Committee has expressed some concerns regarding Municipal Infrastructure Grant (MIG) expenditure. It had previously recommended that the Department provides a roll out plan on steps to improve MIG spending in those municipalities not covered by the MISA programme. In this regard, the Committee welcomes the review of the MIG currently underway and hopes that reforms to grants will improve the uptake of available resources for social infrastructure.

Funding for South African Local Government Association: The Committee has noted that SALGA's allocation from the national fiscus will decrease to R9 255 000 million in 2015/16 and subsequently be discontinued from 2016/17. This a consequence of government's fiscal package to reinforce sustainability, including reducing growth in spending, which will result in, among other things, reduced rates of growth in transfers to public entities, particularly those with cash reserves. While concerned about this development, the Committee also recognised that SALGA had operating surpluses of R35.8 million and R31.3 million in 2012/13 and 2013/14 respectively, which are above the entity's allocation from the national fiscus. The Committee also expressed a concern about the unsustainable remuneration levels of the senior management echelon of the organisation, as well as the inequitable remuneration gap between the higher and lower salary bands.

Funding for the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities: The Commission requested an additional R29 million to augment its current allocation in order expand the reach of its work. The Commission has received R34.9 million for the current financial year. The requested additional funding would almost double the Commission's current allocation. However, the Committee felt that the request for additional funds needs to be adequately substantiated.

6. TABLE OF COMMITTEE'S REPORTING REQUESTS

Reporting matter	Action required	Timeframe
Suspension of the MDB CEO	Report to be provided to the Committee on progress in resolving the matter	Before Parliament rises
Monitoring and evaluation of municipalities	The Department should report to the Committee on a quarterly basis on their monitoring and evaluation of municipalities so that the Committee can address these challenges proactively.	Quarterly
Project Management Units	The Department should present a plan to assist those municipalities that do not have functional Project Management Units (PMUs) as well as a plan to address the use of conditional grant funding for non-approved purposes.	March 2015

Forensic reports	The Department should provide the Committee access to all the forensic reports received from municipalities	March 2015
MISA	The Department should report to the Committee on its plan to ensure that MISA is properly constituted	March 2015

7. RECOMMENDATIONS

7.1. Financial performance including forward funding recommendations

- ***Local government funding model***: The local government funding model, and in particular the equitable share allocations, should be reviewed.

7.2. Performance related recommendations

- ***Monitoring expenditure of MIG***: An instrument to monitor expenditure on the MIG should be developed and a report on this should be provided to the Committee on a quarterly basis.
- ***SMART principle:*** More effort should be put on ensuring that the performance indicators implemented by the Department and its entities are Specific, Measurable, Achievable, Reliable and Time-bound.

8. APPRECIATION

For fruitful, cordial and constructive engagements the Committee thanks the Departments of Cooperative Governance and Traditional Affairs, SALGA, the Municipal Demarcation Board, the CRL Rights Commission, the Office of the Auditor-General, and National Treasury, among others. The contributions of Committee Members, as well as Committee Staff, are also gratefully acknowledged.

Report to be considered.

REFERENCES

Department of Cooperative Governance and Traditional Affairs. (2014). *Annual Report 2013/14*. COGTA. Pretoria.

Department of Traditional Affairs. (2013). Presentation on 2013/14 Annual Performance Plan (including progress made on targets set in the 2012/13 Annual Performance Plan). Parliament. Cape Town. 16 April 2013.

De Visser, J. (2009). 'Developmental Local Government in South Africa: Institutional Fault Lines.' *Commonwealth Journal of Local Governance*. Vol.2

Municipal Demarcation Board. (2014). Annual Report 2013/14. MDB. Pretoria.

National Treasury. (2014). Standing Committee on Appropriations: 4th Quarter Expenditure Report, 2013/14 Financial Year. Treasury. Pretoria.

National Treasury. (2014). Medium Term Budget Policy Statement. Treasury. Pretoria.

The Presidency. (2014). *Twenty Year Review South Africa: 1994 – 2014.* Presidency. Pretoria.

3. THE BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON MINERAL RESOURCES, DATED 24 OCTOBER 2014

The Portfolio Committee on Mineral Resources, having considered the performance and submission to National Treasury for the medium term period of the Department of Mineral Resources reports as follows:

1. INTRODUCTION

1.1. Mandate of Committee

In terms of the Constitution of the Republic of South Africa, 1996 (the Constitution), Portfolio Committees have a mandate to legislate, conduct oversight over the Executive and facilitate public participation. The Portfolio Committee on Mineral Resources mandate is governed by Parliament's mission and vision statements; the rules of Parliament and its Constitutional obligations. The mission of the Portfolio Committee is to contribute to the realisation of a developmental state and ensure effective Service Delivery through discharging its responsibility as a Portfolio Committee of Parliament. Its vision includes enhancing and developing the capacity of Committee Members in the exercise of effective oversight over the Executive Authority. One of the Committee's core objectives is to oversee, scrutinise and influence the action of the Executive and its agencies. This implies holding the Executive and related entities accountable through oversight of objectives of its programmes, scrutinising its budget and expenditure (annually), and recommending through Parliament actions it should take in order to attain its strategic goals and contribute to service delivery.

1.2. The Mandate of the Department, and its five entities

The Department

The aim of the Department of Mineral Resources (DMR) is to promote and regulate the minerals and mining sector for transformation, growth, development and to ensure that all South Africans derive sustainable benefits from the country's mineral wealth.

The mining sector has shown a 71 per cent increase in the number of mines since 2004 and a 12 per cent increase in employment over the same period. The minerals sector is a key contributor to the South African economy because of the half million workers it employs directly and because of the minerals used in value chains from energy to manufacturing. It is also responsible for more than half of South Africa's earnings from exports and is critical to the ability of the economy to earn foreign exchange and reduce the trade deficit. The good stewardship of the DMR over the minerals sector is of exceptional importance to the future of the country.

The Council for Geoscience

The Council for Geoscience (CGS) is one of South Africa's eight main science councils. Reporting to the Minister for Mineral Resources, the CGS lends support to the mandate of the Department of Mineral Resources (DMR) through the development and maintenance of the national geosciences knowledge infrastructure both on land and beneath the oceans surrounding South African territory.

Mintek

The Council for Mineral Technology Research (MINTEK), also a science council, is mandated to provide research, development and technology that foster the development of businesses in the mineral and mineral products industries.

Mine Health and Safety Council

The Mine Health and Safety Council (MHSC) provides a research and advisory function to the minister in terms of mine health and safety, as well as promoting a culture of health and safety in the mining industry.

State Diamond Trader

The State Diamond Trader (SDT) promotes equitable access to, and beneficiation of, diamond resources, addresses distortions in the diamond industry and corrects historical market failures to develop and grow South Africa's diamond cutting and polishing industry.

South African Diamond and Precious Metals Regulator

The South African Diamond and Precious Metals Regulator (SADPMR) regulates the diamond, platinum and gold sectors.

1.3. Purpose of the BRR Report

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision gave birth to the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (the Act), which sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department.

Section 5 of the Act, states that the National Assembly, through its Committees, must annually assess the performance of each national department with reference to the following:

- The medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives, as tabled in the National Assembly with the national budget;
- Prevailing strategic plans;
- The expenditure report relating to such department published by the National Treasury in terms of section 32 reports of the Public Finance Management Act, No 1 of 1999 (PFMA), as amended in 2009;
- The financial statements and annual report of such department;
- The report of the Committee on Public Accounts relating to the department; and
- Any other information requested by or presented to a House or Parliament.

Committees must submit the Budgetary Review and Recommendation Report (BRRR) annually to the National Assembly. The BRRR assesses the effectiveness and efficiency of a department's use and forward allocation of available resources and may include recommendation on the use of resources in the medium term.

Committees must submit the BRRR after the adoption of the budget and before the adoption of the reports on the Medium Term Budget Policy Statement (MTBPS) by the respective Houses in November of each year.

The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls vis-à-vis the Department's operational efficiency and performance. This is done taking into consideration the fact that the Department has oversight responsibilities over five entities.

1.4. Method followed by the Committee in writing the BRR Report

The Committee has scrutinised and interrogated all available documents as outlined in Section 5 of the Act. The Committee has assessed the performance of the Department in the 2013/14 financial year, as well as performance in the first quarter and second quarter of the 2014/15 financial year where information was available. The Portfolio Committee on Mineral Resources held a meeting on the 2013/2014 Annual Report of the Department of Mineral Resources on 15 October 2014, which was addressed by the Director-General and the senior leadership of the DMR. The office of the Auditor General accepted two invitations to give input during the budget review and recommendation report process. The Financial and Fiscal Commission (FFC) also addressed the Committee on the performance of the DMR and provided an analysis of the challenges facing the mining sector in South Africa at present. Moreover, the Committee undertook an oversight visit to Gauteng Province from 25-26 September 2014 to look at the areas of illegal mining and understand the extent of Acid Mine Drainage in the Witwatersrand area.

The Committee, in undertaking this process used a number of source documents, including the 2014-2019 Strategic Plan of the DMR, Annual Performance Plans, Annual Reports, Financial Statements, 2013 and 2014 Estimates of the National Expenditure (ENE), briefings by the Department and its entities during the course of the year, as well as the two State of the Nation Addresses. In addition the Committee has taken note of reports from the Department of Performance Monitoring and Evaluation in the Presidency, the Financial and Fiscal Commission, the SA Human Rights Commission and comments submitted to the DMR and the Committee on the Minerals and Petroleum Development Amendment Bill. The Committee also used the Constitution as its basis.

1.5. Outline of the contents of the Report.

- An overview and analysis of the Department’s strategic priorities and measurable objectives;
- An assessment of the overall financial performance for 2013/14 and first half of 2014/15;
- An assessment of the overall service delivery performance for 2013/14 and first half of 2014/15;
- Consideration of the Auditor-General’s findings in relation to the Department;
- Consideration of oversight reports and other engagements held with the Department;
- Consideration of the Financial Fiscal Commission submissions;
- Committee observations on overall performance of the Department; and
- Recommendations.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

Following the 2014 General Election, President Zuma appointed Adv N. Ramatlhodi, MP as the Minister of Mineral Resources.

2.1 Delivery Agreement targets for 2013/14 and 2014/15

DMR outcomes are linked to national outcomes as follows:

Table 2.1: Departmental and National Outcomes

Departmental Outcomes	National Outcomes
Increased investment in the minerals and mining sector	Linked to National Outcome 4: Decent employment through inclusive economic growth
Improved health and safety conditions in the mining sector	Not directly linked to a National Outcome
Equitable and sustainable benefit from mineral resources	Linked to National Outcomes 4: Decent employment through inclusive economic growth 7: Vibrant, equitable, sustainable rural communities & 10: Environmental assets and natural resources that are well protected and continually enhanced
Transformed minerals sector	Linked to National Outcome 4: Decent employment through inclusive economic growth
Efficient, effective and development-oriented Department	Outcome 12: An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

Targets in place include the following:

Table 2.2: Selected DMR Performance indicators and their links to National outcomes

Indicator	Programme	Outcome	2013/14 Actual	2013/14 Targets	*Percent achieved in 2013/14*	Targets 2014/15
Number of occupational health and safety inspections and mine audits conducted per year	Promotion of Mine Safety and Health	Outcome 4: Decent employment through inclusive economic growth	9 446	8 396	*113%*	8 396

Indicator	**Programme**	**Outcome**	**2013/14 Actual**	**2013/14 Targets**	*Percent achieved in 2013/14*	**Targets 2014/15**
Number of mining rights granted to historically disadvantaged South Africans per year	Mineral Regulation	Outcome 4: Decent employment through inclusive economic growth	192	200	*96%*	200
Number of industry workshops on compliance issues per year	Mineral Regulation	Outcome 4: Decent employment through inclusive economic growth	9	9	*100%*	9
Number of mining charter inspections per year (now SLP inspections)	Mineral Regulation	Outcome 4: Decent employment through inclusive economic growth	285	210	*136%*	250
Number of environment inspections per year	Mineral Regulation	Outcome 10: Environmental assets and natural resources that are valued, protected and continually enhanced	1 868	1 700	*110%*	1 700
Number of publications per year	Mineral Policy and Promotion	Outcome 4: Decent employment through inclusive economic growth	13	11	*118%*	13
Number of policies developed or reviewed per year	Mineral Policy and Promotion	Outcome 4: Decent employment through inclusive economic growth	2	2	*100%*	3
Number of derelict and ownerless mines rehabilitated per year	Mineral Policy and Promotion	Outcome 10: Environmental assets and natural resources that are valued, protected and continually enhanced	28	30	*93%*	50
Number of sustainable SMMEs supported (new and established) per year	Mineral Policy and Promotion	Outcome 4: Decent employment through inclusive economic growth	81	67	*121%*	67

The DMR delivery agreement indicators above showed overwhelmingly positive achievement in 2013/14. Seven of nine indicators were 100 per cent or more, two targets were missed, but even here performance exceeded 90 per cent of the set targets.

2.2: Summary of key impacts on Mineral Resources policy contained in the National Development Plan

The National Development Plan (NDP) suggests that the policy priority for the mineral sector is to address the "central constraints" that could derail growth and development in the sector. These are named as "uncertainty in the regulatory framework and property rights; electricity shortages and prices; infrastructure weaknesses, especially in heavy haul rail services; ports and water; and skills gaps."

The NDP is a national plan which will require contributions and commitments from all stakeholders for it to be successful.

The following proposals to grow investment, outputs, exports and employment in the minerals cluster are listed in the NDP:

- Address the major constraints impeding accelerated growth and development of the mining sector in South Africa. The main interventions include:
  - ensuring certainty in respect of property rights;
  - ensuring a predictable, competitive and stable mining regulatory framework by passing amendments to the Minerals and Petroleum Resource Development Act (2002);
  - securing , reliable electricity supply; and
  - securing , reliable rail services, potentially enabling private participation.
- Develop, deepen and enhance linkages with other sections of the economy. This includes linkages with:
  - both manufacturers of inputs (capital goods and consumables) and suppliers of mining-related services; and
  - downstream producers, especially for platinum-group metals and chrome ore. In this regard, an export tax could be considered.
- Provide focused research and development support to enable improved extraction methods that lengthen mine life. This includes:
  - better energy efficiency and less water intensity; and
  - alternative uses of South Africa's extracted minerals, especially platinum-group metals, titanium and others that have potential for application in new energy systems and machinery.
- Identify opportunities to increase regional involvement and benefit in the whole minerals cluster. This could include encouraging the establishment and development of alternative providers of partially processed intermediate inputs in other countries in the region.
- Ensure active engagement on, and resolution to, issues raised through the Mining Industry Growth and Development Task Team process (MIGDETT).
- Improve alignment of mining charter requirements to ensure effectiveness in local communities.

These issues, including the need to "support and implement the Special Presidential Package on distressed mining towns", all find mention within the Strategic Plan of the Department for 2014/19. The strategic plan also emphasises the important issues of mine health and safety, which are not specifically mentioned in the NDP as a priority.

The 2014 DMR Budget refers directly to the NDP and, in particular, repeats very optimistic NDP projections for employment growth based on the minerals cluster. It states that: "The national development plan suggests that that there is significant unrealised opportunity in South Africa's mining sector and that the country's global market dominance in mineral deposits offers an opportunity for growth of 3 per cent to 4 per cent a year, as well as the creation of 300 000 additional jobs."

- This prospect will depend upon resolving the ongoing serious labour and economic problems that are placing short term constraints on the progress of the mining sector. On the one hand there is a need to secure more rapid and peaceful resolution of labour disputes and to build consensus on the future development of the mining sector. On the other hand structural changes are made more difficult by the weakening of gold, platinum, coal and iron ore prices since 2011. The imperative of bringing stability to the mining sector from an industrial relations perspective was highlighted FFC in their 2014 presentation to the Committee where they stated that the impact of the mining strikes on growth inflation and investment are a key sector challenge. This was also a strong theme within the 2013 and 2014 Medium Term Budget Policy Statements (MTBPS) and within the two State of the Nation addresses in 2014.

3. SUMMARY OF PREVIOUS KEY COMMITTEE RECOMMENDATIONS

3.1. 2013/14 BRRR recommendations and responses

The Committee made the following recommendations to the Department in the 2013 Budgetary Review and Recommendation Report:

BRRR 2013 Recommendations	Response by the Department
• Should fast-track the filling of vacant posts, especially the funded vacancies.	• *In progress*
• Should create a recruitment and retention strategy for its staff members.	• *In progress*
• Should fast-track the implementation of the talent management strategy to reverse the tide of staff-turnover.	• *In progress*

BRRR 2013 Recommendations	**Response by the Department**
• Should give quarterly reports to the Committee indicating progress with the implementation of the action plan towards a clean audit for 2013/14 and going forward	• *No specific response*
• Should build capacity to ensure the enforcement of compliance requirements, particularly with Section 28 of the MPRDA.	• *Problem cleared in 2013/14 audit*
• Should address the issues raised by the Auditor General in his 2012/13 financial year report and present to Parliament action plan thereof with specific timeframes.	• *Improved overall audit performance in 2013/14, with most issues attended to successfully*
• Should review the indicators that are used to measure performance with regard to projects that impact upon vulnerable groups.	• *No specific response*
• Should develop a much clearer score card used for compliance to the Mining Charter in order to prevent the confusion within the mining industry	• *No specific response*
• The Department of Mineral Resources should develop an audit improvement plan to address all issues raised by the external and internal audit authorities in the 2012/13 financial year.	• *Largely accomplished – DMR on track for a clean audit in 2014/15*
• Should develop and implement systems to improve and enhance the quality of its performance information so that it adheres to guidelines contained in the Framework for Managing Performance Information Policy Guideline	• *Apparently achieved in 2013/14*
• Should consult with National Treasury and the Department of Performance Monitoring and Evaluation on mechanisms to ensure alignment between its Strategic Plan, Annual Performance Plans and Annual Reports	• *No specific response*

BRRR 2013 Recommendations	Response by the Department
• Should develop and implement mechanisms to enhance its stakeholder engagement programme and ensure that it effectively reaches out to communities in the process of formulating and implementing minerals industry policies and regulations.	• *There is progress as the department is overcoming the matter.*
• Should develop strategies to ensure that there is an elevated focus on increasing HDSA minerals industry awareness in its industry workshops	• *No specific response*
• Should follow up on developments of the integrated financial management systems to help align licensing processing effectively with developments of the MPRDA	• *This remains an area of challenge*
• Should improve on its training and development programmes to ensure appropriately targeted skills development in both employees of the industry and surrounding mining communities.	• *No specific response*
• Should conduct oversight to the offices of the Department of Mineral Resources to get an understanding of the licensing system.	• *The new Committee has not yet had time to conduct such an oversight*

Response by Minister of Finance

In response to the recommendation that the Department should build capacity to ensure the enforcement of compliance requirements, particularly with Section 28 of MPRDA, the Minister of Finance stated that: "The National Treasury will work with the department to address the organisational structure, enforcement, compliance and monitoring of mines function."

The National Treasury supported the recommendation that the DMR should ensure alignment between its Strategic Plan, Annual Performance Plan and Annual Reports and stated that it would help the Department finalise its strategic plan. The National Treasury proposed that the department report to the committee on its progress in this area.

3.2. **2014/15 Budget Vote Recommendations**

The Committee made the following recommendations for the 2014/15 financial year, after considering the Annual Performance Plan and the Budget of the Department of Mineral Resources:

- As most entities are conducting research, the committee recommends that research should be centralised, or at least centrally co-ordinated, so that full value may be gained from government financial support for research to strengthen the mining sector. The establishment of Centre for Excellence to deal with the entire research work should be considered;

- The National Treasury should increase the budget of the department so that more inspectors (in particular health and safety inspectors) be employed to ensure effective and efficient compliance with the mining legislation and regulations of the sector;

- The process being undertaken by the inter-ministerial task team on Social Labour Plans (SLPs) should be speedily driven to ensure the maximum participation by all role players.

- Compliance conditions for mining licenses should be an audit requirement that is reported upon by the auditors of mining companies;

- The Department should strengthen the systems that enforce compliance which includes amongst other things harsher measures in relation to revoking of licences;

- Urgent attention should be given to the ability of the Council for Geoscience to fund both the requirements of the 2010 Geoscience Amendment Act and the additional responsibilities that may be given to the Council if/when the MPRDA Amendment Bill is signed into law;

- A platform should be created whereby critical issues are discussed, for an example a stakeholder discussion forum that includes Salga in how mining companies can best link SLPs and IDPs to effectively serve our communities in mining areas; and

- The mechanisms being used by the Department to monitor compliance with the Mining Charter are not sufficient. The process of monitoring must be begun now, not only after the deadline expires in December 2014. This should also take into consideration the role of the Committee in overseeing this function of the Department.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

4.1. Overview of Vote allocation and spending (2010/11 to 2015/16)

Vote 32: Mineral Resources								
Programme	**2010/11**	**2011/12**	**2012/13**	**2013/14**			**2014/15**	**2015/16**
R '000	Audited	Audited	Audited	Main	Adjusted	Revised	Main	Estimates
1. Administration	226.7	257.6	295.2	271.5	282.3	310.1	284.2	296.8
2. Promotion of Mine Safety and Health	137.1	141.3	140.7	163.7	163.7	154.0	168.0	177.7
3. Mineral Regulation	188.6	184.4	191.3	222.7	211.9	205.5	231.4	245.2
4. Mineral Policy and Promotion	442.3	446.2	546.2	735.9	735.9	724.2	787.8	879.5
TOTAL	**994.7**	**1 029.4**	**1 173.6**	**1 393.8**	**1 393.8**	**1 393.8**	**1 471.4**	**1 599.2**

4.2. Financial performance 2013/14

The audited financial statements for 2013/14 were tabled in Parliament together with the Annual Report of the DMR for the 2013/14 year, on 23 September 2014.

The Department of Mineral Resources had an available appropriation of R1.4 billion in 2013/14 which represented a nominal increase of R218.3 million, or 18.6 per cent, from 2012/13. At the end of March 2014, the DMR had spent 99.5 per cent of its available budget. This compares with 99.8 per cent at the end of the previous year.

Transfers and Subsidies accounted for R692.7 million of the available budget and of this amount the Department transferred R688.5 million, or 99.4 per cent, mainly to public corporations and private enterprises and departmental agencies and accounts. This means the Department had an available budget of R701.1 million for operations. Of this, the Department spent R698.7 million, or 99.7 per cent, the majority of which was used on compensation of employees and goods and services.

When considering operational expenditure, the DMR was closer to the target of 100 per cent of budget spent than 31 of the 38 other national departments.

There was a minor difference from the pattern of past budgets through the year 2013/14, following budget adjustments. The balance of expenditure between current payments and transfers is now exactly even. In the past, expenditures were slightly more weighted to current payments (55 per cent) compared to 45 per cent to transfers (mainly to the Council for Geoscience and MINTEK).

Main appropriation, virements and shifts

The Adjusted Estimates of National Expenditure (AENE) for 2013/14 for Vote 32, tabled in October 2013, did not propose any adjustment in the main appropriation of R1.393 billion for the DMR and the virements and shifts were minimal.

The DMR received a main appropriation of R1.393 billion for the 2013/14 financial year, which was not changed during the adjustment budget process.

