No 65—2017] Fourth Session, Fifth Parliament

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 23 MAY 2017

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

The Speaker and the Chairperson

1. Classification of Bills by Joint Tagging Mechanism (JTM)

(1) The JTM in terms of Joint Rule 160(6) classified the following Bill as a section 75 Bill:

(a) **International Arbitration Bill** [B 10 – 2017] (National Assembly – sec 75).

(2) The JTM in terms of Joint Rule 160(6) classified the **Communal Property Associations Amendment Bill** [B 12 – 2017], introduced in the National Assembly, as a section 76 Bill and as a Bill falling within the ambit of section 18(1) of the Traditional Leadership and Governance Framework Act, 2003 (Act No 41 of 2003).

National Assembly

The Speaker

1. Membership of Committees

(1) The following changes to Committee membership have been made:

African National Congress

<u>Portfolio Committee on Agriculture, Forestry and Fisheries</u>

Appointed: Madella, Mr AF [Alternate]

<u>Portfolio Committee on Cooperative Governance and Traditional Affairs</u>

Appointed: Dube, Mr JJ

<u>Portfolio Committee on Economic Development</u>

Discharged:	Molefe, Mr B

<u>Portfolio Committee on Energy</u>

Appointed:	Mbuyane, Mr SH

<u>