No roll-overs were requested. There were no items of unforeseeable expenditure and no declared unspent funds or other adjustments. Table 4.5.1 shows the changes in the programme allocations:

Table 4.5.1: Roll-overs, Unforeseeable/unavoidable, Virements/shifts, declared savings and other adjustments

Programme R'000	Main Appropriation	Roll-overs	Unforeseeable /unavoidable	Virements and shifts	Declared unspent funds	Other adjustments	Adjusted appropriation
1. Administration	271 459	-	-	10 821	-	-	282 280
2. Promotion of Mine Safety and Health	163 731	-	-	-	-	-	163 731
3. Mineral Regulation	222 729	-	-	(10 821)	-	-	211 908
4. Mineral Policy and Promotion	735 930	-	-	-	-	-	735 930
Total	**1 393 849**	**-**	**-**	**-**	**-**	**-**	**1 393 849**

Source: National Treasury

In terms of virements and shifts the following was observed:

- A total of R10.821 million was defrayed from Programme 3 Mineral Regulation to Programme 1 (Administration):
    - Programme 1 was allocated R10.821 million in virements. R8.571 million was allocated to Corporate Services and R2.250 million to the Ministry
- Within Programme 2 Mine Health and Safety: R578 000 was shifted, within goods and services, to pay for operating leases and advertising from travel and subsistence.
- Within Programme 3. Mineral Regulation, R13.145 million was shifted from travel and subsistence and computer services to the compensation of employees responsible for implementation of the National Environmental Management Act (NEMA). This is a DMR responsibility that has recently been clarified in a joint agreement with the Department of Environmental Affairs and which has legislative authority in the amendment act to the MPRDA brought into force in June 2013 and in the planned amendments to legislation currently before Parliament. Treasury approval was obtained for this shift.

- Within Programme 4 Mineral Policy and Promotion, R50-million was transferred to Mintek from mine environmental management. This accords with Mintek's role in research and action for the project to rehabilitate derelict and ownerless mines. In addition, R18 million for assistance to mines (which is dependent upon applications) has been shifted to the Council for Geoscience (R6 million for the Witwatersrand water ingress project) and to Mineral Policy (R12 million for mining charter assessments and for the Kimberley Process certification scheme). All the shifts were approved by the Treasury.

4.3. Report of the Auditor General of South Africa

The Auditor General of South African appeared before the Committee on 15 October 2014. The DMR financial statements received an unqualified audit opinion in 2013/14. This indicates that the Department has successfully dealt with the concerns and criticisms raised in the qualified audit opinion in the previous financial year.

The Auditor General indicated that while there had been material misstatements in the reported performance information and financial statements that were submitted for auditing, these were all subsequently corrected by management.

While none of the entities within the DMR portfolio obtained a clean audit in 2013/14 – breaking the pattern of previous years – the Auditor General told the Committee that this was an achievable goal for the 2014/15 financial year. There were findings attached to the audit opinions on all the entities, but all were unqualified and action plans were being implemented in all cases to address the problems. A very positive relationship was reported between the AG and all of the entities during the consideration of the annual reports.

4.4. Findings of the Financial and Fiscal Commission on the DMR budget

Mr Khumalo, the Acting Chairperson of the Financial and Fiscal Commission (FFC) briefed the Committee on 17 September 2014. The FFC analysed the budgeted expenditure of the DME over the period 2006/7 to 2014/15. Grants and subsidies comprise the largest item within the Departmental budget over this period, at just under 50 per cent The FFC noted that to give effect to baseline reductions, transfers and subsidies (to Mintek and the Council for Geoscience) were cut by R40-million over the MTEF.

All of the five entities and agencies for which the Department was responsible were performing well financially. All obtained unqualified audits in 2011/12, 2012/13 and 2013/14, their finances were sound, expenditures were efficient and effective and they were meeting goals and objectives.

The FFC judged that the Department was "playing an effective monitoring role over entities and agencies" It highlighted two Departmental challenges: Maintaining mine health and safety, and attraction and retention of key staff. The FFC referred to "high levels of staff being poached by the private sector at salary levels that government cannot compete with" and noted that this problems was especially severe with respect to inspectors and mineral economists.

4.5 Financial performance 2014/15

Expenditure trends for the first six months of the 2014/15 financial year

Expenditure as at 30th September 2014 amounted to R832 million or 56.4 per cent of the adjusted appropriation.

The 2014/15 mid-year expenditure rate of 56.4 per cent is similar to the 2013/14 mid-year expenditure rate of 53.5 per cent of the adjusted appropriation. This represents a year-on-year increase of 11.7 per cent in the Department's expenditure. The increased expenditure in 2014/15 compared to 2013/14 was mainly due to the filling of vacant posts and to make provision for annual inflation.

The percentage of the adjusted appropriation which had been spent by September 2013 by each of the programmes was within reasonable limits, ranging between 49.2 per cent and 60.5 per cent.

4.6 2015/16 MTEF financial allocations

Summary of funding submissions to National Treasury for the 2015/16 MTEF.

- The National Treasury should increase the budget of the department
    - so that more inspectors (particularly those with specialist skills) be employed to ensure effective and efficient compliance with the mining legislation and regulations of the sector. Improved inspection is essential also to the promotion of transformation.
    - so that the integration of DMR databases can be accomplished to ensure transparency in the applications for and granting of licenses. This will also allow better monitoring and enforcement of compliance and increase the confidence of investors in the sector in the quality and fairness of regulation.
- Urgent attention should be given to the ability of the Council for Geoscience to fund both the requirements of the 2010 Geoscience Amendment Act and the additional responsibilities that may be given to the Council if/when the MPRDA Amendment Bill is signed into law. The CGS has made representations to the Treasury in this regard. (The annual amounts are R 115-million and R 156 million respectively for the MTEF period of three years.)

- The future growth of the mining sector is dependent upon continued mineral exploration. A substantial national investment in geological mapping, of the order of R1-billion, is needed to provide the knowledge base to attract exploration companies (and to assist the State Owned Mining Company in its exploration endeavours).
- State liability for the environmental harm caused by mining operations in the past exceeds R40-billion across the country. Present resources allocated towards the rehabilitation of hazardous mine sites, acid mine drainage and research on these issues are clearly inadequate

4.7 Concluding comments on financial performance

The financial performance of the DMR and its entities over the 2013/14 financial year has been entirely uncontroversial. Unqualified audit reports were achieved in all cases and there is a real possibility of clean audits across the portfolio in 2014/15.

5 OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

5.1 Overall performance and achievements for 2013/14

The achievements of the DMR for the 2013/14 financial year, include:

- The Department achieved 77 per cent of its performance targets, i.e. 127 out of 166 set targets. This is similar to the previous financial year, when 79 per cent of targets were achieved i.e. 126 out of 160;
- The Department continued its participation in the “Framework Agreement for a Sustainable Mining Industry” which was led by the Deputy President in the wake of labour instability across the mining sector;
- The bill to amend MPRDA was passed by Parliament in March 201;
- Draft technical regulations for hydraulic fracturing were published for public comment;
- A draft bill to amend the MHSA was published for public comment;
- Streamlined licensing processes in respect of mining and the environment have been developed, jointly with the Departments of Environmental Affairs and Water Affairs. This process will allow licensing to be finalised in parallel rather than sequentially and move towards the goal issuing licenses within 300 days;
- The electronic mining application and licensing system, SAMRAD has been enhanced to improve service delivery. This will also allow better management of the balance between mining, agriculture, conservation and urban development;
- South Africa assumed the role of Chair of the Kimberley Process Certification Scheme (KPCS) for 2013. The KPCS celebrated its tenth year of operation, ensuring the better control of so-called “blood diamonds”;
- Important progress was made in improving the record of fatalities, injuries and occupational diseases on the mines. The fatality rate in 2013 was 17 per cent less than the previous year. For the first time ever, mine fatalities fell below the figure of 100 for the year 2013;

- The DMR collaborated successfully with the Department of Higher Education (DHET) and the Mining Qualifications Authority (MQA) to improve skills of youth and mineworkers;
- Through the MQA, 50 graduates have been placed at various mines as part of a learner inspector programme. This is to increase capacity in the Mine Health and Safety Inspectorate (MHSI);
- Former mineworkers have been assisted by the establishment of One Stop Service Centres at public health facilities through a DMR collaboration with the Departments of Health and Labour. Two initial sites have been established at Mthatha in the Eastern Cape and at Carletonville in Gauteng. Additional sites will be established at Kuruman in the Northern Cape and at Burgersfort in Limpopo;
- The Florida Lake Canal was completed as part of a mechanism to control acid mine drainage (AMD) in Gauteng. The Council for Geoscience and Mintek continue to undertake research and development related to AMD, which is a problem across the country;
- A detailed implementation framework has been developed with the relevant departments within the Economic Sector and Employment Cluster too give effect to the Mineral Beneficiation Strategy which was adopted by government as policy in 2011;
- 13 publications were produced by the Department in 2013/14. This is more than the 10 promised in the Annual Performance Plan, but considerably fewer than the 35 produced in the previous financial year. However, unlike in previous years, the 2013/14 and 2012/13 Annual Report have not included a list of these “Departmental Publications and Key Documents”;
- 9 446 health and safety inspections were conducted in 2013/14, compared with 8 632 the previous year and an annual target of 8 000. Arising out of these inspections, 1 074 instructions were issued in terms of Section 54 of the MHSA and 2 390 in terms of Section 55. These actions were taken in terms of enforcement guidelines to protect the health and safety of mineworkers against unsafe conditions, practices or acts. 9 Administrative fines imposed during the year to the same purpose;
- 473 health and safety audits were conducted in 2013/14, the same as the number of audits completed in the previous year. The target set of 396 audits was exceeded in both years;
- 5 206 new jobs were verified to have been created through the Social and Labour Plans which every mine has to implement. The Department, however, has no control over the number of people that are employed by a right-holder or the number and timing of jobs that arise from expenditure on Social and Labour Plans;
- 285 social and labour plan (SLP) inspections were completed in 2013/14, compared with 181 in the previous year; and
- There were also 1 868 inspections conducted of mine Environmental Management Plans/programmes compared with a target of 1 700 and a figure of 1 751 in the previous year.

5.2 Programme Performance

The DMR Annual Performance Plan specified 166 measures by which to assess the performance of the Department in the 2013/14 period. 77 per cent of the measures were achieved. This is a similar result, overall, to the previous year, in which 79 per cent of 160 measures were achieved. This level of achievement for performance targets is better than most government departments.

Table 3.1: Summary of 2013/14 Performance Measures

	Programme	Total count of measures per programme	**Achieved**	**Not achieved** (including 20 Partially Achieved)	*Achievement comparison with 2012/13*
1	Administration	66 (100%)	51 (77%)	15 (23%)	*78%*
2	Promotion of Mine Safety and Health	36 (100%)	29 (81%)	7 (19%)	*77%*
3	Mineral Regulation	34 (100%)	26 (76%)	8 (24%)	*72%*
4	Mineral Policy and Promotion	30 (100%)	21 (70%)	9 (30%)	*92%*
	Total all Programmes 2013/14	**166 (100%)**	**127 (77%)**	**39 (23%)**	*79%*

An analysis was made of the 39 measures that were ***not*** achieved (or which were partially achieved) and it was determined that several of the measures that were not achieved in 2013/14 (30 per cent) were *also* not achieved in 2012/13. This allows some general comment on trends to identify where there are continuing gaps *across programmes* in the performance of the department.

When the filter of non-achievement in *both* 2013/14 and 2012/13 is applied to the indicators, the worst performing area relates to the objective in Strategic Goal 5, to **Attract, develop and retain appropriate skills**. Every one of the programmes failed to match the measure for "Improved numbers in terms of identified employment equity categories". Several of the branches noted that the challenge was "to attract Indians and Coloureds". Explicit numerical targets were, for the first time, included in the APP for 2013/14 for Coloureds; Indians; People with disabilities; Women and Women in senior management. While posts were advertised, "they failed to attract people from all categories". Reporting against the segmented targets is not provided in the Annual Report, but the numbers in Employment Equity (EE) categories failed to meet the set targets, except for Mineral Regulation, where EE categories occupied 11 more than the 236 posts targeted, but where the balance between categories was not realized.
A second area of non-achievement relates to the 5 per cent target set for a reduction in staff turnover.

Meeting staff turnover targets defeated Corporate Services and the Mine Health and Safety Programme in both periods. The average staff turnover across the department in 2013/14 was 8.5 per cent. This is a slight deterioration from the figure of 7.5 per cent in 2012/13 but still shows an improvement on the 9.9 per cent turnover rate in 2011/12. The main reasons why staff are leaving the department are transfers out (41 per cent compared with 31 per cent in the previous year). Resignations, which were the dominant reason for leaving in the previous year, fell from 44 per cent to 26 per cent. The above-average turnover rates seen in the previous year for Senior Management and Safety, health and quality inspectors show a marked improvement with low turnover rates in 2013/14 of 2 per cent and 3 per cent respectively. The high turnover of inspectors with scarce mining-related skills and valuable departmental experience has been a long standing problem.

The third area which stands out in this analysis is **filling vacancies**, also a component of Strategic Goal 5. Mine Health and Safety was the only programme to meet the target in 2013/14.

These **Human Resource** (HR) issues are truly cross-cutting, but they reflect on the Corporate Services branch which is responsible, across the department, for putting in place the levers that will allow the Department's other branches to be more successful in meeting the human resource goals. The measures for performance on Strategic Goal 5 have been significantly adjusted in the 2014/15 APP. The target for the improved vacancy rate will be a reasonable 10 per cent (compared with a 2013/14 figure of 15 per cent and figures of 13 per cent and 15 per cent in 2012/13 and 2011/12 respectively). The detailed employment equity targets have been replaced by a vague measure of the "number of affirmative action measures implemented". The EE profile of the Department will still be reported upon. It is nevertheless interesting that meeting specific EE targets is no longer to be a key performance area for the Department.

Corporate governance indicators were overhauled and re-specified for all branches in 2012/13 and, the department recorded a perfect achievement record for all programmes, using the new set of indicators. Performance in 2013/14, however has not been satisfactory. The new measures (which are continued as indicators for the 2014/19 Strategic Plan) judge whether the agreed-upon management action plans arising out of the internal and external audit processes have been fully implemented or not and whether risk management plans have been implemented. Appropriately, the target for achievement is 100 per cent.

Percentage of agreed management plans implemented

Target 2013/14	Corporate Services	Financial Admin	Mine Health & Safety	Mineral Regulation	Mineral promotion
Risk management	76%	93%	100%	100%	94%
External Audit	100%	69%	100%	100%	100%
Internal Audit	50%	100%	33%	33%	50%

The results here show that all parts of the DMR are failing successfully to implement the full programme of management interventions which have been identified as necessary by the monitoring and evaluation systems. The aggregated performance measure of 77 per cent achievement of performance measures, by itself, is satisfactory. But sustained improvement on this result is surely dependent upon full application of the action plans, without exception.

5.2.1 Programme 1: Administration (Corporate Services and Financial Administration)

The purpose of this programme is to enable the Department to deliver on its mandate by providing strategic support and management services to the Ministry and the DMR. The DMR achieved 77 per cent of the performance measures set for Programme 1 (51 measures achieved out of 66).

37 environmental management positions were created and filled during the financial year to capacitate the DMR to implement the National Environmental Management Act and other national environmental legislation in the mining sector.

The performance measures for the alignment of ICT systems to business objectives were changed in 2012/3, following the approval of the master system plan, and again for 2013/14. The previous measure on the percentage reduction in licensing costs was not met in 2012/13 or in 2011/12 “due to delay in **integration of Application Systems**”. This was to be finalised in 2013/14, but there is no clear reflection on this outstanding issue in the 2013/14 annual report.

The Annual Report describes a wide range of efforts to increase the number of **women in the mining sector**, which is traditionally biased towards the employment of men. The department has programmes to ensure that girl learners pursue technical studies related to mining, a girl learner programme where 18 out of an initial intake of 21 students ”are progressing well with their studies”, and it organises women’s day events focusing on women working in mines as workers, managers, professionals and mine owners.

In addition, amendments adopted by Parliament in the MPRD Amendment Bill seek to raise the employment of women in the mining sector from the current level of 10 per cent to over 50 per cent, reflecting the demographics of women in South Africa. Yet there remain concerns that women are often not safe from sexual harassment and even assault at work, particularly underground, where woman miners have been murdered.

The 2013/14 Annual report acknowledges with concern that "the number of reported incidents of women being sexually harassed and treated inhumanely by fellow workers underground has increased"

The DMR has been engaged in developing a "**Women in Mining Strategy**" since at least 2011. This was a target in the Strategic Plan for 2011/14 and in the Annual Performance Plans for 2011/12, 2012/13 and 2013/14. Yet the Women in Mining Strategy has not been produced, despite postponing completion dates four times. It was reflected in the Annual Performance Plan for 2013/14 for completion in the final quarter of the financial year, but this performance measure was not achieved. While it is omitted from the APP for 2014/15, the DMR has now promised the Women in Mining Strategy "by 31 March 2015". The Department was "Still in the process of consultation" and "also had to align to the amended MPRDA".

There is an expectation that the Department's strategy will be finalised as now promised and that it will deal appropriately with the need for women mineworkers to have "a safe and dignified working environment."

5.2.2. Programme 2: Mine Health and Safety Promotion

The purpose of the Promotion of Mine Safety and Health programme is "to safeguard the health and safety of the mine employees and people affected by mining conditions."

The DMR achieved 81 per cent of the performance measures set for Programme 2 (29 out of 36).

Welcome improvements in the safety record in the mining industry are recorded in the DMR Annual Report and in the report of the Mine Health and Safety Inspectorate (MHSI). Fatalities due to mine accidents, while continuing to be a matter of great concern, have fallen in each of the last three years, in both absolute and relative terms. Reportable injury rates declined by 5 per cent on average in the year of 2013, but remain high in the deep mine areas, Rustenburg, Gauteng, Klerksdorp and Free State – although there were increases in injuries in both absolute and relative terms only in Rustenburg.

The performance target of a 20 per cent reduction in dangerous occurrences was not achieved in 2011/2, 2012/3 or 2013/14. While the fact of non-achievement is recorded correctly, the matrix entry indicates a 15 per cent reduction in 2013/14 when in fact there was a 1.5 per cent increase. The variance should therefore be negative 21.5, not negative 18.5. The same recording error was made in this indicator in the previous year.

While the turnover rate for Safety, health and quality inspectors is now at a low level, well below the Department's average, the vacancy rate in this critical category (the largest by number in the DMR) remains (with 49 vacant posts), at 18.5 per cent, above the 14.7 per cent average.

The DMR is taking steps to address the skill and capacity problem in collaboration with the Mining Qualifications Authority (MQA) through the award of bursaries and a learner inspector program that has recruited 50 candidates. The Inspectorate has reported that the vacancy problem is due to government salary packages for inspectors being lower than in the private sector.

5.2.3 Programme 3: Mineral Regulation

The purpose of the Mineral Regulation Programme is to "regulate the minerals and mining sector to promote economic development, employment and ensure transformation and environmental compliance".

The DMR achieved 76 per cent (26 out of 34) of the performance measures set for Programme 3.Although not referred to in the Annual Report, the Mineral Regulation branch avoided repeated censure from the Auditor General for failing to ensure that holders of mining rights and permits submit regular reports on their activities. This is an important recovery of performance as these reports allow monitoring of mines' compliance with the Mining Charter.

The extent of state liability for the **environmental consequences of mining** remains an area of extreme concern. The Mineral Regulation branch has ensured that every single environmental management plan that was approved during the year considered issues of sustainable development. This may prevent state liability in these cases in the future, but it remains the case that many old mines do not have reserve funds that are adequate to meet their environmental rehabilitation responsibilities. Here the burden of a destroyed environment falls on local communities and the state. While the branch issued closure certificates only in cases where the regulatory framework has been complied with, mine closure still presents a major problem. A speaker at the recent **mine closure conference** stated that the court-driven process of liquidating a mining company did not appear to take into account the effect on closure obligations, transfer of risks and liabilities and provision for rehabilitation".

The liquidation process of the Blyvooruitzicht gold mine once owned by DRDGold was used to illustrate the weaknesses in the present system, which allows mining companies – even those not in liquidation – to “dodge” their closure obligations.

The Mineral Regulation branch is adding to its capacity related to environmental inspections of mines in order to regulate mines in accordance with the National Environmental Management Act.

With regards to licences, 687 out of 921 licence applications (75 per cent) were processed in line with the prescribed timeframes in 2013/14. 571 out of 800 rights to minerals (71 per cent) were registered within the prescribed timeframes. The target is 70 per cent in both cases.

5.2.4 Programme 4: Mineral Policy and Promotion

The purpose of the Mineral Policy and Promotion programme is to “formulate mineral related policies and promote the mining and minerals industry of South Africa to make it attractive to investors.”

The DMR achieved 70 per cent of the performance measures set for Programme 4 (21 out of 30).

Mineral Policy and Promotion is the largest programme of the 2014 MTEF. It absorbs over half of the budget of the DMR and includes transfers to Mintek and the Council for Geoscience. The Programme encompasses the DMR’s strategies to address the huge problems caused by ownerless and derelict mines and mine dumps. The estimated cost to government of rehabilitation is a staggering R41billion.

The Mineral Policy and Promotion programme is also responsible for the assessment of the Mining Charter. In 2013/14, the DMR paid the consultant company “Moloto Solutions” R5.7-million “to assess compliance with the Broad Based Socio-economic Charter for the mining industry” The findings of the report will be released during the 2014/5 financial year.

5.3 Oversight Visit to Gauteng

The Committee conducted an oversight visit in Gauteng in August 2014, to assess the areas where illegal mining is taking place and to understand the practical measures that are in place and to form a view on whether the resources currently voted to deal with AMD are sufficient. An oversight covered the area where the problem of AMD is most acute (along with the Olifants River basin in the East).

The Committee found that there is an evident of lack of capacity and resources in dealing with illegal mining at present. All parties said the problem is worse than in 2009, when the PC last considered the issue. The Committee was very impressed by the knowledge, dedication and professionalism of all the officials, security and mine staff they interacted with. The issue of legislation to combat illegal mining is quite critical.

There should be careful consideration of creating legislation in silos where separate laws do not allow a cross-cutting issue to be addressed. Most of illegal miners are foreign citizens and they enter the country illegally. The Committee found out that there were more than 700 people underground in these holes who are illegally mining. Police officials are not sure how to take statements when these illegal miners get arrested. On the issue of acid mine drainage, the Council for Geoscience and Mintek have done a lot of work in dealing with AMD and Derelict and Ownerless mines. More funding is needed especially in CGS for ageing infrastructure.

While the Committee was in Gauteng, they visited the House of Traditional Leaders and found out that there should be more engagements with traditional leaders especially with the offices that issue mining licenses and the Committee. As the Mining Charter reaches its ten year milestone, it would assist if the NHTL would undertake to contribute to the process of evaluation.

The Committee made the following recommendations:

- The Department of Home Affairs needs to tighten immigration laws to prevent foreign illegal miners from being in the country.
- There should be a workshop of police officials on how to take statements with regards to illegal mining.
- There should be more engagements between the NHTL and the DMR regional offices issuing mining licenses.
- The Department of Mineral Resources should increase the funding for CGS in order to carry out its mandate and implement Geoscience Amendment Act.

5.4 Other service delivery performance findings

5.4.1 The DMR is now compliant with PAIA and now grants most requests for information.

The Promotion of Access to Information Act (PAIA), Act 2 of 2000, was intended to set standards for transparency and accountability that would enable citizens to access records from government and business. The South African Human Rights Commission (SAHRC) is responsible for monitoring the implementation of PAIA in the public sector. It has reported that overall "compliance of public bodies does not reflect commitment to PAIA ".Section 32 of PAIA places an obligation on public bodies to make annual submissions to the Commission on how they have responded to PAIA requests. The DMR became compliant with PAIA in 2012/13.

The DMR received the largest volume of requests under PAIA of all national departments, with the notable exception of the South African Police Service (which received over 20 000 requests). In 2013/14 the DMR reported that it had received 686 (2012/13: 510) requests for information. Of these, 509 (2012/13: 182) were granted in full and 71 (2012/13: 325) were refused in full by relying on the provisions of the Act.

There was one application made to court on grounds that an internal appeal was dismissed by the DMR failing to give notice of its decision (section 77(3). 6 internal appeals (one of which was still pending at year end) were lodged on account of a deemed refusal by the DMR. 27 other requests were pending at 31 March 2014. [The SAHRC report does not give information on the status of the balance of 79 reports that were neither granted nor refused nor pending.] 74 per cent of requests were granted in full in 2013/14, compared with 36 per cent in the previous year. The greatly improved performance of the DMR is not commented upon by the SAHRC. The DMR is now formally listed by the SAHRC as compliant with section 14 of PAIA (which requires a manual of how to access information to be available, updated annually), the DMR posted the 2012 manual on its website in April 2013.

5.4.2 Performance issues illustrated in the comments on the MPRDA Bill

On 5 August 2013, the Parliamentary Portfolio Committee on Mineral Resources (National Assembly) invited interested individuals and organisations to submit written comments on the Mineral and Petroleum Resources Development Amendment Bill [B15-2013]. Public hearings on the Bill were held in Parliament on 11th, 12th, 13th and 18th September 2013.

Many of the concerns that were raised reflected directly on key performance/service delivery issues related to the DMR. Stakeholders expressed dissatisfaction about many aspects of the performance and service delivery of the DMR.

Three issues are highlighted below:

Issue 1. The DMR performs poorly in providing access to information

At a formal level, this is judged by the responses by the DMR to requests for information made under PAIA. The Centre for Environmental Rights (CER) found that it was “still very difficult to access records, even where a decision has been made to grant access” and the DMR’s response rate to requests remained at 19 per cent, the same level as in their 2010-11 assessment (when it was rated as “certainly the worst-performing department”). The DMR is also tardy in processing appeals. As at the end of 2012, “the DMR had not made a decision on one of the twenty appeals submitted (by CER) against refusals under PAIA since 2010.”

Less formally, the DMR may be judged by reports on its responsiveness in providing information to mining communities, their representatives and to Non-Profit Organisations who work with people affected by mining to challenge mining and environmental decisions.

The Mining and Environmental Justice Community Network (MEJCON) told the PC that their member communities are denied copies of Social and Labour Plans (SLPs) by the DMR. They said that mines report on their own compliance and communities cannot be sure what the mining company's obligations are. MEJCON proposed that ccommunities be provided with the necessary information to enable them to assist the Department in monitoring compliance and to engage with the mining company, as necessary, in regard to their obligations in the SLP. Poor monitoring of compliance with SLPs and limited enforcement by the DMR has meant that many communities do not see the benefits promised in those plans. DMR needs to significantly increase its compliance monitoring capacity over SLPs.

ActionAid South Africa also questioned the fact that SLPs are not made public by the DMR despite the provisions of various acts concerning public information including PAIA and the Promotion of Administrative Justice Act (PAJA), No 3 of 2000. SLPs are "a fundamental part of the compensatory commitment by the mines and which should accrue to the community." The disadvantage extends to local municipalities which often rely on the companies' SLPs to promote local economic development. "The fact that local communities are not even aware of what are in these plans contributes to the mistrust that has permeated relations between mines, local municipalities and communities and does not foster social or economic development."

The Centre for Environmental Rights, citing the Bengwenyama Constitutional Court (CC) judgment in 2011 said that vulnerable rural communities and emerging farmers are usually without the resources to challenge applications for mining or mitigate its impacts. The CC recognised that communities should have necessary information on all that is to be done when mining starts. Yet, the PC was told, the DMR and consultants hired by mining companies refuse to make available even most basic information, such as works programmes and information relating to financial and technical capability. The refusal to give communities access to SLPs means that affected parties cannot comment meaningfully on applications because they have no information and are effectively "blindfolded". The DMR's failure to make information available renders even those consultation provisions that are in the MPRDA meaningless. The CER stated that "in most cases DMR and mining companies do not even notify landowners and occupiers when rights have been granted on their own land", which they described as "a blatant infringement of right to fair administrative action."

The basic argument from these and other stakeholders who represent mining communities was that the DMR, in practice, does not follow either the statutes or case law in its reluctance to share information with communities on mining applications and SLPs.

The DMR did not respond in the PC meeting afterwards to answer the many allegations made during the public hearings in September 2013 on its reluctance to make information available.

Issue 2: The DMR implements the law in ways that undermine environmental rights

The legislative mandate of the Department of Mineral Resources in terms of section 24 of the Constitution is "to ensure that the nation's mineral resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development."

This provision, which has to be upheld by the laws and the way they are implemented, opens a wide area for debate on what is sustainable and justifiable. The CER submitted a digital video disk (DVD) to the Committee that raised questions about the ways in which the DMR fails to protect communities from the harmful effects of certain mining operations:

- In Hondeklipbaai, an area affected by decades of opencast mining, De Beers applied to the DMR to reduce its rehabilitation obligations and failed to consult the community on the implications of its Social and Labour Plan;
- As Vogelspruitpoort in Belfast, Mpumalanga, Mr Samson Sibanda found that a farm he had bought was polluted by an unrehabilitated abandoned mine. Some of his livestock died. The same company that had been responsible for the damage, Cousins Coal, was attempting to obtain new rights to minerals on the farm from the DMR;
- A community in Wesselton outside Ermelo took more than a year and a court order just to access from the DMR copies of the permits of mines which were operating directly adjacent to houses and causing them to crack; and
- At Bathlabine near Tzaneen in Limpopo, the Blue Platinum Ventures started mining clay outside the area in which they had an approved mining permit, in areas sacred to the community. When the DMR issued a notice to Blue Platinum, it did not instruct the company to rehabilitate the pits closest to the community, despite the encroachment on private land.

Issue 3: The DMR has not made sufficient space for mining communities to comment on the amendments to the MPRDA

The process of amending the MPRDA has been long and complex. In 2011, the Minister accepted contributions from the Mining Growth, Development and Employment Task Team (MIGDETT), consisting of government, business and labour on amendments to the MPRDA. At the same time, the CER wrote to the DMR on behalf of a number of NGOs requesting an opportunity to make inputs into the draft legislation that was being developed. The purpose of the requests was to convey to the DMR the very grave concerns of civil society groups (including, in particular, the mining-affected communities CER represents) in order for these to be accommodated in the draft legislation being developed. Civil society and community groups have no representation on forums such as MIGDETT. The CER made a specific submission to the Portfolio Committee in September 2013 detailing its efforts since 2011 to bring these matters to the attention of the Department and how these efforts had been rejected or ignored.

Even drafting and spelling errors that were pointed out remained in the Bill. The thrust of the submission was that the DMR did not consult adequately with communities in framing the draft Bill and continued to ignore comments made after the Draft Bill was gazetted in December 2012.

5.4.3 DEA Green Scorpions refer more complaints to the DMR

The national Department of Environmental Affairs (DEA) publishes an annual report on the incidence of offences under national environmental legislation. This does not cover the environmental compliance and enforcement work being undertaken by other departments, such as Water Affairs or Mineral Resources. However the 2013/14 *National Environmental Compliance and Enforcement Report* (NECER) reports a doubling (from 14 to 28) of the number of complaints referred to the DMR, because these particular environmental matters are regulated under the MPRDA. Neither the DMR nor the DWA publishes a similar report that deals with the enforcement of their environmental responsibilities. The DMR will retain responsibility for the environmental regulation of mines under the "One Environmental System" for mining which is scheduled to come into operation on 8 December 2014. It has been suggested that the DWA and DMR should demonstrate their commitment to compliance monitoring and enforcement on environmental issues by publishing their own NECER, or providing statistics for a single, comprehensive NECER in future.

5.4.4 DMR identified as one of a few "excelling departments" in the Presidency's 2013 Management Performance Assessment

The NDP emphasises the importance of building a "capable state" and, since 2011, the Presidency has sponsored the use of a Management Performance Assessment Tool (MPAT) to assess performance against key policy standards in all national and provincial departments. The MPAT provides a comparative survey of the quality of management practices across government, with the results being published in a series of report on the website of the Presidency.

The National Department: Mineral Resources is ranked very highly on management performance indicators compared with other government departments. One of the eight or so "excelling departments", is the only department singled out as providing an example of "good case studies" in as many as three instances. The DMR's management practices are rated as superior in

KPA 2: GOVERNANCE & ACCOUNTABILITY "2.6.1 Risk" and "2.4.2 Fraud" and in
KPA 3: HUMAN RESOURCE MANAGEMENT "3.4.2 Disciplinary process"

The overall report quotes an official of the DMR as saying "*We now have an established practice for monitoring progress on actions to be taken to mitigate risks. We receive reports from Champions and collate these for submission.*

We also engage directly with relevant senior managers on risk areas and progress on actions for which they are responsible for. It's a live function as we constantly face new risks in our operations."

The MPAT helps the DMR, and other Departments, to identify where improvement is needed.

6 COMMITTEES OBSERVATIONS AND RESPONSE

The Portfolio Committee on Mineral Resources having assessed the performance of the Department of Minerals Resources and five entities made the following findings and observations:

- The Committee views stakeholder engagement as critical in ensuring that the Department's Programme of Action resonates with the realities of communities in the minerals sector. The Department needs to be more effective in reaching out to all affected parties as it formulates and implements minerals policy;
- The Committee notes with concern the extended delay in the finalisation of the Women in Mining Strategy. Ensuring the participation of women in the minerals sector – in safety and dignity - is a key objective of transformation in the minerals sector;
- The Committee welcomes efforts spearheaded by the DMR to streamline licensing processes in respect of mining and the environment and the partnerships with the Departments of Environmental Affairs and Water Affairs. This will allow the licensing process to be finalised in parallel rather than sequentially;
- The Committee views with concern the continued expressions of socio-economic discord which is particularly concentrated on those communities living close to mining operations. This necessitates that the Department conduct an urgent review of levels of compliance with the Mining Charter;
- The Department still faces challenges in attracting and retaining skilled professionals especially in the Inspectors: Mine Health and Safety programme and other specialised inspection services such as the environment and social and labour plans;
- There is a need to co-ordinate skills training better across the mining industry, making use of institutions such as the Mining Qualifications Authority (MQA);
- The Department and its entities must deal more effectively with employment equity issues – particularly equitable employment of youth, women and people with disabilities;
- There is a need for targeting an improvement in the proportion of raw mineral exports compared to the export of (and local consumption) of beneficiated products that use minerals as inputs.

- 60 per cent of the world's diamonds are mined in Africa, yet the polishing and cutting and setting of stones is done elsewhere, not on the African continent. There needs to be a continent-wide effort to correct this situation;
- The Department and the entities frequently do not respond promptly with information they have agreed to provide to the Committee, this delays oversight processes and blunts the ability of the Committee to intervene effectively;
- The Council for Geoscience has been prevented from undertaking the full mandate assigned to it by Parliament because of a lack of Resources. This is an issue that needs to be settled on a firm timeline, as the work of the Council in these new areas is critical for the future of exploration and mineral development for the people of South Africa; and
- The Department and most of the entities perform extremely well on the performance measures on financial and service delivery issues, yet the mining sector as a whole is in crisis. The performance measures should be reconsidered so that they incentivise the DMR and its entities to tackle the difficult problems. At present they are recognised for excellent overall performance – but on the basis of some targets that are easy to reach. There is a need for a few "stretch" targets that deal with more challenging issues such as the actual benefits that the people of SA get from mining and the attractiveness of the investment environment for South African mining entrepreneurs.

7 RECOMMENDATIONS

The Portfolio Committee on Mineral Resources recommends that the Minister of Mineral Resources should ensure that his Department and its entities address the following:

BRRR 2014 Recommendations	***Motivation for inclusion***	***Time Frame for DMR response***
• Fast-track the creation and filling of vacant posts, especially critical and strategic posts as well as essential service posts.	• *The DMR and entities lack human resources despite efforts to recruit.*	• *Next Quarter - 2015*
• Create a recruitment and retention strategy as well as a succession plan for its staff members.	• *The DMR and entities lack human resources and need to "grow their own timber"*	• *Next Quarter - 2015*
• Fast-track the implementation of the talent management strategy to reverse the tide of staff-turnover.	• *Minimal progress - recommendation repeated from 2012 and 2013*	• *Next Quarter - 2015*

BRRR 2014 Recommendations	***Motivation for inclusion***	***Time Frame for DMR response***
• Attend to the issues raised by the Auditor General in its reports (particularly on issues of supply chain and internal audit) and present to the Committee the action plan with the stipulated timeframes.	• *Need for a clean audit in 2014/15 and beyond. The Auditor General believes that a clean audit is within the capacity of the Department.*	• *Next Quarter - 2015*
• Develop a much clearer score card used for compliance to the Mining Charter in order to prevent the confusion within the mining industry	• *Repeated from 2012 and 2013. No changes have been proposed to the Mining Charter score card. Issues of vagueness were raised by the Committee in its 2013 report on the Mining Charter public hearings.*	• *Next Quarter - 2015*
• Develop and implement mechanisms to enhance its stakeholder engagement programme and ensure that it effectively reaches out to communities in the process of formulating and implementing minerals industry policies and regulations.	• *Repeated from 2013. This has been a point of concern raised during public hearings and oversight visits to mining areas.*	• *Next Quarter - 2015*
• Develop strategies to ensure that there is an elevated focus on increasing HDSA minerals industry awareness through industry workshops	• *Repeated from 2013. Transformation still lags behind despite a decade of the Mining Charter.*	• *Next Quarter – 2015*
• Follow up on developments of the integrated financial management systems to help align licensing processing effectively with developments of the MPRDA	• *Repeated from 2013. Weak systems continue to have a negative impact on license processing*	• *Next Quarter – 2015*

• Improve on its training and development programmes to ensure appropriately targeted skills development in both employees of the industry and surrounding mining communities.	• *Repeated from 2013. There is a need for an investigation into the MQA regards the training programmes and skills development within the industry as well as mining communities. There needs to be improved implementation of learnership, internships and bursaries.*	• *Next Quarter – 2015*
• Afford the Committee, when it conducts oversight visit to the Department, access to the full details in respect of the SAMRAD system in order to get a better and experiential understanding of the workings of the licensing system.	• *Repeated from 2013. The SAMRAD system is critical to the management of the licensing process*	• *Next Quarter – 2015*
• The Mining Qualifications Authority submits to the Committee a comprehensive report on skills audit in the mining industry, department and its entities	• *The lack of co-ordination evident on skills issues*	• *Next Quarter – 2015*
• Develop a strategy for providing access to information including social and labour plans	• *To ensure transparency and accessibility*	• *Next Quarter – 2015*
• Take the fight against illegal mining beyond our borders, to Lesotho, Zimbabwe and Mozambique	• *This is a major issue that has implications for criminality and immigration control and is a threat to the economy,*	• *To be discussed with DMR and other Departments*
• Facilitate the workshoping or training of senior DMR management on expanding employment of HDSAs	• *There is an apparent lack of understanding on this issue – as evidenced by the unevenness of achievement in employment equity*	• *Next Quarter – 2015*

• Develop (in collaboration with communities) the best practice template to help communities to benefit more from mining on community land when they are approached by a mining company. This should include best practice to encourage community ownership in mining projects on communally owned land.	• *There is a need for communities to be active participants and to be fully capacitated to interact with mining companies and to get access to mineral resources in their own right*	• *Next Quarter – 2015*
• Strictly adhere to the Committee's prescribed turnaround times for submission of responses to Committee requests. And further that they drastically shorten the time they take to respond to commitments made before the Committee.	• *The Committee is undermined in its ability to undertake effective oversight, when there are long delays in meeting requests for information.*	*Immediate effect*

<u>Summary of recommendations with financial implications</u>

- The National Treasury should increase the budget of the department
    - so that more inspectors (particularly those with specialist skills) be employed to ensure effective and efficient compliance with the mining legislation and regulations of the sector. Improved inspection is essential also to the promotion of transformation; and
    - so that the integration of DMR databases can be accomplished to ensure transparency in the applications for and granting of licenses. This will also allow better monitoring and enforcement of compliance and increase the confidence of investors in the sector in the quality and fairness of regulation.
- Urgent attention should be given to the ability of the Council for Geoscience to fund both the requirements of the 2010 Geoscience Amendment Act and the additional responsibilities that may be given to the Council if/when the MPRDA Amendment Bill is signed into law. The CGS has made representations to the Treasury in this regard. (The annual amounts are R 115-million and R 156 million respectively for the MTEF period of three years;
- The future growth of the mining sector is dependent upon continued mineral exploration. A substantial national investment in geological mapping, of the order of R1-billion, is needed to provide the knowledge base to attract exploration companies (and to assist the State Owned Mining Company in its exploration endeavours); and

- State liability for the environmental harm caused by mining operations in the past exceeds R40-billion across the country. Present resources allocated towards the rehabilitation of hazardous mine sites, acid mine drainage and research on these issues are clearly inadequate.

8 APPRECIATION

The time lines for the assembly of the BRRR are very tight. The Committee expressed its appreciation to the Minister, Deputy Minister and the Director General (Including the five entities), the Auditor-General of South Africa and the Financial Fiscal Commission who all participated in the 2014 BRRR process. The Committee appreciated the helpful training and guidelines on the requirements of the Act from Parliament prior to the BRRR process. The Committee also extended its unreserved gratitude to the committee staff which has willingly and voluntarily ensured that the work is done and doing so beyond normal working hours and set an example of how public servants should operate. Lastly, the words of appreciation goes to committee members for their constructive contribution towards the success of the committee.

Report to be considered.

4. Report of the Portfolio Committee on Mineral Resources on its oversight visit to the Province of Gauteng, on the 25 – 26 September 2014, dated 29 October 2014

The Portfolio Committee on Mineral Resources, having undertaken an oversight visit to Gauteng, reports as follows:

1. Introduction

Illegal mining activities have assumed serious proportions, with about 6 000 people estimated to be involved in illegal underground mining and another 8 000 in illegal surface mining. In 2011 alone, it was estimated that illegal mining subtracted about R6-billion from the country's fiscus. Free State Supreme Court Judge Jake Moloi stated that "these illegal activities are orchestrated and are syndicated with the foot soldiers doing the dirty work for the faceless bosses". In many cases illegal miners have died – either because of accidents underground or because of fights between rival gangs underground or through the actions of mine security. Illegal mining and also the theft or destruction of mining assets have been a feature of the poorly managed liquidations of mines such as Pamodzi Gold and Blyvooruitzicht. Illegal mining activities have jeopardised or prevented the re-opening of such mines, with further negative implications for mining employment. Illegal mining is also associated with increased environmental harm.

Since 1999, the scale and intensity of illegal mining has only increased. Judge Jake Moloi pointed out in a judgement in March 2014 that: “There is no law regulating the illegal mining activities. The most the State can charge the illegal miners with is Trespass and Theft or Attempted Theft as in our case.” In an unusual intervention, Judge Moloi called on Parliament “to enact a law that will have harsh punishment for illegal [mining] activities which are assuming horrendous proportions.”

Acid Mine Drainage (AMD) related to gold mining is a malady that affects many areas in SA, but particularly the Vaal River basin in Gauteng. The problems are huge. They are the result of careless mining practices in the past and pose a serious threat to future generations of South Africans. The old mine shafts are filled with groundwater when they are abandoned and the minerals in the rocks leach into the water.

The overall effect is to render the water toxic to varying degrees, making it both a hazard and unfit for human or animal consumption or for agriculture. This problem of AMD is now largely the responsibility of government and the Department of Mineral Resources (DMR) allocate funds both to the Council for Geoscience and Mintek from its budget specifically to find practical and economical methods to deal with AMD.

2. Background

A delegation of the Portfolio Committee on Mineral Resources (the Committee) visited Gauteng Province from 25 – 26 September 2014

The Committee visited the Council for Geoscience and Mintek (at its pilot Savmin plant in Roodepoort) to understand the practical measures that are in place and to form a view on whether the resources currently voted to deal with AMD are sufficient. The National House of Traditional Leaders was also visited to engage with traditional leaders on mining issues as they relate to communities.

The visit included an orientation briefing by the management of the DMR, mine owners and national security officials on illegal mining and a tour to illegal mining areas,

3. Composition of Delegation

3.1 Parliamentary Delegation

The delegation was composed of the Chairperson of the Committee as the Leader of the delegation, Mr S Luzipo (ANC), Mr ZMD Mandela (ANC), Mr MH Matlala (ANC), Ms MV Mafolo (ANC), Ms NM Mdaka (ANC) Mr I M Pikinini (ANC), Mr J Lorimer (DA), Mr S Jafta (AIC).

Accompanying the committee was the Committee Secretary Miss A Boss, Committee Researcher, Dr M Nicol, Communication Officer, Mr J Molafo, Committee Assistant, Mr M Zibeko.

3.2 Department of Mineral Resources

Mr D Msiza, Chief Inspector of Mines, Mr S Phetla, Assistant Director: Communication, Mr V Magagula, Parliamentary Liason Officer, Ms M Malebe, Regional Manager, Mr R Masenya, Director: Mine Closure, Mr K Mhlongo, Office of the DG, Mr K Matrose, Office of the DG, Ms R Zwane, Office of the Minister, Mr R Serota, Communication officer

3.3 Council for Geosciences

Prof P E Ngoepe, Chairperson of the Board, Mr M W Kota, CEO, Mr LD Matsepe, CFO, Dr G Graham, COO, Mr T Mawela, Quality Assurance, Mr M J Moyapuo, Business Development, Dr M Makgae, Manager.

3.4 Mintek

Dr A Mckenzie, General Manager Technology, Mr H Michau, Manager: Inforcomms, Ms L Letsholo, Executive PA, Ms F Tanjekwayo, Events Coordinator, Mr M Makhafola, General Manager: Research and Development, Mr L Kruger, Manager: HMD, Ms P Muzadi, Senior Engineer, Mr S Mokoena, Senior Engineer, Mr F Mathebula, Chief Operator, Mr J Makharetsa, Senior Operator, Mr N Nyambeni, Technician, Mr E Tshweneyame, Communication Officer.

4. Briefing by the Department of Mineral Resources on illegal mining

The Committee met with the task team that deals with the illegal mining in Gauteng in the head office of the Department of Mineral Resourced in Pretoria. The Committee was welcomed by the Minister of Mineral Resources, Adv Ngoako Ramatlhodi hoped the Committee would have fruitful engagement during the course of the visit.

The Deputy Minister, Mr Godfrey Oliphant said the DMR wanted by to see “stability” in the fight against illegal mining by December 2014, eventually leading to the total eradication of the practice by February 2015. He commented that the battle against illegal mining is not getting any better but they are determined to reclaim the country from illegal miners and needed to get all the co-operation.

Mr David Msiza gave a presentation on the illegal mining. He indicated that the illegal mining activities in Gauteng Province mainly occur in the Far East Rand, Ekurhuleni, Central Rand, West rand and Far West Rand. Illegal mining adversely affects the health and safety of the mine employees, communities and illegal miners as it is in the past resulted in a significant loss of life mainly as a result of underground fires, fall of ground accidents and murder. It has a negative impact on the country’s economy and results in a significant loss of revenue for the state and the mines. According to a 2007 study it was found that close to 10 % (i.e. R5.6 billion) of gold production is stolen and smuggled out of the country. Mr Msiza reported that factors fuelling illegal mining included national and international organised crime syndicates which are targeting the mining sector. They are highly organised, dangerous, well financed and complex. They take advantage of mine closures and liquidations with consequential job losses especially on derelict mines.

The majority of the people doing the digging are from outside South Africa, most come from Lesotho, Mozambique and Zimbabwe. They use proceeds from the illegal mining and asset theft for furtherance of other crimes including murder and many robberies. The miners have explosives, some of which are smuggled in from Zimbabwe. The syndicate activities fall within the framework of Prevention of Organised Crimes Act (POCA).

Mr Msiza briefed the Committee on the Level 1 illegal Mining Modus Operandi. He said that some mine employees on operating mines give or sell clocking cards to illegal miners. They mine for personal gain during normal work hours or outside normal hours. Mine employees supply illegal miners, who spend extended periods underground, with food and consumables at exorbitant prices. The illegal activities are also linked to theft of gold and assets from processing plants.

The illegal miners access underground operations through collusion with employees or mine security, getting access cards and sometimes they can pay around R7500 as bribes to get underground. Alternatively, they dig around concrete slabs of sealed shafts, enter through derelict mine shafts and openings in the ground. This activity is very dangerous, with poor ventilation and the risk of cave-ins. The illegal miners dig for gold bearing material (GBM) on surface at demolished plant locations, rail tracks and slime dumps. They process GBM using mercury in old underground workings, hostels, next to streams and in their backyards.

Mr Msiza reported that the DMR established a Gauteng Stakeholder Forum which is implementing measures on key focus areas to strengthen access control and security measures at mines. Derelict and ownerless mines are rehabilitated. Open holes, shafts and openings are continuously identified and sealed by DMR, CGS and mining companies. Stakeholders review and implement effective methods for preventing access to underground workings. The DMR encourages mining of surface outcrops where possible utilizing opencast mining methods. The use of land where illegal mining sites have been rehabilitated is encouraged. A workshop was conducted with all the stakeholders including the NPA, SAPS and mining companies on all the relevant legislation which will strengthen the formulation of charges and sentencing of kingpins/illegal miners. Small (registered) metal refineries have been identified as a weak point and the validity of licences have been verified. He further reported that the National Coordination Strategic Management Team (NCSMT) was established by the JCPS to coordinate government's efforts to fight illegal mining and the trafficking of precious metals. The Gauteng Forum also reports to the NCSMT. SAPS have established Mines Crime Combating Forums for the purpose of combating crimes that are occurring in the mines and also to tackle illegal mining.

Mr Msiza reported that there are many challenges which the authorities face, including, amongst other things, the violent attacks on SAPS, DMR, CGS and mine officials; continuous re-opening of sealed holes and new holes being excavated by illegal miners; mine and surface infrastructure being compromised as a result of mining of remnants and stability pillars; degradation of the environment including water, soil and air pollution by processing using water from streams and using mercury; the increase in crime associated with illegal mining including murder as a result of rival gang activity and the theft of copper cables and steel.

The achievements were reported as follows: The DMR and CGS have sealed 126 open shafts and holes in Gauteng Province; improvements have been introduced in the access control at the mines including, amongst others, Facial Biometric Access Control Systems. The frequent vetting of security personnel has been accompanied by successful disruption operations, raids and arrests. During March 2014, a mine manager was arrested after he was allegedly found in possession of 1,3 kilograms of gold believed to have been 80% pure and worth about R500 000. In June 2014, Sibanye Gold employees were arrested at Driefontein Gold Plant for an alleged multi-billion Gold theft. It was believed that the employees were part of a syndicate. ITAC, which is subsidiary of DTI, has imposed customs controls to stem the export of scrap metal.

Ms Msiza concluded that the Gauteng Illegal Mining Forum will continue implementing measures to eradicate the illegal mining activities. They will continue with the rehabilitation of derelict mines and the sealing of open shafts and holes to prevent access to underground workings. They will support the enforcement agencies initiative including strengthening of charges and sentencing of criminal syndicates. The DMR will consider how to strengthen the legal provisions to criminalize illegal mining activities. Small refineries will be identified and the validity of their licences (to deal in precious metals) will be investigated. The DMR will promote legitimate mining and removal of exposed minerals where possible.

4.2 Briefing by National Coordination Strategic Management Team

The National Coordination and Strategic Management's (NCSMT) briefing was presented by Ms Sebona on behalf of Maj Gen Mabula of the SAPS Directorate of Priority Crime Investigations (DPCI).

The purpose of the presentation was two fold; first was to apprise the Portfolio Committee on the threat of illegal mining and the subsequent trafficking of precious metals and related crimes; second was to highlight current strategies employed and progress in implementing them.

A comprehensive and impressive presentation gave a background on where the Illicit Mining project stems from, gave insights into the scope and extent of illicit mining as well its cross-cutting, cross-impacting nature. Because of the international criminal links, its impact on national security was amplified.

The committee was also briefed on the work of the NCSMT, its strategic alignment, governance structure and interventions, both operational and strategic. The modus operandi of syndicates was shared and project successes were also highlighted.

Ms Sebona concluded the briefing by highlighting some constraints that impact on the efficacy of the existing NCSMT strategies.

4.3 Briefing by Gold One

Mr John Hericourt, representative from Gold One briefed the Committee on the mining company perspective on the illegal mining. He reported that with over 230 known shafts and holes for access on the East Rand, organised illegal mining and theft has increased dramatically since 2009.

Apart from the substantial theft of gold bearing material and scrap metal, these activities have resulted in significant loss of life due to fall of ground incidents, gassing and heat exhaustion, smoke and fume inhalation and faction fighting. He reported that shaft closure work carried out by Gold One alone since 2010 cost R7 125 626.

Mr Hericourt indicated that as a way forward an Illegal Mining Security Task Team should be put in place specifically to monitor and target illegal mining activities. There should be regular ongoing liaison with DMR and CGS on all incidents and new holes. When holes are located they are fenced and security put place to guard them. A two week warning notice of closure is distributed in and around the hole and, where possible, holes are sealed with concrete plug in the solid rock. Gold One personnel are active participants in the Illegal Mining Forums.

5. Visit to Council for Geosciences

Prof Ngoepe, Chairperson for Council for Geoscience (CGS) welcomed the delegation from Parliament and introduced his team.

The problem of Acid Mine Drainage (AMD) related to gold mining is now largely the responsibility of government. The DMR allocates funds both to the Council for Geoscience and Mintek from its budget specifically to find practical and economically viable methods to deal with AMD. The purpose of the visit was to understand the practical measures that are in place and to form a view on whether the resources currently voted to deal with AMD are sufficient. CGS is involved in closing/rehabilitating ownerless and derelict gold mines in ways that stop the ingress of illegal miners into the old workings.

Mr M Kota, the CEO presented the mandate, strategy and objective, business model, funding and key programmes for CGS. CGS has faced many challenges which include declining contract revenue, inadequate statutory funding, delays in the implementation of the Geoscience Amendment Act (Act No 16 of 2010), ageing infrastructure and the need to refocus and align the organisation to address SA's development challenges. Different scenarios for the practical rehabilitation of derelict and ownerless mines were presented to the Committee.

Mr Kota reported that there is a closure programme aiming at sealing 45 holes in the current financial year. Illegal mining poses challenges for the safety of field staff and contractors. The sustainability of closures is jeopardised as holes are often re-opened by illegal miners after they have been sealed by the CGS.

Dr M Makgae outlined the objectives of the strategic mine water management project which are to prevent ingress of surface and groundwater into the underground workings; manage decanting of mine-polluted water; predict and prevent harm to the environment; apportion pollution sources and liabilities; develop a mine water management strategy and canalisation of the natural watercourse between Florida lake and Fleurhof Dam.

6. Visit to the National House of Traditional Leaders

The Committee paid a courtesy visit to the National House of Traditional Leaders (NHTL). The Chairperson, Kgosi Maubane welcomed the delegation from Parliament and introduced the delegation of traditional leaders. The Chairperson outlined the purpose of the visit which was to engage with NHTL on issues related to mining. He indicated that the committee had an initial stakeholder engagement on the 20th August with some mining stakeholders and the Committee felt that as the time goes it needs to engage with traditional leaders and the mining communities.

The discussion between the NHTL and the Committee included:

- It was realised that communities are not conversant with the sort of agreements which they need to sign with mining companies. A proposal was made on the model that could be used when dealing with mining companies especially by allocating the 26% HDSA ownership minimum for communities.
- There are challenges experienced by communities as there is no proper consultation. It should be obligatory for mining companies to indicate the consultation times with the communities;
- The NHTL raised a concern on the manner in which rural communities are exploitated by mining companies. Communities say there is very little in terms of co-operation;
- They felt that people who own land must also get a share in the mining business, and not be involved just as labourers;
- The communities are never offered workshops or other opportunities to get education about legislation affecting them. The traditional leader will just only be asked to sign the document without any understanding;
- There is a big concern on the level of benefit the communities get from mining;
- The percentage received by communities should a free ride and should not include debts of the company and should not have any conditions.
- Housing conditions should be revisited;
- The NHTL indicated that mining must not create families that do not have fathers. Benefits in terms of shelter must begin where the worker comes from.
- The Institution of traditional leaders must be involved from the initial stage and not only be roped in the middle;
- The Traditional Council should make sure that it does not only benefit one family but the community must benefit broadly;
- The issue of mining companies interacting directly with communities creates huge problems as it divides the communities. In an area where there is traditional leader, the mining companies should liaise with traditional leaders; and
- The issue of BEE partnership is a serious concern. First consultation should take place with the communities of the area to allow them to get the rights to minerals, before someone from another province is approached.

7. Visit to Mintek treatment Plant

Mr A McKenzie welcome the delegation from Parliament and outlined the process of water treatment for Acid Mine Drainange (AMD). There are four stages that takes place before water can become clean and fresh. Stage 1 is Metal Precipitation, Stage 2 is Ettringite Precipitation, Stage 3 is Carbonation and the final stage is Recovery of Al(OH)3 Reagent.

Mr McKenzie further reported how Mintek is conducting its part in the project on Derelict and Ownerless mines. In the Project planning, he outlined that they attend to site characteristics, data collection, mapping and surveying, soil sampling, geotechnical investigation and health and safety investigation for two months. For detailed design, they hold community meetings, site the access roads, locate water and fill material, undertake detailed engineering design and specification and complete construction drawings for two months. The tendering process takes about two months where tender documents are complied, site meetings conducted and the contractor is introduced to the community. The construction takes about four to twelve months. This includes the site establishment, hire of local labour and conduct of medicals, constructing access roads, site construction, regular monitoring and inspections, quantity surveyor verification, invoicing control, final surveys and inspections and reporting.

Mr McKenzie stressed that dealing with the legacy of ownerless and derelict mines is a long term and almost an endless project. Mintek has, so far been dealing mainly with old asbestos mines. These are the most urgent in terms of health hazards, but they are many other coal, gold and other mines, including quarries, where the state has the responsibility for rehabilitation. There is an urgent need for funding to be made available on a rolling basis so that work does not come to an end when the present fixed term funding is completed. This means that work has to start again from scratch when new funding is allocated.

8. Walk about to areas where illegal mining is taking place

The Committee visited the following areas:

A. West Rand

Illegal mining takes place in Krugersdorp (Mogale Gold) and Roodepoort (Durban Roodepoort Deep Gold Mine).

B. Ekurhuleni

The illegal mining activities take place along the mining belt from Germiston (Primrose Gold Mine) through Boksburg, Benoni (Benoni Gold Mine and Gravelotte Gold Mine) Brakpan (New Kleinfontein Gold Mine and Consolidated Modderfontein Gold Mine), Springs (Grootvlei Gold Mine) and Nigel (Marievale Gold Mine).

None of the old gold mines in the area are operating and Pamodzi Grootvlei Gold Mines, which occupies much of the area, is in liquidation.

The Committee had an opportunity to engage with the Community in Roodeport. They indicated that they had a problem with illegal mining as their lives on a danger. Illegal mining happens in a day light and they have a problem with police as when they report the incidents, the illegal miners don't get arrested. One of the community members indicated her house might fall any time as she discovered that there is a hole at the back where illegal miners used to mine gold.

Committee members spoke to some illegal miners and saw then coming up from underground with bags of ore, hammers, chisels and head-torches. They were shown how the ore is crushed by hand and then washed out on James tables constructed by the illegal miners. Many miners ran away when the Committee (and the police, emergency services, DMR and CGS) approached them. The Committee saw stockpiles of ore in bags piled up just off Main Reef Road, waiting for collection by bakkie. The scale of the illegal mining is evident right along the reef. The freshly dug holes – many substantial excavations – go steep and deep into the earth, posing an immediate threat to communities in these heavily populated areas.

9. Findings

The Committee observed the following:

Illegal Mining

- The reports presented to the Committee were not just good, they were a real eye opener. The Committee was very impressed by the knowledge, dedication and professionalism of all the officials, security and mine staff they interacted with;
- There is an evident of lack of capacity and resources in dealing with illegal mining at present. All parties said the problem is worse than in 2009, when the PC last considered the issue;
- The issue of legislation to combat illegal mining is quite critical. There should be careful consideration of creating silos legislation;
- Most of illegal miners are foreign citizens and they enter the country illegally;
- The Committee found out that there were more than 700 people underground these holes who are illegally mining; and
- Police officials are not sure how to take statements when these illegal miners get arrested.

House of Traditional Leaders

- There should be more engagements with traditional leaders especially with the departments that issue mining licenses and the Committee;
- As the Mining Charter reaches it ten year milestone, it would assist if the NHTL would undertake to contribute to the process of evaluation; and
- The visibility of NHTL is not seen.

Acid Mine Drainage

- The Council for Geosciences and Mintek have done a lot of work in dealing with AMD and Derelict and Ownerless mines; and
- More funding is needed especially in CGS for ageing infrastructure.

10. Recommendations by the Committee

The Portfolio Committee on Mineral Resources having heard evidence from all stakeholders listed above recommends the following:

- The Department of Home Affairs needs to tighten immigration laws to prevent foreign illegal miners from being in the country;
- There should be a workshop of police officials on how to take statements with regards to illegal mining;
- There should be more engagements between the NHTL and the department on the issuing of mining licenses, a process that should also include community participation;
- The DMR should increase the funding for CGS in order to carry out its mandate and implement the Geoscience Amendment Act;
- The DMR should suggest how the law can be changed to prosecute illegal miners and make the job of police easier. This is already recommended by the Free State High Court judgment: Mugota v S (A244/2013) [2014] ZAFSHC 25 (13 March 2014);
- When the police arrest people there is a 9 month backlog to verify that they were in possession of unwrought gold. This makes it almost impossible to follow-up with cases because a person has to be released within 48 hours if there is no evidence of breaking the law. The scientific facilities of the CGS should be made available to assist the police rapidly with these forensic inquiries;
- The illegal use of water by illegal miners requires consideration by the PC on Water and Sanitation;
- There should be a study by DMR to see if some illegal miners can be made into legal small scale or artisanal miners in this environment;
- There is a need for better legislation to deal properly with the closure of mines. The more you close the gold mines, the more you are creating conditions that encourage illegal miners. The DMR should research sustainable mine closure, that considers both the environment and community issues; and
- The municipalities approve zoning for human settlement despite the fact that these may be in danger zones because of the geology (dolomite), pollution/radioactivity or because of undermining by old mining and present illegal mining. The Constitutional Court has found that land use management is a local and provincial function and is not within the powers of the DMR. There needs to be a better intergovernmental arrangement to stop municipalities zoning for human settlement land that is subject to geohazards.

Report to be considered

5. The Budgetary Review and Recommendations Report of the Portfolio Committee on Small Business Development, dated 29 October 2014

The Portfolio Committee on Small Business Development, having considered the performance and submission to the National Treasury for the medium term period of the Department of Small Business Development, reports as follows:

1. Introduction

For some years even before 1994, the end of the apartheid, the lives of the majority of ordinary South Africans especially Blacks have relied on the Small Medium Micro Enterprises (SMMEs) sector particularly in the informal sector. Their incomes and work have been secured in this sector. This sector shows the potential to reduce unemployment and poverty rates and create a fairer distribution of income. Hence this sector has become a focal point for South Africa because of the critical and important role it is perceived to play for economic and social development.

Currently, South Africa is characterised by two economies, that is, the first and second economies. Bulk of the informal sector falls under the second economy. The two economies are totally distinct from each other. The first economy is modern, integrated with the global economy and possesses much of the country's wealth. Whilst the second economy is underdeveloped, isolated from the first and global economies and contributes little compared to its potential to the country's wealth. Meanwhile, the majority of poor South Africans are concentrated in second economy in order to generate their incomes. In addition, the Survey of Employers and Self Employed conducted by Statistics South Africa in 2013 revealed that about 69.2 percent of the participants in this sector participated because of unemployment. This means that the majority of the national labour force rely on the informal sector to earn their living. Therefore, the informal sector is an important source of jobs for many groups.

Importantly, aside from creating jobs, there are other benefits accrued in expanding this sector through broadening the base of new and existing businesses, these include benefits such as the reduction of economic concentration, higher levels of competition, and increased opportunities for Broad Base Black Economic Empowerment. There are real obstacles (as identified in National Development Plan) to creating an environment that can lead to the realisation of the afore-said benefits, these include amongst others, policy environment that traditionally favours concentration and large corporations, and distortions created by apartheid in ownership and access to land, capital and skills for the majority of population. Thus, SMMEs and Cooperatives can also play a pivotal role in changing apartheid legacy patterns of business ownership.

It is against this background that the current government deems the development of SMMEs and Cooperatives as the panacea for employment, poverty reduction and fairer distribution of income, and to radically transform the economy as far as business ownership patterns are concerned. To crystallise its commitment in the development of Small Business and Cooperative as a tool for radical economic transformation, the current government administration has established a dedicated department that will pursue such in July 2014 after the President signed the Proclamation which established the Department of Small Business Development.

1.1 Mandate of the Committee

The mandate of the Portfolio Committee on Small Business Development (the Committee) as derived from the Constitution is to maintain oversight over the Department of Small Business Development. The committee executes its mandate by doing the following:

- to monitor the financial and non-financial performance of the Department and its entities to ensure that national objectives are met;
- to process and pass legislations; and
- to facilitate public participation relating to issues of oversight and legislation.

As an integral part of Committee oversight role, Section 5 of the Money Bills Amendment Procedure and Related Matters Act, requires the National Assembly, through its committees, to annually assess the performance of each national department. A committee must submit a report of this assessment known as a Budgetary Review and Recommendation Report (BRRR).

1.2. Mandate of the Department

The mandate of the Department of Small Business Development (the Department) is informed by the Resolution of the 53rd Congress of ANC and the 2014 ANC Election Manifesto. Furthermore, the mandate is derived from the different pieces of legislations and policies such as the White Paper on National Strategy for the Development and Promotion of Small Business, National Small Business Act, the Co-operatives Act, the National Development Plan (NDP), the New Growth Path and the Industrial Policy Action Plan. Flowing from above, the Department is mandated to lead an integrated approach to the promotion and development of small business and cooperatives through a focus on the economic and legislative drivers that stimulate entrepreneurship to contribute to radical economic transformation.

1.3. Purpose of the Budget Review and Recommendation Report

The primary purpose of the BRRR is to annually assess the performance of the Department with reference to:

1. the medium term estimates of expenditure of the department,
2. its strategic priorities and measurable objectives, as tabled with the national assembly with national budget,
3. the expenditure report relating to the Department, in this case Quarter 1 and 2 expenditure reports, and
4. financial statements and annual report of the Department.

Subsequently, the committee is required to make recommendations on the forward use of resources to address the implementation of policy priorities and services as these may require additional, reduction or re-configuration of resources for the Department. Those recommendations have to be submitted to the Minister of Finance and the Minister of the Department of Small Business Development. This gives effect to Parliament's constitutional powers to amend the budget in line with the fiscal framework.

It is worth highlighting upfront that this Department will not have all pertinent documentation highlighted above which are necessary for constructing the BRRR, such as annual financial statements, annual report and medium term estimates expenditure tabled with the national budget since the Department was only established in July 2014. However, the draft strategic plan and proposed Medium Term Estimates and half yearly expenditure will be used as the basis to construct the BRRR and inform efficient and effective forward use of resources. Furthermore, the previous performance of the Department will be extracted from the annual report of the Department of Trade and Industry since the programme that migrated from the DTI to form the Department was budgeted for in the DTI in the previous financial years.

1.4. Previous BRRR (recommendation and responses by the Ministers)

It should be noted that the Committee has been newly established in this current financial year, therefore it does not have the previous BRRR. However, since the function of the Department was a programme in the DTI, the DTI's previous BRRR will be used as the basis for this BRRR. The previous DTI's BRRR recommended to the National Assembly to request the Minister of Finance and Minister of DTI to ensure that ***the Co-operative Development Agency***, the Broad-Based Black Economic Empowerment Commission, ***the Co-operative Tribunal***, the National Trust Fund on Indigenous Knowledge, and the National Council on Indigenous Knowledge are adequately funded for the 2014/15 financial years and over the MTEF period to ensure that these bodies are able to fulfil their mandates. It is worth noting that this recommendation is not only a recommendation from the previous DTI's BRRR but is the only recommendation found relevant to the Department of Small Business Development.

1.5. Process or steps followed in developing the Report (Methodology)

Ideally, this report is a culmination of interaction with different stakeholders that play a role in assessing the financial and non-financial performance of the Department such as the briefing by the Auditor-General on his opinion with regard to audit outcomes of the Department, as well as by the Department of Performance Monitoring and Evaluation.

In addition, lessons from oversight visits and hearing from stakeholders are used to argue for reduction or addition or reconfiguration of resources and departmental programmes.

Notwithstanding the above, this report has taken into consideration the best lessons learnt from the Committee's interaction with institutions that provide support to SMMEs and Cooperatives since it was constituted after the May 2014 general elections. These interactions enabled the Committee to assess the impact of both financial services and non-financial services to SMMEs and Cooperatives as well as the effectiveness of programmes which were designed by the DTI to develop SMMEs and Cooperatives. The Committee engaged with organisations that represent and provide support services to SMMEs and Cooperatives. The purpose of this exercise was to understand the state of SMMEs and Cooperatives in South Africa and to allow the affected groups to speak for themselves so that recommendations of the Committee on the BRRR could also take into consideration issues raised by SMMEs and Cooperatives from a felt need perspective.

Moreover, the Committee invited a student that had conducted research for her Master's Degree on the mortality rate of Cooperatives in Limpopo. Entities and organisations with an interest in the development of SMMEs and Cooperatives were also invited to share their experiences with the Committee. These include Statistics South Africa, Pick 'n Pay, AHI and Ithala Development Bank. The Committee adopted this approach in order to get different views about the situation of SMMEs and Cooperatives including support services as well possible solutions. Emanating from those interactions, the following challenges were identified as obstacles in the growth and development of SMMEs and Cooperatives:

i. Access to finance
ii. Access to market;
iii. Lack of adequate infrastructure to enable smooth operations especially in townships, informal settlements and rural areas;
iv. Fragmented services offered by different services providers;
v. High interests charged by intermediaries;
vi. Financial services of the DFI's that are not addressing the developmental conditions of SMMEs and Cooperatives;

vii. Inadequate training;

viii. Red tape;

ix. Non-payment and late payment of invoices by government departments and the private sector;

x. Cumbersome and complicated processes of establishing businesses;

xi. Lack of focus of services to informal traders and street vendors and by-laws of municipalities affecting informal traders;

xii. Mushrooming of Township Malls and Rural Malls and vigorous entry of foreign nationals in the space of spaza shops that result with marginalisation of local people;

xiii. Government policies that prevent access to market and retard growth to SMMEs and Cooperatives;

xiv. Lack of adequate incentives to attract investment in under-developed areas;

xv. Lack of a database of the informal sector SMMEs;

xvi. Lack of technology use by SMMEs and Cooperatives;

xvii. Lack of entrepreneurial culture;

xviii. Supply chains are closed to small businesses; and

xix. Lack of a working relationship between the South African Bureau of Standards (SABS) and SMMEs and Cooperatives.

This was an important exercise in assisting the Committee to get a better understanding of the nature of challenges experienced by SMMEs and Cooperatives so as to make recommendations in the Budget Review Recommendations Report that would enable the Department to respond to the felt needs.

Furthermore, the Committee held a strategic workshop with the Department in preparation for this report which subsequently led to the Department completing and presenting its Draft Strategic Plan and Annual Performance Plans to the Committee, and proposed Medium Estimated Expenditure for 2015/16.

Lastly, a delegation of four members representing the Committee attended the SMMEs National Policy Colloquium organised by the Small Business Development Institute in partnership with the Department.

The colloquium was attended by SMMEs and Cooperatives, organisations representing different sectors in small business, including research institutions, financial and professional services as well as Development Finance Institutions.

The limitation of this report is that it has not been able to look backwards as it was supposed to due to lack of available information as alluded in the previous paragraphs, unlike other departments who have been in operation over a longer period.

1.6 Outline of the report

This BRRR consists of five sections.

Section 1 briefly overviews the mandate of the Committee and the Department, the purpose of this report and the methodology followed in preparing this report, as well as the limitations of the report.

Section 2 sets out the key policy focus areas for the Department. This includes an overview of the relevant national priorities emanating from government policies and plans such as National Development Plan, the Medium Term Strategic Framework and State of Nation Address which the Department has to contribute towards achievement of. Thereafter, an overview of the Draft Strategic Plan will be highlighted with the aim of assessing whether or not it addresses the broader government priorities and plans emanating from the afore-said policies and plans.

Section 3 assesses the Department's financial performance against its allocation (budget allocation from the DTI's Broadened Participation Programme which the Department migrated with). The report compares the Department's budgeted and actual expenditure as at 31 September 2014 which will be assessed and considers the 2015/16 MTEF programme allocation, in terms of the economic classification and per sub-programme.

Section 4 discusses the Committee's perspective with regard to draft strategic plans presented by the Department during this BRRR process in terms of their mandates, strategic objectives and core issues previously identified by the Committee. In addition, the financial and non-financial performance and their additional forward-looking budgetary and/or performance requirements are assessed. This section is divided into governance and funding.

Section 5, draws recommendations based on the deliberations informed by the assessment of the Department in each of the sections as discussed above. These recommendations are categorised into two: Funding recommendations and Governance related recommendations.

2 Overview of the Strategic and Operational environment

The plans and objectives of the Department are determined largely by the environment in which it operates. The environment in which the Department has to operate has been enabled by active policies and plans that the current government has adopted since taking office in May 2014. The National Development Plan has been adopted as the guiding and living policy document concerning the current government planning, hence government plans and strategies have to be aligned with the NDP. Thus, all strategic plans and annual performance plans of the organs of the state have to be streamlined to align with the broader government plans (NDP and MTSF). These plans and strategies are annually reviewed during the State of Nation Address, after which the Department and its entities are expected to align their annual performance plans. Flowing from this, the next paragraphs will focus on policy areas from the NDP that are relevant to the Department.

2.1 National Development Plan

In its 53rd National Conference, the ANC resolved to take the lead in mobilising and uniting all South Africans around a common vision of economic transformation that puts South Africa first. Since, the National Development Plan is a living and dynamic document and articulates a vision which is broadly in line with that of the ANC objective to create a national democratic society, the 53rd National Conference resolved to use the NDP as a common basis for this mobilisation.

The NDP has highlighted a number of key issues that are related to the Mandate of the Department, and there are inter alia:

Economic transformation: This means the broadening of opportunities for all South Africans, particularly for previous historically disadvantaged people. In order to realise this, there is a need for creating more employment, reducing poverty and inequality, and raising the standards of living and education through broadening ownership and control of capital accumulation; as well as equity in ownership of assets, income distribution and access to management, professions and skilled jobs.

Amongst other possible solutions proposed in the NDP to transform ownership of the economy is the creation of an enabling environment for small micro and medium enterprises (SMMEs) and entrepreneurs to thrive. This includes inculcating the spirit of entrepreneurship in schools, lowering the cost of doing business in the economy, and reducing barriers to entry in various value chains.

Small businesses support job creation and redress skewed ownership: It is postulated that small businesses will play an essential role in employment creation. This is due to their buoyancy in job creation in the period between September 2002 and September 2005 compared to large businesses in the formal sector excluding agriculture (Mgxaji, 2008). The NDP estimates that about 90% of jobs will be created by SMMEs by 2030. Other than creating employment and contributing to economic growth, SMMEs will play a key role in redressing the distortions created by apartheid in ownership, access to land, capital and skills for the majority of the South Africans.

The above explanation clearly shows the important role that can be played by small businesses in tackling the triple challenges of employment, poverty and inequality in our country. It is therefore in that spirit that the NDP proposed key support measures to small business development which are;

Public and private procurement: It is proposed that the government must make government procurement opportunities more accessible to small businesses, streamline tender processes so as to improve transparency and get rid of corruption which has to be accompanied by the commitment to 30 day payment to smaller suppliers. Moreover, there is a need to leverage the Local Procurement Accord to promote stronger buyer-supplier relations and deeper localisation.

Regulatory environment: a comprehensive regulatory review for small businesses to assess whether special conditions are required. This includes regulations in relation to business registration, tax, labour and local government.

Access to debt and equity finance: This has to do with examining the role of the state in easing access to finance by start-ups and emerging businesses. A risk-sharing agreement between the lender and the borrower should be created as start-ups are particularly in need of financial support and are least able to access it. Moreover, there is an urgent need to consider reforming the mandates and operations of the DFIs in line with initiatives already undertaken, and upgrade the skills of those providing business advice and services. Further work needs to be done in finding the right blend of grant and loan finance and what repayment terms and interest rates are most likely to lead to new business formation and success. There is also an urgent need to explore the role of venture capital in stimulating new venture creation.

Small business support services: There is a need to consolidate, strengthen and streamline these support services. The size of the business, its geographical location and the sector in which it operates will determine the kind of assistance, needs and support interventions required. Thus, support interventions should be sub - divided, based on whether small firms are start-ups or multiple start-ups; survivalist businesses, high growth businesses, very high potential or high impact businesses; and new industries or new technology businesses.

Enterprises with the highest potential are those owned or led by entrepreneurs who have previously started businesses successfully. The state will have to create an environment with strong markets for these businesses to buy and sell, thus making it simple to start more of those businesses. This group of entrepreneurs is an important identified target market for an incentive system. In addition, another focus is on those entrepreneurs who have failed before. This is due to the fact that they will potentially find it difficult to start businesses again as credit access and so on becomes challenging. Thus, this clearly shows that the government must change its one- size fits-all support programmes.

Further, public-private partnerships need to be considered, where the private sector is incentivised to provide small businesses with support, with increased payment contingent on successful incubation of small businesses.

Address the skills gap: by providing training for school leavers and unemployed youth with a focus on skills development; develop skills for students currently in school with focus on grooming an entrepreneurship attitude; and promote skills development for new sectors with a focus on high-technology skills advancement.

2.2 Medium Term Strategic Framework (MTSF)

Following the adoption of the NDP, Cabinet decided in 2013 that the 2014-2019 MTSF should form the first five-year implementation phase of the NDP and mandated work to begin on aligning the plans of state organs with the NDP vision and goals. Since the May 2014 elections, the MTSF has been aligned to the national governing party's election manifesto. The MTSF is the result of an intensive planning process involving all three spheres of government.

It provides a framework for prioritising and sequencing government programmes and development initiatives for the next five years.

Importantly, the NDP provides the framework for achieving the radical socio-economic agenda set out in the governing party's election manifesto.

It recognises the need for a capable and developmental state, a thriving business sector and strong civil society institutions with shared and complementary responsibilities. It identifies decent work, education and the capacity of the state as particularly important priorities. It also highlights the need to improve the quality of administration of many government activities.

Thus, for the next five years the MTSF has prioritised achieving radical socio economic transformation through decent employment through inclusive growth. These focus areas will be an integral part in achieving set targets aiming at a radically socio-economic transformation. The Department of Small Business Development has been assigned to champion some of the priorities. The following are the focus areas and priorities that are relevant to the Department of Small Business Development:

Expanded opportunities for historically excluded and vulnerable groups, small businesses and cooperatives

The government needs to ensure that the historically excluded and vulnerable groups, in particular the youth, black women and people with disabilities, have increased access to economic opportunities. The government will continue to broaden the base of black economic empowerment, for example through promoting more employee and community share ownership, with a particular emphasis on empowering youth, women and people with disabilities. There will be an emphasis on promoting black industrialists and enterprises in the productive economy.

The Department which is responsible for small business development will identify the institutional and regulatory changes required to accelerate the growth of the small business sector and raise its contribution to job creation. The Government will also strengthen support for cooperatives, particularly in marketing and supply activities, to enable small scale producers to enter formal value chains and take advantage of economies of scale (Medium Term Strategic Framework, 2014)

Local business incubators, industrial and retail sites, marketing agencies, cooperative support programmes and access to finance are amongst the key measures required to promote small enterprise growth, reduce market concentration and expand decent work opportunities.

Key targets for the MTSF include:

- An increase in the GDP growth rate from 2.5% in 2012 to 5% in 2019
- An increase in the rate of investment to 25% of GDP in 2019
- The share in household income of the poorest 60% of households rising from 5.6% in 2011/12 to 10% in 2019
- A decrease in the official unemployment rate from 25% in the first quarter of 2013 to 14% in 2020

2.3 Draft Strategic Plan of the Department

During the BRRR process, the Department presented its Draft Strategic Plan for 2014-2019. The Draft Strategic Plan highlighted the strategic objectives of the Department for the period concerned and targets for each year. Ideally, the strategic objectives are informed by the government strategic sector or cluster priorities as derived from MTSF, focus sector policy areas emanating from policy documents such as the NDP and a situational analysis of the sector. Strategic objectives should state clearly what the government institution/department intends doing (or producing) to achieve its strategic outcomes oriented goals which are aligned to the vision, mission and mandate of the Department. The objectives should generally be stated in the form of an output statement, although in exceptional circumstances government institutions might specify them in relation to inputs and activities or outcomes. Each objective should be written as a performance statement that is SMART (Specific, Measurable, Attainable, Realistic & Time-bound) and must set a performance target that the institution can achieve by the end of the period (five years) of the Strategic Plan. Nonetheless, the Department has flagged the following as its strategic objectives:

- To facilitate the development and growth of small businesses and co-operatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement;

- To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy;
- To advocate for a conducive regulatory environment for small businesses and co-operatives to enable access to finance, investment, trade and market access in an equitable and sustainable manner;
- To facilitate partnerships with all spheres of government as well as the private sector to ensure mutual cooperation that will benefit small businesses and co-operatives; and
- To facilitate access to adequate infrastructure and incentives that are designed to attract investment to underdeveloped communities and reduce costs of doing business by small businesses and cooperatives.

In order to achieve the afore-said strategic objectives, the Department has set to its priorities for both 2014/15 MTEF and MTSF. These strategic priorities are formulated after considering broad government priorities, cluster priorities and sector priorities emanating from different government policy documents which were mentioned earlier. The following are the Departmental priories.

Short term priorities (2014/15 MTEF)

- Skills, training and capacity building (LED, business development support, technology transfer, innovation and entrepreneurship);
- Finalise incentives and access to finance;
- Public sector procurement (set-asides programme);
- Private sector procurement opportunities (supplier development programme, revitalization of mining towns); and
- Develop new policies, review existing policies; and introduce strategies, i.e. roll-out of key interventions.

Long term Priorities (MTSF)

- National survey (periodic and reliable statistics);
- Design training programmes to address skills gaps including sector specific interventions;
- Develop key domestic and international markets;

- Decentralize business development services to include economic profiling and market access; and
- Develop and review the regulatory environment.

In pursuing the above-mentioned strategic objectives, its goal is to achieve the following ultimate outcomes aiming to better the lives of the poor South Africans:

- Incentive programmes aimed at creating new businesses, which will increase the potential for new jobs;
- Public and private sector procurement geared towards improving market access (including growth and development) for black small enterprises and co-operatives (e.g. fixing of potholes);
- Increased culture of entrepreneurship aimed at increasing the number of new innovate and sustainable business ventures that will contribute to job creation;
- Creating a simplified policy and regulatory environment for SMMEs and Co-operatives development to eradicate poverty, inequality and unemployment;
- Through the Export Development Programme companies will improve their ability to export and reduce the costs and risks involved in penetrating foreign markets;
- The provision of technical and business development services to the targeted groups (youth, women and people with disabilities) will result in upgraded skills, improved quality of products, access to local and international markets, enhanced and sustainable enterprises as well as increased employment; and
- Enhanced support to informal businesses, rural and township enterprises will increase their competitiveness, resulting in sustainable enterprises and retention of existing jobs.

The Department has organised itself into five programmes which are inter alia:

- **Programme 1: Administration**- This programme will comprise of support services to the department such as a Chief Information Office, Human Resources, Legal Services, Corporate Governance and Ethics, Auxiliary Services and a unit to execute the marketing and communications of the department.

- **Programme 2: Customise Intervention Programmes:** The key focus will be striving to improve the quality of financial and non-financial support services to SMMEs and cooperatives. Specific programmes will include the support of informal activities through the implementation of the National Informal Business Upliftment Strategy (NIBUS), which will provide subsistence for people who are economically marginalised. In addition to this, the depth on supporting market access initiatives.

- **Programme 3: Cooperatives:** The department will be implementing a new support model for cooperatives, including implementation of the Co-operatives Act and the establishment of a Cooperatives Development Agency and Tribunal, and developing and providing financial incentives.

- **Programme 4:Research, Policy and Intergovernmental:** Evaluation of existing policies enshrined in legislation affecting National Small Business, Cooperatives, Youth Enterprise Development, Women Empowerment and National Informal Strategies with a view to enhance policies in line with the mandate of the Department. The conclusion of transversal agreements with other Government Departments to enhance implementation of Departmental strategies will need to be effected. Part of the research to be conducted and policy adjustments to be made will focus on Red Tape reduction.

- **Programme 5: Enterprise Development and Entrepreneurship:** Programmes will be introduced to ensure increased access to employment and entrepreneurship for high-impact businesses as well as marginalised groups, focusing on skills development, franchising, technology transfer and incubation, aimed at advancing support for the emerging and smaller enterprises.

Flowing from the above, an analysis of whether the strategic objectives addressed sector priorities, sector policy focus areas and sector situational analysis; and whether in overall, the strategic plan is aligned to the Departmental vision, mission and mandate will be dealt on the section which deals with Committee Observation (Section 4).

Subsequently, areas which the Committee felt were omitted or unnecessary, duplicated and irrelevant will be highlighted with the aim of drawing recommendations

3. Financial Performance Assessment

As alluded in the introduction that the Department was officially established in July 2014 following the signing of Proclamation by the President. Immediately after its establishment, the Broadening Participation Programme of the DTI has migrated to the new Department to pursue its planned programmes. Importantly, not all the sub-sub programmes of sub-programmes which constitute the Broadening Participation Programme migrated to form the Department, other sub-sub programmes such as Broad- Base Black Economic Empowerment (BBBEE), Support Programme for Industrial Innovation(SPII), Incubation and Technology and Human Resources for Industry Programme (THRIP) have remained with the DTI. Only the Enterprise Development sub-programme moved to the Department in its entirety. Thus, the budget for 2014/15 is extracted from the R1 billion appropriated for Broadening Participation Programme of DTI tabled during the National Budget.

Instead of dwelling on reviewing the financial performance of the Department, the bulk of the time will be spent on unpacking the funding proposal for the Department. The financial performance assessment will only focus on the first two quarters of this financial year, whereby the Department has started to use funds which were moved from the DTI. Thus, the following table will unpack the Department's financial performance for first two quarters of 2014/15 financial year and consider the funding proposal for 2015/16 MTF.

3.1. Quarterly Financial Performance

Table 1: Overview of 2014/15 Expenditure and 2015/16 Medium Term Estimates

Programme	**2011/12**	**2012/13**	**2013/14**	**2014/15**			**2015/16**	**2016/17**	**2017/18**
	Outcomes	Outcomes	Outcomes	Main	Adjusted	Outcomes	**Medium Term Estimates**		
Administration							161	177	195
Customise Intervention Programmes							112	123	136
Cooperatives							111	122	134
Research Policy and intergovernmental Relations							26	29	32
Enterprise Development and Entrepreneurship							1148	1263	1389
Total							1558	1714	1886
Broadening Participation	887.5	929.7	1010.3	710	33	743			

The above table reveals that when the Department was established following the Proclamation by the President, it had an allocation of R710 million which was initially allocated for the Broadening Participation programme of the DTI. An additional amount of R33 million was allocated to the Department by National Treasury, which then increased the Departmental budget to R743 million. From the total allocation of R743 million, the Department has spent R420 million of which most was in the form of transfer payments (R402 million) and for the Compensation of Employees (R14 million). The actual achievements that the Department has recorded following the spending of more than half of its budget include amongst others, an increased number of SMMEs created through SEDA Technology Programme (STP) to 83 compared to the 75 that was initially targeted, establishing about 43 incubators supported through STP, and a significant increase in the number of SMMEs approved for assistance by SEDA through STP exceeding the target of 240 by more than 500 percent to 1576. Importantly, deducing from the above spending trends, this means that if the Department continues spending on the current rate, it will overspend by about R11.8 million at the end of the 2014/15 financial year.

Items that will significantly contribute to the projected overspending include Compensation of Employees and Goods and Services by about R8.9 million and R2.9 million respectively.

3.2 Funding Proposal for 2015/16 MTEF

The Department has proposed an allocation of R5 158 billion over the MTEF which is due to a proposed allocation of R1 558 billion (2015/16), R1 714 billion (2016/17) and R1 886 billion (2017/18). About 75.9 percent of the proposed budget of R5 158 billion will be transferred to departmental entities and the remainder (about 15 percent) used to pay salaries. Programmes that are expected to share a significant amount of the proposed budget over the MTEF include Enterprise Development and Entrepreneurship as well as Administration, and they are estimated to consume a budget of about 74 percent and 10 percent of the budget allocation respectively over the MTEF. The least budgeted programmes include, Cooperatives and Research Policy and Intergovernmental Relations with an estimated share of allocation of about 2 percent and 7 percent respectively over the MTEF.

In a nutshell, it is clear from the above explanation that the majority of proposed budget will be channelled to the departmental entities which render services on behalf of the Department in order to achieve its mandate.

Flowing from the above, the next step is to get an understanding of how the budget is proposed to be allocated in the departmental programmes and what are those items that contribute a significant share of the programme budgets.

3.2.1 Allocation per programme level

Table 1 shows that **Programme 1** Administration will receive an amount of R534 million over the MTEF. Over the financial years of MTEF, the programme is budgeted to receive an amount of R161 million (2015/16), R177 million (2016/15) and R196 million (2017/18).

About R 267 million (50 percent) of the proposed allocation to this programme will be used to fund compensation of employees, while R256 million (48 percent) will be used to buy goods and services for this programme. The fact that Compensation of Employees has a significant share of proposed budget for this programme, comes without a surprise since this programme is more labour intensive, ranging from all personnel of the Ministry, Office of the Director –General up to Corporate Services. However, the share of compensation of employees for this programme should not be significant when it is compared to the total budget for Compensation of Employees for the Department because this programme is not a core-function of the Department instead it is just a supporting function.

Programme 2: Customise Intervention Programmes is budgeted an amount of R371 million over the three years of MTEF. For the financial years of MTEF this programme is budgeted an amount R112 million (2015/16), R 123 million (2016/17) and R135 million (2017/18). The significant amount of budget will be spent on Compensation of Employees, amounting to R198 million (50 percent) over the MTEF. Of which an amount of R95 million (26 percent) and R77 million (21 percent) has been budgeted for Transfer Payments and Goods and Services.

Programme 3: Cooperatives is set to receive an amount of R366 million over the MTEF. For the financial years of MTEF, this programme has been budgeted to receive an amount of R110 million, R121 million and R133 million for 2015/16. 2016/17 and 2017/18 respectively. About 54 percent (R199 million) will be transferred to Departmental Entities, particularly, Cooperative Development Agency and Cooperatives; of which R114 million (31 percent) will compensate employees. Importantly, there are two matters of concern to the allocation proposed for this programme, firstly, its total share to the proposed budget of R 5188 billion over the MTEF and secondly, the significant spending budgeted for Compensation of Employees and Transfers.

Firstly, the total share of this programme to the total budget requested over the MTEF amounts to R367 million (7 percent) of R5 188 billion which is lower than the proposed budget for Programme 1: Administration, which renders a support function to the Department.

The development of Cooperatives is one of the core-functions of the Department as alluded in the previous paragraphs. It was previously mentioned that the Resolution of 53rd National Conference of the ANC, National Development Plan, the ANC 2014 Manifesto and the MTSF have prioritised the development of Cooperatives as one of the tools for economic transformation. Therefore, this has to share a significant amount of the proposed budget in order to achieve its objectives.

Secondly, the fact that both Transfer Payments and Compensation of Employees share a significant amount of the budget proposed to be allocated for this programme is confusing. This is due to the fact that once an Agency/Entity is created, it means that much of the planned work /programmes that could have been performed by the Department is executed by that particular Agency or Entity. So, the Department just monitors the implementation of such planned work/programmes. This analogy has to be translated into the budget in the sense that, when the budget set to be transferred to entities increases, the budget for compensation of employees in the Department should decrease.

Programme 4: Research, Policy and Intergovernmental Relations is budgeted an amount of R87 million over the MTEF. Over the financial years of the MTEF, this programme is budgeted an amount of R26 million (2015/16), R29 million (206/17) and R32 million (2017/18). Of the budgeted amount of R87 million, a significant budget will be spent on Compensation of employees amounting to R72 million (84 percent) over the MTEF. This is in tandem with the functions of this programme since it is labour intensive. In order to achieve the set targets of this programme, professional personnel will have to be hired, who are experts in research to different fields of study. Taking into consideration the scarcity of skills in South Africa, personnel that will be employed in this programme will not come cheap. The Department will have to hire them with special notches following the guidelines from Department of Public Administration of remuneration of scarce skills.

Programme 5: Enterprise Development and Entrepreneurship is budgeted an amount of R3.8 billion over the MTEF. Of the proposed budgeted amount of R3.8 billion, R1.1 billion, R1.3 billion and R1.4 billion will be spent in 2015/16, 2016/17 and 2017/18 financial years respectively.

A significant share of this proposed budget, R3 .7 billion (94.5 percent) will be transferred to departmental entities in particular the Small Enterprise Development Agency (SEDA). Interestingly, the Compensation of Employees share an insignificant amount of R119 million (3.1 percent) over the MTEF. This programme is one of the core-function programmes as per the mandate of the Department. Thus, this means that its core function will be delivered by the agency and not by the Department.

4. Observation of the Committee

The Committee welcomed and commended the strategic plan of the Department. The Strategic objectives proposed in the Departmental Strategic Plan have been found to align with the mandate, vision and mission statement of the Department. In addition, strategic objectives are set to achieve the focus policy areas relevant to the Department. Furthermore, the strategic plans in the form of set targets and outcomes were found to align with the strategic objectives of the Department. Lastly, the proposed resources to fund the execution of strategic plans are aligned with the set targets.

It is however clear that there are still some gaps with regard to understanding the needs of the target market in order to determine the relevant support provision leading to the need to conduct research to increase this understanding. In addition, taking into consideration that informal traders and street vendors are still subjected to inhumane conditions, the Department should have included Human Dignity as one of its values to demonstrate its understanding of its target groups (poor people). Lastly, The Department has not included People Centred and People Driven development approach as a guiding value in responding to the felt needs of South Africans. It is also not in line in terms of keeping with the principles of community development that requires development processes to allow peoples' experiences to influence interventions needed, rather than imposing on people interventions that are based on the perceived needs.

4.1 Governance

In his Medium Budget Policy Statement, the Minister of Finance put an emphasis on savings and reprioritisation of expenditure. This is due to the limited budget that the country operates upon, which has to fund productive investment expenditure, service delivery and service the country's debt. In line with that he encouraged the government departments to reconsider transferring funds to entities and instead build the internal capacity.

Flowing from that there is a need to consider the current funds budgeted to be transferred to departmental entities. This is due to the fact that there is quite a substantial amount of money that is lost in this value chain before it reaches the target. The costs of running these entities are quite significant although their impact is not clearly felt. Thus, it is suggested that a scientific study be conducted to evaluate their impact, relevance and contribution to the Departmental Mandate, Vision and Mission as well as the possibility of locating these services under one roof or in the LEDs of Municipalities so as to reduce costs and also make them more accessible.

The Committee raised some concerns in the slow progress in the migration of programs from both DTI and the Department of Economic Development (EDD). This slow progress of migration creates challenges of fast - tracking the development of effective programmes which is directly linked to solutions to socio-economic challenges. Moreover, this delays the scientific research that needs to be undertaken to determine their effectiveness and alignment to the Departmental mandate. Programmes such as Incubation Support Programmes (ISP) and Small Enterprise Finance Agency (SEFA) are aligned to the departmental strategic objective and they can be used to achieve those strategic objectives. Furthermore, the NDP which is a springboard for the establishment of the department, has highlighted debt equity and finance, and the public-private partnership whereby the private sector is incentivised to provide small businesses with support, with increased payment contingent on success (incubation).

The signing of transversal agreements serves as the integral part of the Departmental strategy to execute some of its tasks in order to achieve its overarching ultimate goals of job creation, poverty reduction and fairer distribution of income.

With regards to the signing of transversal agreements, the Committee raised concerns that agreements signed should reflect the understanding of both parties entered into such agreements, to ensure that it is of mutual benefit to both parties. For example a transversal agreement between a departmental and municipality should reflect both department and municipal priorities. The motive behind is to have a mutual understanding of how to execute the planned activities and to safeguard that no priorities take precedence over others.

The Committee also raised concerns with regard to the migrating of functions that were not performing well in the DTI to the Department. This came as a challenge for the Department because it has to be embedded with those non-performing functions which were inherited from the DTI.

The Committee observed that the performance indicators of the Department are focusing more on the number of SMMEs and Cooperatives that would have been assisted as a tool of measurement without looking at the impact of SMMEs and Cooperatives on job creation and poverty reduction. The Department also tends to generalise on youth unemployment and fails to specifically identify the youth that is mostly affected by unemployment and poverty. This would be vital in bringing services closer to the highest levels of unemployment. The Department also needs to relate the process of SMMEs and Cooperatives development to skills training that focuses on skills that are needed to provide services.

Key to the success is the ability to research the market and develop a marketing mix at business level with an active role played by the government to address the uncontrollable factors of marketing. The Department of Small Business Development has not included the establishment of a marketing unit within its structure to navigate the public procurement and lead the process of opening that market for SMMEs and Cooperatives. This is a blind spot to that part of the Department. The functions of that unit would also include facilitating training that relates to identified markets so as to absorb the unemployable youth due to lack of skills required to tap into existing market opportunities. That should also be done taking into consideration that a relationship needs to be facilitated between government departments, State Owned Enterprises, big businesses, SMMEs and Cooperatives.

4.2. Funding

Emanating from Section 3, it is clear that there is an urgent need to consider the transfer payments to the Departmental Entities. The majority of the budget is transferred to these entities but there is little oversight conducted on these entities. In most cases, the oversight is conducted in the Department rather than them. This calls for an in- depth analysis and deliberations that will lead to a better approach to monitor the prudent use of public funds by those entities. If it is better and more convenient to monitor the prudent use of public funds at a Departmental level, which will then mean that the Department will have to consider performing those functions that are relegated to entities.

Furthermore, it is concerning that in most cases, both compensation of employees and transfer payments share a significant budget in some programmes, for example Cooperative in this case. This is a sign of duplication of resources that could have better been used elsewhere for the betterment of the lives of the South African citizens.

Moreover, the least share of the budget by the programmes which are directly linked to the mandate of the Department is a matter of concern. Substantial resources have to be allocated in programmes that are the core-functions of the Department not to support function programmes. In this case an example is given in Section 3 under Programme 3 Cooperatives.

5. Recommendations

The Portfolio Committee on Small Business Development recommends the following:

5.1. Funding Recommendations

The Department should:

1. Be allocated the proposed funds;
2. Consider reviewing its transfer payments to identify savings going forward;

3. Allocate more resources to core-functional programmes (Cooperatives, and Enterprise Development and Entrepreneurship); and
4. Develop a guiding document on how will it administer loans and grants to finance SMMEs and Cooperatives.

5.2. Governance recommendation

The Department should:

1. Ensure that all necessary functions which are aligned with the mandate of the Department which are still located in other Departments are migrated to the Department;

2. Conduct research on needs analysis of the target market (poor communities) in order to tailor-make and streamline the relevant support provisions that will respond positively in tackling the triple challenges of unemployment, poverty and inequality;

3. Conduct a scientific study to assess the effectiveness and efficiency of the departmental entities and programmes which migrated from the DTI in order to align them with the mandate of the Department;

4. Reconfigure Programme 4 in order to accommodate the Market Research Unit so as to conduct market research for SMMES and Cooperatives, especially those that are at an initial stage of development. To also identify the market and assist SMMEs and Cooperatives to access the public procurement market and sort out the uncontrollable factors that affect SMMEs and Cooperative as part of creating an enabling environment for the development and growth of SMMEs and Cooperatives;

5. Submit a more detailed organogram stipulating roles and skills needed for each role and also explain how the budgeted amount for compensation of employees relates to the organogram of the Department;

6. Ensure all Transversal Agreements are presented to the Committee prior to and after signing by the Department for monitoring purposes; and

7. Include the regulatory environment to its short term priorities.

Report to be considered.

6. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) FOR THE: DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION (DPSA), PUBLIC SERVICE COMMISSION (PSC), NATIONAL SCHOOL OF GOVERNMENT (NSG) AND CENTRE FOR PUBLIC SERVICE INNOVATION (CPSI), DATED 22 OCTOBER 2014

The Portfolio Committee on Public Service and Administration as well Monitoring and Evaluation (the Committee), having assessed the performance of the Department of Public Service and Administration, Public Service Commission and its entities, report as follows:

1. INTRODUCTION

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation are as follows:

- participate and provide strategic direction in the development of the legislation and thereafter passes the laws;
- Conduct oversight over the Executive to ensure accountability to Portfolio Committee towards achieving an effective, efficient, developmental and professional public service;
- Conduct public participation and engage citizens regularly with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector;
- Monitor the financial and non-financial aspects of departments and its entities and ensure regular reporting to the Committee, within the scope of accountability and transparency;

- Support and ensure implementation of the Public Service Commission (PSC) recommendations in the entire public service
- Participate in the international treaties which impact on the work of the Committee.

2. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendation reports (BRRR) that assess service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term.

2.1 Method

The Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation compiled the 2013/14 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework.
- 2013 State of the Nation Address.
- Management Performance Assessment Tool 2013
- Strategic Plans of the Department of DPSA and its entities.
- Annual Performance Plans of the Department of DPSA, PSC and its entities 2014/15.
- 2013/14 Annual Report of the Department of DPSA, PSC and its entities.
- 2013/14 Auditor-General South Africa outcomes of audit findings.

3. NATIONAL DEVELOPMENT PLAN VISION 2030

In relation to the National Development Plan 2030, the Department has the following strategic priorities:

- Measures to advance women's equality.
- Graduate recruitment scheme for the public service to attract highly skilled people.

- Realising a developmental, capable and ethical state to ensure a dignified treatment of citizens.
- Addressing unevenness in state capacity to deal with uneven performance in local, provincial and national government.
- Professionalisation of the public service in order to:
  - ✓ Put in place the Administrative Head of the Public Service.
  - ✓ Introduce a hybrid system for the appointment of Heads of Department (HoDs).
  - ✓ Establish delegations of authority and principles on human resource matters.
  - ✓ Address the shortage of scarce skills.
  - ✓ Solve skills shortage at technical and managerial levels.
  - ✓ Improve intergovernmental relations.
  - ✓ Fight and eliminate corruption in the public service.
  - ✓ Foster leadership and inculcate responsibility throughout society.
  - ✓ Put responsibility for human resource matters on the shoulders of the HoDs.

4. MANDATE OF THE DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION

The mandate of the Department of Public Service and Administration is to implement basic values and principles enshrined in Section 195(1) of the Constitution of the Republic and in the Public Service Act of 1994. Therefore, the mandate is to

- Transform and modernise the public service.
- Oversee changes to the structure of the public service.
- Improve the effectiveness and efficiency of the public service and its service delivery to the public.
- Establish norms and standards for human resources management and development, conditions of service, labour relations, IT and service delivery.
- Issue directives and regulations for the public service.
- Formulate the national anti-corruption strategy.

4.1 Strategic Outcome Oriented Goals

The Department had five strategic outcome oriented goals over five year period (2009-2015) which contributed to the overall mandate, vision and mission which are as follows:

Strategic outcome oriented Goal 1: *An efficient and effective Public Service and Administration*

The areas of duplication, weaknesses and wastage within the public service and administration are identified and appropriate interventions to address these are implemented which will include: ensuring that the organisational structures of departments are rationalised and aligned to their mandates, improving the effective management of discipline and improving the implementation of resolutions signed with labour through the PSCBC collective agreements.

Strategic outcome oriented Goal 2: *A capable, Equitable and Professional Public Service and Administration*

Measures to professionalise the public service are introduced which will include, amongst others, compulsory training programmes and the review and enhancement appointment for senior managers.

Strategic outcome oriented Goal 3: *Appropriate legislative framework Public Service and Administration*

The enabling environment for effective public administration is strengthened by reviewing existing legislation and introducing new legislative for public service and administration.

Strategic outcome oriented Goal 4: *An ethical and clean Public Service and Administration*

A corruption-free public administration is promoted through the implementation of practical interventions to prevent, detect and combat corruption. The promotion of the ethical behaviour of public servants is re-enforced through improving compliance to public administration prescripts and regulations.

Strategic outcome oriented Goal 5: *Improved public administration in Africa and internationally*

The department contributes towards improved public service and administration in Africa and internationally through entering into mutually beneficial partnerships, dialogue and promotion of best practices.

5. ANALYSIS OF SECTION 32 EXPENDITURE REPORT

In response to the matters raised by the Portfolio Committee during the Budgetary Review and Recommendations Report 2012/13. The National Treasury responded to the Parliament concerned about the management and administrative instability that occur when the executive responsibility moves from one department to other, as this compromise financial and administrative accountability. The National Treasury had raised these concerns and is engaging with the department on the most appropriate mechanisms for resolving the resultant financial management challenges.

The Committee requested the National School of Government (formerly known as PALAMA) to present a clear organogram, costing analysis, offerings tailor-made for the revised mandate. The National Treasury indicated that the School had not yet submitted its strategic plan and annual performance plan for 2014/15 to the Department of Planning Monitoring and Evaluation. The National Treasury is engaging with relevant officials in the NSG providing advice on the appropriate business and funding models for the new school.

The Committee recommended that the National Treasury should reasonably increase the budget of the Public Service Commission (PSC) over the medium term to accommodate the extended mandate of all spheres of government. In response to that the National Treasury indicated that a total of R26.2 million is added to the PSC’s budget over the 2014 Medium-Term Expenditure Framework period to enhance capacity.

6. MANAGEMENT PERFORMANCE ASSESSMENT TOOL 2013

Management Performance Assessment Tool (MPAT) results (2013) are aligned with the performance of the annual report 2013/14 financial year. The Committee can use the results to strike the balance between audit outcomes and MPAT.

A statistical analysis was conducted on how the MPAT standards relate to each other and to various independent measures such as AGSA audit results. There is a strong correlation on the MPAT scores and the achievement of annual targets of the department.

The standard relating to planning and monitoring, integrity, risk management, organisational design, human resource planning, performance management and management of unauthorised expenditure had strong relationship to the achievement of annual targets. An analysis also showed that that the standards of financial and human resource management directly influence a department's achievement of annual targets.

In terms of MPAT score for the DPSA, the department had performed fairly well in performance assessment tool with few level 1 scores. The Committee expected the department to take a lead in complying with management practices as it vested with responsibility of promoting the basic values and principles of the Constitution. The MPAT result highlighted the areas of improvement which are; Service Delivery Improvement Plan, Promotion of Access to Information Act, professional ethics, fraud prevention, health and wellness, and discipline cases.

The MPAT highlighted improvement areas that the Public Service Commission had to work towards improving which are Service Delivery Improvement Plan, delegation of responsibilities in terms of PFMA, management diversity and health and wellness programme. MPAT report highlighted areas that NSG had to improve in complying which are as follows; Service Delivery Improvement Plan, Promotion of Access to Information Act, organizational design, pay sheet certification, management diversity and implementation of SMS performance management system.

7. DEPARTMENT AND ENTITIES PROGRAMMES PERFORMANCE

7.1 DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION

7.1.1 Budget Allocated and Expenditure 2013/14

In 2013/14, the Department of Public Service and Administration received an appropriation of R829.7 million which represents a nominal increase of R102.9 million, or 14.1 per cent, from 2012/13.

Transfers and Subsidies account for R358.4 million of the available budget and of this amount the Department had transferred R358.2 million, or 100 per cent, mainly to departmental agencies and accounts. R0.2 million of the budget was for payments for financial assets, of which the Department spent R0.2 million. This means the Department had an available budget of R471.2 million for operations. Of this, the Department had spent R450.7 million, or 95.7 per cent, the majority of which has been used on compensation of employees and goods and services.

Appropriation per programme (R'000)

Programme R'000	Final appropriation	Shifting of funds	Virements	Expenditure	Variance
Prog 1: Admin	201.161	(3.694)	7.847	210.349	(8.812)
Prog 2: HRMD	39.690	(3)	(3.405)	39.286	404
Prog 3: LRRM	49.860	(151)	(3.121)	28.578	21.482
Prog 4: PSICTM	33.359	(10)	(2.848)	25.773	7.586
Prog 5: SDOT	231.570	(544)	(2.454)	231.553	17
Prog 6: GIR	273.903	(61)	3.760	273.752	151
Total	**829.731**	**-**	**-**	**809.103**	**20.628**

7.1.2 Programme Performance

(a) Programme 1: Administration

The purpose of the programme is to provide coordinated strategic and administrative support services to enable the Ministry and the Department to deliver on mandates. There are three sub-programmes under this programme which are Ministry, Office of the Director General and Cooperate Services. The programme was allocated a final appropriation of R201 349 million and the overall expenditure was R210 161 million. There was over spending of R8 812 million.

The Department had prepared, developed and conducted consultations on the PAM Bill. The department had developed and approved three-year strategic internal audit plan for 2013/2015. A 99 per cent of the projects planned were completed concerning risk management. The department tabled 2013/15 Strategic Plan and the 2013/14 Annual Performance Plan on 17 March 2013. The department had conducted awareness campaigns to promote the Public Service Charter and the 3rd African Peer Review Mechanism (APRM) Report for the 2013/14 financial year. The Revised Public Service Regulations were sent to the Minister by end of March 2014.

(b) Programme 2: Human Resource Management and Development

The purpose of the programme is to develop and implement an integrated strategy to monitor employment practices, conduct human resource planning and diversity management and to improve the health and well-being of public service employees. There are six sub-programmes under the programme which are Senior Management Services, Human Resource Planning, Performance and Practices, Diversity Management, Employee Health and Wellness, Integrated Financial Management System and Human Resource Development.

The programme was allocated a final appropriation of R39 690 million and had spent R39 286 million, which is an estimated 99%. This is a positive outcome because it is an indication that what the programme set out to do was realised.

The Department had stabilised the vacancy rate in the public service to below 10%. The Department had developed 500 reports on skills gap analysis and sent back to those departments with a directive to draw up plans to mitigate risks. A revised Performance Management and Development System (PMDS) was developed in order to align assessments of HoDs with institutional performance. The strategy on the Management of Poor Performance for senior managers was developed and approved in order to formulate a consequences procedure on senior managers. The strategy was communicated to all departments by 20 May 2013. Employment equity target of 2% for people with disabilities was met by 22 departments, and the 50/50 split on management positions was met by only 18 departments. The Departments are falling short in these two aspects. The DPSA have developed remedial actions to address the situation.

(c) Programme 3: Labour Relations and Remuneration

The purpose of the programme is to develop and implement compensation policies and guidelines for the public sector. It also ensures coordinated bargaining and effective programme management for the establishment of the single public service.

The programme was allocated a final appropriation of R49 860 million and had spent R28 578 million, which is an estimated 57.3%. This is not a positive outcome and it indicates that the programme had severe underspending.

The department tabled the Draft Revised Disciplinary Code and Procedure in the Public Service Coordinating Bargaining Chamber in September 2013. The Department signed the Public Service Charter as the employer with organised labour in August 2013. The Department further carried out President mandate in establishing the Presidential Remuneration Review Commission in order to investigate remuneration benchmarks and conditions of service in the public service and public entities. The remuneration of educators and their job evaluation, grading, promotion and performance management are a major priority of the Commission. The Commission was established very late which resulted into budget under the programme not well spent.

(d) Programme 4: Public Sector and Communication Technology Management

The purpose of this programme is to promote and manage the use of ICT's in the design and delivery of citizen-centred services and to ensure that IT services support the continual improvement in the cost, quality, access, responsiveness and speed of service delivery to citizens, business and stakeholders. The programme was allocated a final appropriation of R33 359 million and had spent R25 773 million, which is an estimated 77.2%. This is relatively a positive outcome.

The department connected two additional Thusong Service Centres with the wireless technology in Limpopo. An expenditure review was conducted in order to adopt information technology (IT) as a tool for service delivery. An e-government policy framework was developed and consultations held with Government IT Officers for Ministerial approval in March 2014.

(e) Programme 5: Service Delivery and Organisational Transformation

The purpose of this programme is to promote a service delivery and organisational transformation framework and engage in interventions and partnerships to promote efficient and effective service delivery. The programme was allocated a final appropriation of R231 570 million and had spent R231 553 million, which is an estimated 99.9%. This is a positive outcome indicating that what the programme set out to do was successfully realised.

The Department helped towards improvement of response levels regarding waiting and turnaround times at the Departments of Labour, Home Affairs and SASSA. 70 departments were assisted towards implementation of service delivery planning strategies through workshops. Toolkits on unit costing and setting of service charters were revised and approved. Workshops on these were held with Departments of Education (learner support material); Health (dispensing of pharmaceuticals); Human Settlements (cost breakdown on a subsidised house); Home Affairs (issuing of an identity document) and SASSA (payment of a social grant).

The rate of Service Delivery Improvement Plans (SDIPs) has improved by 7% from 78% to 85% within a cycle of 2012/15 compared to the 2009/12 cycle. Verbal and written feedback was given on the quality of and compliance with SDIPs at both national and provincial levels. 123 out of 127 departments received their feedback. The Delegations Framework was approved by Cabinet and was issued as a Directive.

(f) Programme 6: Governance and International Relations

The Department drives this programme to improve governance and public administration for enhanced service delivery through integrated public service, fighting corruption, monitoring and evaluation as well as advancing the public service agenda at national, regional and international levels. The programme was allocated a final appropriation of R273 903 million and had spent R273 752 million.

The department conducted Citizen Report Card Survey in some municipalities to assess citizen satisfaction in the sectors of Education; Health; South African Police Service; SASSA and Home Affairs.

Furthermore the department reviewed and piloted the Employee Satisfaction Survey in Gauteng and Mpumalanga Provinces. The Public Service Anti-Corruption Unit investigated 5 cases and 11 referred to other agencies or relevant departments. The department provided support to and monitoring the abolition of vacant posts on the PERSAL which helped towards reducing the national vacancy rate to 10%.

7.2 PUBLIC SERVICE COMMISSION

The PSC derives its mandate from Sections 195 and 196 of the Constitution, 1996. Section 195 sets out the values and principles governing public administration, which should be promoted by the PSC. The Public Service Commission (PSC) gets its budget through transfer of budget vote 12 of the Department of Public Service and Administration. The final appropriated budget for the PSC was R201 140 million had spent R200 945 million which is an estimated as 99.9%.

The PSC had achieved most of its performance targets and they have produced a lot of invaluable reports which assist in the oversight over the Executive by Parliament. The PSC has done great work over the years to date to make Parliament aware of the challenges concerning service delivery in the public service.

The PSC had a shortfall of R15 million and R2 million in its baseline allocation for the 2014/15 and 2016/17 financial years. The shortfall resulted from the additional funding that the PSC received during the 2013 budget allocation. There was a short fall in the budget of R7.7 million in the outer year (2015/16). The Portfolio Committee would engage with the National Treasury and Standing Committee on Appropriation to address the shortfall of to enable the PSC to fully carry out its mandate.

7.2.1 Programme Performance

(a) Programme 1: Administration

The main aim of this sub-programme is to provide overall management of the PSC and its Office. The activities of this sub-programme are structured to meet the following objectives assisting the Head of Department with the delivery of functions and responsibilities assigned either by legislation, provides strategic support and administrative services, provides continuous and adequate support service to the PSC and its Office towards achieving its strategic and operational objectives.

The programme was allocated R102 803 million and spent R102 804 million, which was 100% expenditure. The PSC had developed three year audit plan and the Internal Audit Coverage Plan was implemented on an ongoing basis. A Gift Register was updated, maintained and assessed for potential conflicts on an ongoing basis. The PSC Amendment Bill was drafted, developed, liaison with stakeholders conducted and submitted to Cabinet for consideration by December 2013. The PSC had paid all suppliers within 30 days of receipt of invoices.

(b) Programme 2: Leadership and Management Practices

The purpose of the Programme is to promote sound public service leadership, human resource management, labour relations and labour practices. The Programme had an allocation of R29 520 million and spent R29 425 million, which is 99.6% utilisation of budget.

The PSC had achieved 90% compliance regarding receipt of Performance Agreements and provision of advice to Executive Authorities on Heads of Department (HoD) evaluations. A draft Manual on Induction and Orientation of HoDs and Executive Authorities was developed. Based on the BRRR recommendation of the Portfolio Committee, the PSC developed project proposal for the assessment of the effectiveness of training provided by NSG in improving skills and competencies of Public Service Leadership by May 2014.

(c) Programme 3: Monitoring and Evaluation

The programme is responsible for establishing a high standard of service delivery, monitoring and good governance in the Public Service. There are two sub-programmes under the programme which is Governance Monitoring and Service Delivery and Compliance Evaluations. The Programme had a budget of R29 253 million and expenditure was R29 211 million, which was 99.8% spending on the programme's budget.

The PSC had undertaken range of research and knowledge-generating activities. These include the State of the Public Service Report 2014, the Public Service Barometer and departmental Monitoring and Evaluation reports. The Commission produced annual report on the tracking of PSC recommendations which would assist the Portfolio Committee to enforce them. The Commission conducted evaluation of the National Youth Service Report which was produced, however it still awaiting final approval.

(d) Programme 4: Integrity and Anti-corruption

The programme is responsible for undertaking public administration investigations, promoting a high standard of professional ethical conduct amongst public servants and contributing to the prevention and combating of corruption. Under these programme there are two sub-programmes which are public administration investigations and professional ethics. The programme was allocated R39 564 million and it spent R39 305 million, which is an expenditure at 99.8%.

In relation to the complaints received through PSC, 30 desktop complaints were investigated and finalised out of 60 lodged in the 2013/14 financial year. A total of 284 complaints/requests for investigation were lodged with PSC, of which 167 were lodged during the 2013/14 financial year. Out of the 284 complaints lodged with the PSC 132 were in respect of national departments, whilst 143 were in respect of provincial departments and 9 were in respect of the municipalities. The nature complaints received are human resource-related complaints (e.g irregular filling of posts), corruption/maladministration, unethical behaviour and general complaints on service delivery.

7.3 NATIONAL SCHOOL OF GOVERNMENT

The National School of Government received its budget appropriation through budget vote 12 of the Department of Public Service and Administration. The appropriated funds for the 2013/14 financial year was R131 922 million with the expenditure of R134 622 million. The School overspent its allocated budget with R2 700 million. The over spending for 2013/14 financial year was as a result of staff development to Administration in order to facilitate the appointment of the Ministry Advisory Task Team.

7.3.1 Programme Performance

(a) Programme 1: Administration

The programme governs the overall management of the School and provides for organisational support services enabling the Director-General/Principal, Branch Heads and all employees in NGS to carry out their responsibilities within an effective governance system.

The responsibilities of this programme include providing administrative, legal, human resource and financial management, across the department. The Programme was allocated R80 650 million and the actual expenditure was R84 228 million. The variance was R3 578 million and virement was R5 671 million.

The vacancy rate was above required 10% in the public service. The School had 13.2% of vacancy rate by end of March 2014 as result of the moratorium on the filling of vacancies. Audit Committee meetings and risk management committee were convened as targeted. Contracts for NSG were monitored on a quarterly basis through the implementation of Contract Management System. Responses to the Parliamentary questions were done within three days and submitted to the Ministry. The Financial Delegations Framework was developed, approved and implemented.

The School had an average of 92 days taken to collect debt. Verification audits were conducted during the year under review. A total of 132 officials were trained on internal supply chain management and financial policies.

(b) Programme 2: Public Sector Organisational and Staff Development

The main aim of the Public Sector Organisational and Staff Development Programme is to facilitate transfer payments to the Training Trading Account for management development and the training of public sector employees. The programme addresses School Training Trading Account which comprises of the following three sub components such as Training Policy and Planning, Training Management and Delivery and Specialised Services.

The transfer of funds from vote to the Trading Trading Account (TTA) in 2013/14 amounts to R49.0 million and represents a decrease compared to R52.0 million transferred in 2012/13.

The School implemented the rolling-out of the Breaking the Barriers to Entry Programme in partnership with the National Youth Development Agency (NYDA). 3 Training Needs Analyses were undertaken to determine training interventions.

602 on-site evaluations were conducted relating to programmes like Khaedu, Mentoring and Coaching, Compulsory Induction Programme, Executive Development Programme, and Emerging Management Development Programme.

The School did not perform well on two targets under the sub-programme. One of the target was to develop 3 library policies for the implementation and develop a database of library service providers. Reason for deviations was that library policies were not finalised due to the institutional changes. Due to the moratorium of filling vacancies, the School was unable to develop a framework for the training policy, norms and standards.

7.4 Centre for Public Service Innovation

The Centre for Public Service Innovation (CPSI) is an entity of the Ministry for the Public Service and Administration established to entrench and drive service delivery innovation across all sectors. The CPSI is bridging the gap between the world of science and technology driven by the National System of Innovation led by the Department of Science and Technology and the context of service delivery at the coalface. The National System of Innovation includes entities such as National Advisory Council on Innovation (NACI), the Innovation Hub and the Technology Innovation Agency (TIA). The CPSI's strategic plan is aligned to the government priority outcomes.

The budget of the CPSI is transferred through budget vote 12 of the Department of Public Service and Administration. The original appropriation for the CPSI was R22 866 million. The amount was decreased by R42 000 during the adjusted estimates. In 2013/14 financial year, the final appropriation was R21 587 million with the actual expenditure of R21 571 which represents 99.9% of budget well spent. CPSI was for the first time audited by the Auditor-General of South Africa in 2013/14 financial year. Moreover the AG did not audit the predetermined objectives. A target of 2% on the employment of people with disabilities was achieved.

8. AUDITOR-GENERAL OUTCOMES

The following are matters raised pertaining the DPSA:

The Auditor-General has reported that financial statements present fairly in all material respects the financial position of the Department as at 31 March 2014. The Department's financial performance and cash flows for the 2013/14 were in accordance with the Modified Cash Standard prescribed by the National Treasury and the requirements of the Public Finance Management Act (PFMA).

The Auditor-General's Report has the following matters of emphasis:

8.1 Usefulness of reported performance information

At the Centre for Public Service Innovation (CPSI), a total of 38% of the reported targets were not consistent with those in the approved strategic plan.

8.2 Material misstatement

The Auditor-General identified material misstatements to commitments in the annual performance report of the Department, which was submitted for audit purposes. The annual performance report of the CPSI was submitted as a stand-alone report instead of being included in the annual report of DPSA.

8.3 Compliance with legislation

Contracts were awarded to 8 bidders who submitted a declaration but short of stating whether or not they were employed by the State or connected to any person employed by the State in order to comply with Treasury Regulations.

Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

8.4 Leadership

The DPSA and the CPSI did not have sufficient monitoring controls to ensure adherence to internal policies and procedures regarding the reporting on predetermined objectives.

9. OBSERVATIONS

The Committee made the following observations:

9.1.1 The Department should improve targets concerning the employment of the people with disabilities. The improvements should not only target switchboard operation and menial tasks, but also technical as well as management levels.

9.1.2 Connectivity in rural Thusong Service Centres remains a challenge. The Department is urged to seek solutions with relevant stakeholders to address the issue of Broadband internet infiltration through laying more fibre optic cables.

9.1.3 There must be meaningful improvement on the vacancy rate, using the equity plan, by filling all funded posts in the Department and the entire public service and review if they are of necessity.

9.1.4 The Department must invest in the employment of young graduates and ensure correct placement in the entire public service in order to proactively deal with the skills gap and to address attrition, deaths and resignations at senior levels.

9.1.5 The NSG must ensure that it provides credit-bearing courses and programmes.

9.1.6 Parliament had in the 4th Parliament recommended that the reports of departments and entities should reflect an endorsement by the PSC regarding service delivery performance or composite institutional performance, in the same way as the Auditor-General endorses reports on financial performance. This is to ensure that bonuses by officials and senior management are paid duly against institutional performance and to also ensure that service delivery takes place. This policy directive by Parliament has so far not been met by the PSC because they lack human resource and financial capacity.

9.1.7 Parliament compliments the PSC for the invaluable reports it provides on its own accord and on commissioning by Parliament, individuals and the public service. The proactivity, insight, scenario design and management to deal with issues in the public service has contributed to depth of oversight by itself and by Parliament; which bodes well for recommendation by Parliament to the National Treasury for more funding to the Commission.

10. RECOMMENDATIONS

10.1 Department of Public Service and Administration

The Committee recommends the following:

10.1.1 The Department must ensure that in the entire public service equity targets are met and taken up to 50% over the medium term.

10.1.2 The Committee recommends the speeding up of the process of transferring the responsibility over Thusong Service Centres to the Department. These centres must be established in rural communities as well.

10.1.3 The Department should engage in advocacy through circulars and other means in order to inculcate the new ethos called *"My Contract with the People"* to ensure that service delivery is a priority of every public servant and that the award of performance bonus will be monitored by Parliament, through the PSC, so that it is only paid in cases of excellent individual and institutional performance.

10.1.4 The Department must finalise the multi-year wage negotiations within reasonable time to avoid labour disputes and crisis.

10.1.5 The turnover rate at senior management of the public service must be proactively and efficiently managed to ensure retention and prevent instability at strategic level.

10.1.6 The Department, through its transversal role and leadership, must ensure that internship in the public service leads to placement and employment of young graduates.

10.1.7 The Department must fast-track the process towards the Government Employee Housing Scheme so that it proactively prioritizes the issue of home ownership.

10.1.8 The Department is urged to standardise and institutionalise the e-Disclosure System so that it is not an option but a uniform facility.

10.1.9 Parliament recommends that the Executive Authority (EA) and the Accounting Officer should introduce a "Consequences Management" strategy in order to deal with non-compliance with laws, regulations, policies and sound financial management practices in the public service.

10.1.10 Parliament recommends that the pricing model used by the Government Employee Medical Scheme (GEMS) be compliant with the conditions of a developmental state since it is a Government Scheme. The model must reinforce the earning power of public servants, especially at lower levels.

10.1.11 Parliament urges the Department and the Government to ensure that all departments and entities adapt their strategies towards the realisation of the National Development Plan (NDP) 2030.

10.1.12 The awarding of contracts to bidders must comply with Treasury Regulation 16 (a) 8.3.

10.1.13 The Department must analyse carefully the audit report of the Auditor-General with a view to resolving the challenges raised and to mitigate the incumbent risks by putting in place proper controls.

10.1.14 The NSG must ensure proper tracking of unemployed graduates who participate in the Breaking Barriers to Entry (BB2E) project so that they are not lost to the public service after investment on them by the State. Collaboration with all departments who recruit interns for learnership and mentorship is crucial to the NSG BB2E project to compile a reliable database of unemployed graduates who are potential employees of the public service.

10.1.15 The NSG should timely design a funding model that minimises the risk of non-payment by departments that have procured training from the NSG. A service that is not supposed to be free must be treated as such. It is the policy of Government that all service providers must be paid within 30 days of receipt of invoice and service.

10.1.16 The mandate of the NSG should the PAM Bill to cater for local government regarding training as a school of choice for the public service. Parliament recommends, therefore, that the National Treasury provides more funding to the NSG after requisite consultations have been made with the NSG and that the NSG's funding model and pricing should enable it to defray training costs through proper pricing.

10.1.17 Parliament recommends that the NSG should present a clear organogram layout, costing analysis, offerings tailor-made for the revised mandate, objectives of the new mandate as well as the income-generating map of the School. This recommendation is not new, it is recurring because it has not been adhered to.

10.1.18 Parliament recommends that the top heavy structure at the NSG must also participate in course facilitation, training and teaching in order to avoid excessive outsourcing and to derive a value for money out of the structure.

10.2 Public Service Commission

The Committee recommends the following:

10.2.1 The PSC must speed up the consultation process regarding the Public Service Commission Amendment Bill so that when the Public Administration Management (PAM) Bill, which extends the mandate of the PSC, is finalised by Parliament, the PSC's own amended legislation is tabled in Parliament.

10.2.2 Parliament recommends that the National Treasury address the anomaly on the medium term budget of the PSC, especially the 2015/16 financial year as it shows a dramatic regression not considerate of the inflation and procurement trends. This is a matter of concern to Parliament and the PSC. The PSC's appeal for the rectification of this anomaly has not been given necessary attention by the National Treasury.

10.2.3 Parliament recommends that the PSC conduct an independent survey on perceived and felt change as well as commitment by public servants after the introduction and adoption of the Public Service Charter.

11. Conclusion

The Portfolio Committee believes that if these recommendations could be implemented, there will be a lot of progress concerning the objectives of the Department, the entities and of the entire sector. Recurring challenges would be resolved as quickly as possible if accountability regarding these recommendations can be forthcoming from all the entities within the sector. The Portfolio Committee will conduct its oversight to ensure that that objectives and time frames set by the sector are met.

Report to be considered.

7. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) FOR THE: DEPARTMENT OF PERFORMANCE MONITORING AND EVALUATION (DPME), AND NATIONAL YOUTH DEVELOPMENT AGENCY (NYDA), DATED 22 OCTOBER 2014

The Portfolio Committee on Public Service and Administration as well Monitoring and Evaluation (the Committee), having assessed the performance of the Department of Performance Monitoring and Evaluation and National Youth Development Agency, report as follows:

1. INTRODUCTION

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation are as follows:

- participate and provide strategic direction in the development of the legislation and thereafter passes the laws;
- Conduct oversight over the Executive to ensure accountability to Portfolio Committee towards achieving an effective, efficient, developmental and professional public service;
- Conduct public participation and engage citizens regularly with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector;

- Monitor the financial and non-financial aspects of departments and its entities and ensure regular reporting to the Committee, within the scope of accountability and transparency;
- Support and ensure implementation of the Public Service Commission (PSC) recommendations in the entire public service
- Participate in the international treaties which impact on the work of the Committee.

2. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendation reports (BRRR) that assess service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term.

2.1 Method

The Portfolio Committee on Public Service and Administration as well as Monitoring and Evaluation compiled the 2013/14 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework.
- 2013 State of the Nation Address.
- Management Performance Assessment Tool 2013
- Strategic Plans of the Department of DPME and NYDA.
- Annual Performance Plans of the Department of DPME and NYDA 2014/15.
- 2013/14 Annual Report of the Department of DPME and NYDA.
- 2013/14 Auditor-General South Africa outcomes of audit findings.

3. NATIONAL DEVELOPMENT PLAN VISION 2030

The Department of Performance Monitoring and Evaluation supports the national development plan's objective of a government that is accountable and transparent. The department's focus is on strengthening accountability and improving coordination, and it works with the National Planning Commission to facilitate and monitor the implementation of the national development plan. The department is responsible for mainstreaming the national development plan into the work of government by drafting the medium term strategic framework to guide government's programme. The strategic framework includes 14 outcomes, which form the basis of the new performance agreements between the President and individual members of Cabinet.

4. MANDATE OF THE DEPARTMENT OF PERFORMANCE MONITORING AND EVALUATION

The mandate of the Department of Performance Monitoring and Evaluation derives from section 85(2)(c) of the Constitution which provides the President to exercise authority over members of Cabinet by coordinating the functions of state departments and administration. The primary aim of the Department is to improve government service delivery through planning, performance monitoring and evaluations. The DPME has the following key mandate:

- Facilitate the development of plans/delivery agreements for cross-cutting priorities or outcomes of government, and monitor and evaluate the implementation of these plans/delivery agreements
- Put in place and manage guiding frameworks for strategic planning and annual performance planning in national and provincial departments
- Monitor the performance of individual national and provincial government and municipalities
- Monitor frontline service delivery
- Manage the Presidential Hotline
- Carry out evaluations
- Promote good monitoring and evaluation practices in government

4.1 Department priorities over the medium-term

The priorities for the 2014/15 Annual Performance Plan of the Department of Planning, Monitoring and Evaluation are informed by the 2011/12-2014/15 strategic plan and the National Development Plan as translated in the Medium Term Strategic Framework (MTSF) for 2014-19. The DPME has through its outcomes monitoring and evaluation work, developed a number of monitoring and evaluation tools to fulfil the below functions:

- Facilitation of the development of the Medium Term Strategic Framework (MTSF), delivery agreements, performance agreements between the President and his Ministers
- Assess departmental Strategic Plans and APPs to determine and enhance their alignment with the NDP, MTSF, Delivery Agreements and the budget.
- Focus on monitoring the implementation of delivery agreements to achieve government outcomes.
- Evaluate critical government programmes, policies and plans to determine their impact.
- Monitoring of management practices in national, provincial and municipalities using the assessment tools (MPAT and LGMIM)
- Promote and strengthen participatory democracy through its Citizen Based Monitoring Programme (CBM).
- The Presidential Hotline and the frontline service delivery monitoring programme (FSDM) will continue to be implemented to provide a platform for citizens to provide feedback on the quality of services they receive from government institutions.

5. MANDATE OF THE NATIONAL YOUTH DEVELOPMENT AGENCY

The NYDA is a South African Youth Agency established primarily to tackle challenges faced by the country's young people. The institution was established to be a single, unitary structure, to address youth development issues at all spheres of government. The existence of the NYDA should be located within the broad context of South Africa's development dynamics. Similar to many developing countries, South Africa has a large population of youth with those between the ages of 14 and 35 constituting 42 per cent of the total population.

The Agency derives its mandate from legislative frameworks, including the National Youth Development Agency Act, 2008 (Act of 2008) (NYDA Act), the National Youth Policy (2009-2014) and the draft Integrated Youth Development Strategy. The Agency assumed and improved the operational platform developed by both Umsobomvu Youth Commission and the National Youth Commission, which rendered the Agency operational with immediate effect. The mandate of the Agency are as follows:

(a) Lobbying and advocating for integration and mainstreaming of youth development in all spheres of government, the private sector and civil society.
(b) Initiating, implementing, facilitating and coordinating youth development programmes
(c) Monitoring and evaluating youth development intervention across the board and mobilising youth for active participation in civil society engagements.

6. MANAGEMENT PERFORMANCE ASSESSMENT TOOL RESULTS 2013

Management Performance Assessment Tool (MPAT) results (2013) are aligned with the performance of the annual report 2013/14 financial year. The Committee can use the results to strike the balance between audit outcomes and MPAT. A statistical analysis was conducted on how the MPAT standards relate to each other and to various independent measures such as AGSA audit results. There is a strong correlation on the MPAT scores and the achievement of annual targets of the department.

The standard relating to planning and monitoring, integrity, risk management, organisational design, human resource planning, performance management and management of unauthorised expenditure had strong relationship to the achievement of annual targets. An analysis also showed that that the standards of financial and human resource management directly influence a department's achievement of annual targets.

The Department of Performance Monitoring and Evaluation had performed well than other government departments. MPAT results highlighted areas where the department need to strengthen such as Service Delivery Improvement Plan, Promotion of Access to Information Act, lack of approved fraud strategy, and diversity management in terms of women in strategic position and employing people with disabilities.

7. DEPARTMENT PROGRAMME PERFORMANCE

7.1 Department of Performance Monitoring and Evaluation

7.1.1 Budget Allocated and Expenditure 2013/14

The budget appropriated to the Department of Performance Monitoring and Evaluation for the 2013/14 financial year was R192 745 million. Department expenditure was R191 727 million for all the programmes which is an estimated of 99.5 per cent with a variance of R1 018 million. The bulk of the budget has been used on compensation of employees and goods and services. The Department had abolished the M&E Systems Coordination and Support Branch (Programme 3) and its functions were integrated into the remaining three programmes. The 2014/15 Strategic Plan and Annual Performance Plan reflects three programmes not four as compared to the previous years. Budget versus expenditure for the audit financial year of 2013/14 are as follows:

Appropriation per programme (R'000)

Programme R'000	Final Appropriation	Shifting of funds	Virements	Adjusted appropriation	Expenditure	Variance
1. Administration	59 595	0	1 595	58 000	59 575	20
2.Outcomes Monitoring and Evaluation	69 301	0	(2 339)	71 640	68 330	971
3. M&E Systems Coordination and Support	8 798	0	(660)	9 458	8 773	25
4. Public Sector Oversight	55 051	0	1 404	53 647	55 049	2
Total	**192 745**	**0**	**0**	**192 745**	**191 727**	**1 018**

7.1.2 Budget Allocation 2014/15

The Department of Planning, Monitoring and Evaluation's overall budget allocated was R192.7 million in 2013/14 financial year and it has increased significantly to R208.2 million in 2014/15 financial year. The budget had increased significantly due to additional mandate added to the Department such as Assessment of Departments' Strategic Plans, Municipal Assessment Tool and Institutional Monitoring and Evaluation. The budget of the Department of Planning, Monitoring and Evaluation is divided into three programmes which are as follows:

Table 1: Budget per programme

Programme	**Allocated**	**Medium-Term Expenditure Estimate**		
R million	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Administration	59.595	63.8	62.7	66.8
Outcomes Monitoring and Evaluation	69.301	78.2	83.2	88.3
Institutional Performance Monitoring and evaluation	63.849	66.2	73.8	77.6
Total	**192 745**	**208.2**	**219.7**	**232.7**

Reference source: National Treasury 2014

7.2 Programme performance

There are four programmes of the Department which are divided as follows:

7.2.1 Programme 1: Administration

The programme is responsible for providing strategic leadership, management, administrative, financial and human resource services to enable the Department to achieve its strategic and operational goals. The programme is organised as follows Departmental Management, Internal Audit, Corporate & Financial Services and Information Technology Support.

The department achieved 18 targets and 3 were partially achieved. The Department had successfully developed and submitted Strategic Plan and Annual Performance Plan to both the National Treasury and tabled to Parliament on the appropriate time. Quarterly Risk Management Reports were approved by Risk Management Committee within one month after the end of the financial quarter. The department compiled quarterly internal audit performance reports and submitted to Audit Committee and management within one month after end of quarter. An average vacancy rate of less than 10% was achieved throughout the financial year. Monitoring and Evaluation Information Technology workshop were conducted in national and provincial departments.

7.2.2 Programme 2: Outcome Monitoring and Evaluation (OME)

The main purpose of the programme is to coordinate government's strategic agenda through the development of performance agreements between the President and Ministers, facilitation of the development of plans or delivery agreements for priority outcomes, and monitoring evaluation of the implementation of the delivery agreements. The programme has three sub-programmes which are Programme Management for Outcomes Monitoring and Evaluation, Outcomes Support, Evaluation and Research. Planned targets were not changed.

The department achieved 17 out of 20 targets. Only 3 targets were not achieved. The department had achieved the followings activities: the department translated the NDP into 14 MTSF chapters and submitted to the Cabinet Lekgotla in July 2013. An Implementation Forums Monitoring report was submitted to Cabinet by March 2014. The department submitted quarterly monitoring reports on each outcome to Cabinet on time. The department submitted on a quarterly basis summary outcome monitoring reports covering all outcomes to Cabinet.

Evaluation studies target were not achieved as results of some departments taking longer in procuring services of the evaluators. Consideration should be taken that evaluations are complex and normally take longer than anticipated to be completed. Cabinet had taken decision that Department of Monitoring and Evaluation should procure on behalf of departments' services of the evaluators to speed up the process.

7.2.3 Programme 3: Monitoring and Evaluation System Coordination and Support (M&E Systems)

The purpose of the programme is to coordinate and support an integrated government-wide performance and evaluation system through development and capacity building. The aim is to improve data access, data coverage, data quality and data analysis across government. Programme 3 has three sub-programmes which are as follows: Programme Management for M&E Systems, M&E Policy and Capacity Building, and M&E Data Support.

All sub-programmes have performed well both financially and non-financially. The programme had 10 planned targets, 8 were achieved and 2 were partially achieved.

The following are the achievements of the department, the department had undertaken 5 surveys on the various elements of Monitoring & Evaluation systems in national and provincial departments. The department held 8 learning networks events. The department had continuously embarked on provision of Management Performance Assessment Tool (MPAT) technical support and provided advice to three national departments and all Mpumalanga provincial government departments. Concerning the M&E policies and guidelines, department developed 3 guidelines which were approved by the accounting officer. There was significant improvement from 2012/13 financial year, the department published its development indicators document on their website. The performance target forms part of effective business applications output.

The department partially achieved the review of Government Wide Monitoring and Evaluation System policy framework. Cabinet requested that the document be reworked and resubmitted to Governance & Administration cabinet committee, which has been done in 2014/15.

7.2.3 Programme 4: Public Sector Oversight (PSO)

The purpose of the programme is to coordinate and facilitate public sector administration oversight services. The programme is responsible for the implementation of institutional performance assessments and for the monitoring of frontline service delivery in collaboration with other centre of government departments. There are three sub-programme under the programme 4: public sector oversight which are programme management for PSO, Institutional Performance Monitoring and Frontline Service Delivery Monitoring.

Expenditure trends of the programme over the past years illustrates that department always spent fully its allocated budget and targets. In terms of performance against planned targets, programme achieved 20 targets and only one was partially achieved.

For the first time since inception of the performance assessment, all 155 DGs/HODs at national and provincial departments signed off the Management Performance Assessment Tool reports for 2013/14 financial year. Improvements were observed on MPAT KPA from both national and provincial departments.

40% of departments showed improvement on the MPAT results. The department further compiled and submitted monitoring reports on key indicators of management performance and service delivery. The Frontline Service Delivery Monitoring (FSDM) Framework implementation tools and guidelines had been reviewed, and presented to the Monitoring and Evaluation Forum. Presidential Hotline is one of the target under programme 4. A total of 47 case studies were compiled from target of 10. Out of the complaints received, the Department had produced 8 service delivery complaints trends reports.

The department had exceeded target of 120 new sites to be visited by 196 visits conducted. Comparing to the 2012/13 financial year, there was decline from 215 baseline information of site visits. The site monitoring reports were presented to the Cabinet. The department developed 10 case studies which emanated from the site visits as part of developing knowledge and learning on the field.

8 NATIONAL YOUTH DEVELOPMENT AGENCY

8.2 Budget allocated and expenditure

8.2.1 Summary and Analysis of Annual Financial Statements

The NYDA is primarily funded through funds appropriated in terms of the annual Appropriation Act (and the Adjustments Appropriation Act). The NYDA main appropriation is transferred through Vote 1 of Presidency Office. According to the Estimates of National Expenditure, the budget allocated to the Agency was R392.7 million for 2013/14 financial year. The budget allocations are as follows over the years:

Appropriation per programme (R'000)

Description	2013/14 final budget	2013/14 Actual expenditure	Variance	MTEF Budget 2014/15	MTEF Budget 2015/16	MTEF Budget 2016/17
Economic participation	R52 000	R51 390	R609 509	R67 302	R76 350	R77 881
Education and skills	R45 800	R52 551	(R6 751 907)	R90 317	R93 317	R95 189
Health and Governance	R3 000	R4 332	(R1 332 903)	R2 000	R2 100	R2 205
Policy and research	R24 141	R44 646	(R20 505 071)	R20 000	R10 000	R11 000
Governance	R22 181	R3 150	R19 030 628	0	0	0
Total	**R147 122**	**R156 071**	**0**	**R180 254**	**R181 767**	**R186 275**

8.3 Performance Programmes

National Youth Development Agency had five programmes which are as follows:

8.2.1 Programme 1: Economic Participation

The main purpose of the programme is to enhance participation of young people in the economy through targeted and integrated programmes. The programme aim to facilitate and provide employment opportunities for young people, to enhance the participation of young people in the economy, aimed at increasing job creation, entrepreneurship participation and skills development and to provide business support to young people.

Economic participation programme had 4 set targets which were all exceeded by the Agency. However 1 target was under-achieved. The grant funding programme was implemented and rolled out for the first time. The programme is designed to stimulate entrepreneurship among South Africa youth through provision grant funding, and business development support services. A total of 765 new youth-owned enterprises were established through the NYDA grant funding, while the agency targeted 500 annually. The Agency made strides in facilitating youth placement which includes employment, internship and training opportunities. A total of 2 416 was exceeded from the set target of 1 500.

8.2.2 Programme 2: Education and Skills Development

The purpose of the programme is to promote, facilitate and provide education and skills development opportunities to young people to enhance their socio-economic well-being with the objective of facilitating education opportunities. The aim is to improve access to quality education and to facilitate and implement Youth Build, job-preparedness training, the provision of scholarship and assistance to young people with rewriting their Matric.

The Agency had 5 targets on the programme, 3 which were successfully achieved. Under achievement was on young people enrolled in the NYDA Matric (Grade 12) rewrite programme. The Agency targeted 3 000 young people, however succeeded to achieve 568 (under-achieved) young people enrolled in the NYDA Matric rewrite programme. The Agency launched the Solomon Mahlangu Scholarship Programme aimed at supporting needy, but academically deserving youth with scholarship support to undertake higher education studies.

Target was exceeded on the Solomon Mahlangu Scholarship Programme which is important for the country which is confronted with socio-economy challenges among the youth. 256 youth were supported through scholarship from a target of 130. Through the Scholarship the Agency in partnership with University of South Africa targeted students from rural areas who passed matric but could not afford fees at tertiary institutions.

More than 896 761 young people were supported with individual and group career guidance activities. The target was exceeded from 700 000. Youth build programme attracted more young people in ploughing back to the communities. 3 788 young people participated in the structured youth build programme whereas the Agency planned to attract 1 500 youth. The target was exceeded.

8.2.3 Programme 3: Health and wellbeing

The purpose of the programme is to initiate interventions that help increasing awareness of the healthy lifestyles that promote good health practices among the youth of South Africa. The strategic objectives are as follows, to facilitate access to the health and well-being programme, and to provide health and wellbeing interventions to young people.

Programme health had 2 planned targets which were achieved. During the period under review, a total of 5 377 young people benefited on health programmes and interventions designed to improve health. The programmes targeted in-school learners, as well as those who are out of school in their communities. A total of four health and wellbeing interventions were provided to young people during the period under review. The first intervention was provided in Tshwane on 07 September 2013.

8.2.4 Programme 4: Research and Policy

The main aim of the programme is to create a body of knowledge and best practice in the youth development sector, and to inform and influence policy development, planning and implementation. The fundamental aim of this area is to ensure that policies and frameworks that drive youth development are developed, based on a body of knowledge and facts that are relevant to the developmental needs of the youth of South Africa.

The programme had 12 targets which were all achieved and some were exceeded. The Agency produced 81 knowledge management and youth-related research. During the period under review the Agency produced draft Youth Employment Strategy for 2055. A total of 100 evaluation reports for NYDA programmes and projects were completed, while 81 knowledge management and youth-related research were produced. The agency achieved its 3 targets on policies and legislative documents such as the Draft Youth Work Profession Bill which was approved by the Board. The year under review marked establishment of the Youth Development Institute which was developed in partnership with University of Johannesburg. The Institute would provide much-needed, high quality research to inform youth development programme planning and policy making.

Among achievements of the Agency was to lobby for the establishment of youth directorates in 79 private and public entities. The target was exceeded due to buy in from the municipalities to formulate the local youth councils. Social media play crucial role in ensuring accessibility of information. The Agency used social media platforms as an advocacy to attract youth in accessing information. 1 060 461 young people access NYDA information through access points.

8.2.5 Programme 5: Governance

The goal is to efficient and effective utilisation of resources through provision of junctions governance, technology and systems, business operations systems, human capital, financial management system that adhere to relevant legislative requirements for public funded entities.

Under the governance programme, the Agency had 4 targets and 3 were achieved. Only 1 target was not achieved. A total of 32 access points were established during the period under review through partnership that were concluded with other stakeholders. An Information Communication Technology (ICT) analysis report was produced. A total of 486 staff members were trained and capacitated to deliver on NYDA products and services. The annual target of 400 employees trained was achieved and exceeded as result of performance enhancement through training and deployment of participants in the Namibian-SA Exchange Programme and CEDO in the NYDA branches.

9 AUDITOR-GENERAL OUTCOMES

The Auditor-General have audited the financial statements of the Department of Performance Monitoring and Evaluation which comprise the appropriation statement, the statement of financial position as at 31 March 2014. The financial statements are in accordance with Modified Cash Standards prescribed by National Treasury and the requirements of the Public Finance Management Act (PFMA).

9.1 Predetermined objectives

The Auditor-General did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

9.1.1 Achievements of planned targets

A total of 75 planned targets, 68 were are achieved and 2 were partially achieved. The Department of Performance Monitoring and Evaluation had received clean audit for the 2013/14 financial year.

9.1.2 Adjustment of material misstatements

The AG identified material misstatements in the annual performance report submitted for auditing on the reported information of Programme 2: Outcomes Monitoring & Evaluation, Programme 3: Monitoring & Evaluation System Coordination and Programme 4: Public Sector Oversight. The management of the department subsequently corrected the misstatements. The AG did not identify any material findings on the usefulness and reliability of the reported performance information.

9.1.3 Compliance with legislation

The department complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

9.1.4 Internal Control

Internal control in the department were considered to be relevant to AG audit of the financial statements, performance report and compliance legislation. The AG did not identify any significant deficiencies in internal control.

10 OBSERVATION

The Committee noted the progress and improvements on the achievements of the set targets for 2013/14 financial year. The Committee commended the Department of Monitoring and Evaluation on the response level of Management Performance Assessment Tool 2013 report. The Department should share the MPAT outcomes with other Portfolio Committees to empower them in improving areas of weakness in management and financial practices in their respective departments when conducting oversight.

11 RECOMMENDATIONS

11.1 Department of Performance Monitoring and Evaluation

The Committee recommends the following:

11.1.1 The National Treasury should provide necessary funding to the DPME in order to assist the department for more staff recruit to deliver on its mandate of monitoring the municipalities, to strengthen the planning and secretariat.

11.1.2 The Department should prioritise the implementation of the Distressed Mining Communities projects in accelerating services towards improving the lives of mining communities.

11.1.3 The Department should work towards achieving a target of 50 per cent on women in SMS position and must go beyond the achieved 2 per cent of recruiting people with disabilities.

11.2 National Youth Development Agency

The Committee recommends the following:

11.2.1 NYDA should increase its accessibility and visibility in the rural areas.

11.2.2 NYDA should have Memorandum of Understanding with Municipalities, Thusong Service Centres and Tribal Authorities in establishing functional youth offices.

11.2.3 The vacant 110 positions should be reviewed and filled if they are key in terms of service deliver.

11.2.4 NYDA should ensure that grant funding is equitably shared across all the nine provinces. NYDA should ensure that the provision of grant funding contributes towards the priorities of the National Development Plan in particularly unemployment, eradication of poverty and economic transformation among the youth.

11.2.5 NYDA should intensify the awareness of substance abuse.

11.2.6 The DPME should speed up the process of reviewing the National Youth Policy and National Youth Development Agency Act 54 of 2008 as part of reengineering its youth mandate. The Agency should account to the Committee about the reviewed policy when completed in March 2015.

11.2.7 The National Treasury should provide additional R200 million to the Agency on conditions that the funds would only be utilised for programmes that are aimed at improving services to the youth.

11.2.8 The NYDA should report on the deliverables for both financial and non-financial of its programmes on a quarterly basis to the Portfolio Committee.

12 Conclusion

The Portfolio Committee believes that if these recommendations could be implemented, there will be greater progress concerning the objectives of the Department in monitoring and evaluating the entire public service. The National Youth Development Agency must prioritise the implementation plan of the turnaround strategy to overcome challenges confronted by the youth. The Portfolio Committee will conduct its oversight to ensure that that objectives and time frames set by the sector are met.

Report to be considered.

National Council of Provinces

1. Report of the Select Committee on Finance on the 2014 Revised Fiscal Framework, dated 30 October 2014

The Select Committee on Finance, having considered the 2014 Revised Fiscal Framework, reports as follows:

1. Introduction

Section 12(3) of the Money Bills Amendment Procedure and Related Matters Act, Act No. 9 of 2009 (the Money Bills Act) requires that the Minister of Finance tables a revised fiscal framework with the national adjustments budget if the adjustments budget effects changes to the fiscal framework.

Section 12(5) of the Money Bills Act requires that the revised fiscal framework be referred to a joint sitting of the Committees on Finance for consideration and report.

The 2014 revised fiscal framework, as part of the 2014 Medium Term Budget Policy Statement (MTBPS), was tabled in the National Assembly by the Minister of Finance on 22 October 2014. The Financial and Fiscal Commission (FFC), South African Reserve Bank (SARB), and Parliamentary Budget Office (PBO) made submissions at the oral hearings on the MTBPS.

2. Economic outlook

There is general consensus amongst the analysts that global economic growth will continue to be moderate and that growth will pick up momentum in the second half of 2014 and in 2015. The International Monetary Fund (IMF) has revised downwards the 2014 and 2015 Gross Domestic Product (GDP) growth forecasts to 3.3 per cent and 3.8 per cent in 2015, respectively. Growth in emerging markets is expected to expand by 4.4 per cent in 2014 and 5 per cent in 2015.

The revised growth projections envisage a rebound in growth from both the advanced and emerging economies in the remainder of 2014 and in 2015. The IMF further assumed that geopolitical tensions would decline; that activity in the United States and the Euro area would pick up and that the emerging market economies would gradually lift structural impediments to growth.

Major risks to the global economic outlook include geopolitical tensions; monetary policy normalisation in the US; deflation; low growth turning into stagnation in advanced economies as well as a decline in potential growth in emerging economies.

Sub-Saharan Africa (SSA) is forecast to remain one of the fastest growing regions. Economic activity in SSA remains robust, with growth projected to average above 5 per cent over the medium term. The SSA outlook is subject to risks such as a widespread contagion of Ebola in affected countries; heightened fiscal vulnerabilities; volatility in the global financial markets and lower growth in emerging market economies.

The South African economy is growing at a moderate pace and continues to perform below its potential. In line with the IMF, the South African Reserve Bank (SARB) and the Bureau of Economic Research (BER), the National Treasury has revised down its growth forecasts to 1.4 per cent in 2014, from 3.6 per cent in 2011. Similar to other analysts, the National Treasury attributed the economic slowdown to structural constraints in the economy. These include electricity supply and transport constraints, labour tensions and skills shortages. The Fiscal and Financial Commission (FFC) identified further constraints to growth as education and health outcomes while the Parliamentary Budget Office (PBO) identified the ability of spheres to implement cost-stabilising measures as a further risk.

Table 1: Macroeconomic performance and projections, 2011 – 2017

Calendar year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Percentage change	**Actual**			**Estimate**	**Forecast**		
Final household consumption	4.9	3.5	2.6	1.9	2.3	2.8	3.0
Final government consumption	4.3	4.0	2.4	1.8	1.5	1.5	1.5
Gross fixed capital formation	4.2	4.4	4.7	2.7	3.6	4.7	5.1
Gross domestic expenditure	4.6	4.0	2.2	0.9	2.6	3.0	3.3
Exports	6.8	0.4	4.2	3.1	4.2	4.7	5.2
Imports	10.0	6.0	4.7	1.0	4.1	5.0	5.6
Real GDP growth	3.6	2.5	1.9	1.4	2.5	2.8	3.0
GDP inflation	5.9	4.5	5.8	6.1	5.8	5.7	5.6
GDP at current prices (R billion)	2932.7	3139.0	3385.4	3642.6	3952.6	4295.8	4675.6
CPI inflation	5.0	5.7	5.8	6.3	5.9	5.6	5.4
Current account balance (% of GDP)	-2.3	-5.2	-5.8	-5.6	-5.4	-5.2	-5.0

Source: National Treasury

Economic growth is expected to rise gradually over the medium term, reaching 3 per cent only in 2017. Moderate global growth; rising exports to the African Continent; the easing of transport and logistics constraints; stabilisation of electricity constraints and a recovery in private investment are expected to support economic growth over the medium term.

The electricity and transport constraints as well as labour stoppages have affected outputs in the mining and manufacturing sectors. The manufacturing sector has struggled to recover from the 2009 recession and the slowdown in Europe. Growth in manufactured exports has risen, suggesting competitiveness and efficiency gains. The share of mining as a percentage of GDP has been declining and the sector accounts for just under 50 per cent of the country's exports.

The agricultural sector has grown strongly in 2014, mainly due to large increases in maize and livestock production, favourable weather conditions and higher prices.

The pace of job creation lags behind growth in the labour force, contributing to persistently high levels of joblessness. The June 2014 Quarterly Labour Force Survey (QLFS) conducted by the Stats SA showed that the official rate of unemployment measured 25.5 per cent (from 25.3 per cent in the first quarter) and increases to 35 per cent if discouraged job seekers are included. Weak employment outcomes are reflected in slowing real disposable income and household consumption growth.

Headline Consumer Price Index (CPI) remained within the 3-6 per cent target range over the past four years and rose to 6.4 per cent in August 2014 due to a spike in maize and wheat prices coupled with the impact of the weaker Rand on petrol prices. National Treasury and the SARB expects Headline CPI to average 6.2 to 6.3 per cent in 2014, return and remain within the target band over medium term. Risks to the inflation outlook include exchange rate depreciation, higher electricity prices and possible wage demands in excess of inflation.

Structural challenges, prolonged industrial action, a moderation in global demand and declining commodity prices affected SA's export performance in the second quarter of 2014. The trade deficit deteriorated from 2.1 per cent to 2.8 per cent of GDP in the second quarter of 2014. The current account deficit is estimated to measure 5.6 per cent of GDP in 2014, declining to 5 per cent of GDP in 2017. Despite increased volatility in financial and foreign exchange markets and the downgrading by international credit rating agencies in the first half of 2014, the balance of payments proved to be fairly resilient. Capital flows have been sufficient to finance investment.

The low level of domestic savings and high investment requirements, increase the economy's reliance on foreign capital flows, hence the "twin deficits" that are larger than those of its emerging market peers. The twin deficits combined with electricity shortages and low growth prospects are seen as key risks by investors.

Risks to the domestic outlook include volatility and capital outflows from the emerging markets (current account deficit); weaker Chinese growth; lower commodity prices, lack of structural reforms in emerging markets; weaker growth outlook and domestic supply side bottlenecks.

3. The 2014 Fiscal Framework

South Africa's fiscal policy is guided by the principles of counter-cyclicality, debt sustainability and intergenerational equity. Over the medium term, the focus will shift to debt sustainability, allocative efficiency and obtaining value for money in public spending.

Government's fiscal objectives aims to reduce budget deficit; stabilise debt to ensure fiscal sustainability; continue to shift spending towards government's priorities and contain expenditure on goods and services and compensation of employees.

The 2014 consolidated fiscal framework makes R1.2 trillion available for spending in 2015/16, R1.3 trillion in 2016/17 and R1.4 trillion in 2017/18 financial years. Revenue of R1.055 trillion in 2015/16, R1.169 trillion in 2016/17 and R1.272 trillion in 2016/17 financial years have been set aside. National Treasury expects a revenue shortfall of R61 billion over the Medium Term Expenditure Framework (MTEF) period, R10 billion of which will occur in 2014/15.

Government's tax revenue collection is highly dependent on the developments in economic conditions both at a global and domestic level. National Treasury proposed to increase taxes, the details of which will be informed by the recommendations of the Davies Tax Committee Review report. These increases are expected to generate R44 billion over the next three years.

The framework estimates a budget deficit of 4.1 per cent of GDP in 2014/15, 3.6 per cent in 2015/16, narrowing further to 2.5 per cent in 2017/18, as economic growth and revenue collection pick up pace.

Table 2: Consolidated fiscal framework, 2013/14 – 2017/18

R billion/percentage of GDP	2011/12	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18
		Outcome		Budget	Revised		Medium-term estimates	
Main budget								
Revenue	**745.3**	**799.2**	**886.1**	**962.8**	**956.6**	**1 055.1**	**1 169.4**	**1 272.9**
Expenditure	**889.9**	**965.5**	**1 047.8**	**1 142.6**	**1 136.3**	**1 222.3**	**1 308.4**	**1 416.7**
of which								
Non-interest allocations	*813.5*	*877.4*	*946.6*	*1 024.7*	*1 021.9*	*1 090.8*	*1 153.9*	*1 222.0*
Debt-service costs	*76.5*	*88.1*	*101.2*	*114.9*	*114.5*	*126.5*	*139.4*	*149.7*
Unallocated reserves	–	–	–	*3.0*	–	*5.0*	*15.0*	*45.0*
Main budget balance	**-144.6**	**-166.3**	**-161.7**	**-179.8**	**-179.7**	**-167.2**	**-139.0**	**-143.8**
Budget deficit	*-4.9%*	*-5.2%*	*-4.7%*	*-4.7%*	*-4.8%*	*-4.1%*	*-3.2%*	*-3.0%*
Consolidated budget balance	***-110.8***	***-136.2***	***-134.7***	***-153.1***	***-153.2***	***-144.5***	***-114.1***	***-118.7***
	-3.7%	*-4.3%*	*-3.9%*	*-4.0%*	*-4.1%*	*-3.6%*	*-2.6%*	*-2.5%*

Source: National Treasury

Government's net debt as a share of GDP continues to grow, but the fiscal package is expected to stabilise debt at R2.4 trillion (R45.9 per cent of GDP) in 2017/18, an increase of R590 billion. South Africa's debt-to-GDP ratio increase is comparatively high among the emerging markets. Weak economic growth has entrenched a structural imbalance between revenue and expenditure.

Debt service costs for 2014/15 are expected to reach R114.5 billion, increasing to R149.7 billion in 2017/18, the fastest spending growth of 9.3 per cent. Weaker rand exchange rate pushes the value of foreign debt up; an increase in inflation increases the value of inflation linked debt and weaker economic growth impacts directly on increasing government debt.

Government has proposed a fiscal package with five elements, which are aimed at narrowing the deficit and stabilising debt over the medium term. These elements are reducing growth in spending; adjusting tax policy and administration; emphasizing long term planning and efficient resource allocation; freezing government personnel headcounts and adopting a deficit-neutral approach to the financing requirements of state owned companies over the next two years.

The main risks to the fiscal outlook are economic performance, public sector wage bill and balance sheets of state-owned companies (SOEs). A further deterioration in the GDP would require consideration of additional measures. Deviations from the CPI-linked cost of living adjustments will require either a reallocation of resources or a reduction in government employment. Capitalization for SOEs will be funded from sale of non-strategic state assets and will not be drawn from tax revenue.

4. Committee deliberations and observations

During the MTBPS briefing by the Minister of Finance and at the public hearings, the Committee:

4.1 Noted with concern that there were no submissions on the MTBPS from civil society organisations, despite extensive advertisements and overtures made by the parliamentary committee secretaries; and that the three organisations making submissions were all statutory bodies;

4.2 Appreciated the presentations made by the FFC, the SARB, and the PBO, and noted that while a good overview of the MTBPS and a macroeconomic picture are provided, these presentations do not contain any specific proposals or offer any alternatives to the proposals in the MTBPS and do not sufficiently contribute in assisting the Committee to consider the strengths and weaknesses of different options to deal with the current economic and financial challenges;

4.3 Noted that most of the FFC's proposals to NT were accepted, and that the FFC welcomes most aspects of the 2014 MTBPS, including economic forecasts; fiscal consolidation; a moderate public sector wage bill; government's intention to intensify initiatives to combat waste; inefficiency and corruption; proposals to increase taxes and a deficit reduction programme;

4.4 As also noted in the Committee's Budget Report, the Committee believes that it is not sustainable for NT to keep rescuing challenged SOEs who fail to improve their performance despite constant support. The Committee accepts that there may be a need to sell non-strategic assets, but is interested to know what criteria will be used to determine what non-strategic assets are and on what the terms they will be sold;

4.5 Agrees that while there are significant global constraints hindering South Africa's economic growth over which the country has limited control, there are also major domestic constraints that can and must be addressed, including badly managed labour disputes, energy and transport challenges, skills shortages and some policy uncertainties;

4.6 Noted that the current account and fiscal deficits combined with electricity shortages and high electricity tariffs low growth prospects are seen as key risks by investors;

4.7 Noted that National Treasury has allocated R561.1 million for Employment Creation Facilitation;

4.8 Noted the input from the PBO that reducing the public sector wage bill could serve to reduce domestic demand and lead to possible job losses and reduce the prospects of economic growth;

4.9 Welcomed the government's cost-containment proposals and stressed the need to ensure that these contribute to the country's economic growth, job-creation and developmental goals; and noted, further, that the FFC supported the NT's proposals;

4.10 Supported the NT's commitment to ensuring that fraud and corruption are more actively combatted and fruitless and wasteful expenditure are more decisively reduced; and

4.11 Noted that government's anti-corruption task team has been investigating 169 criminal cases involving 945 individuals. These investigations have led to 54 convictions, with R1.8 million in assets frozen and R105 million in assets forfeited.

5. Recommendations

Most of the recommendations below need to be linked to the deliberations and observations in section 4 above.

5.1 NT needs to be very clear about the criteria it uses to define non-strategic assets and the terms of any sale of these. NT also needs to seek to ensure that the sale of these non-strategic assets do not lead to job-losses or other unintended consequences that undermine the country's economic growth and developmental goals;

5.2 The sale of non-strategic assets, however defined, could be contested and could take time. However, some SOEs need financial assistance more immediately. NT will have to speedily finalise measures to separate the commercial and developmental aspects of the SOEs and other measures to assist the SOEs in ways that contribute to improving their financial position in the interim;

5.3 The 2015/16 Budget will have to clearly set out how NT will realise the assumptions of the MTBPS and mitigate the risks to implementing it. The Committee will actively engage NT on this;

5.4 The NT needs to be clearer about how government is going to deal with the domestic constraints to growth, including badly-managed labour disputes, electricity and transport challenges, skills shortages and some policy uncertainties;

5.5 NT will have to, through a variety of ways, assist provinces and municipalities to implement cost-containment proposals. The Committee wants to be briefed on this periodically;

5.6 NT needs to more actively monitor the outcomes of the Jobs Fund allocations, and the Committee will engage with the NT on this in the first quarter of 2015. The Committee is keen to understand the number, nature and quality of the jobs being created and how they link to the country's economic growth and developmental goals;

5.7 While the Committee recognises the need for foreign direct investment, it believes that there is a need for greater focus on domestic investment, and a right balance needs to be struck between domestic and foreign investment;

5.8 NT needs to more clearly explain how government will more actively combat corruption. The Committee will engage NT on this in the first quarter of 2015. If government is more effective in reducing corruption, there will be significant savings and NT will be in a better position to more carefully decide on tax increases;

5.9 The 2015/16 budget needs to be more clearly aligned with the NDP and the Medium Term Strategic Framework, and the Committee will engage with the NT on this when reviewing the budget; and

5.10 In view of the lack of investor and public confidence in the prospects of economic growth NT needs to far more actively communicate its programmes and activities through the public media and its own media and through other ways.

To better prepare to monitor and follow-up on the above recommendations, the Committee further proposes:

1. As raised in the Budget Report, the Committee needs to engage with the Public Enterprises Portfolio Committee on the performance of SOEs and other related matters. The Committee will request the PBO to undertake research on the financial aspects of SOEs and other related issues, following consultations with the Public Enterprises Portfolio Committee. A research report should be presented to the Committee in the first quarter of 2015;

2. Following the input by the PBO on the possible implications of reducing the public sector wage bill, the Committee will request the PBO to develop a research report for consideration by the Committee in the first quarter of 2015; and

3. Parliament needs to look into new and more creative ways of encouraging civil society participation in MTBPS public hearings in future.

The DA reserves its position on this report.

Report to be considered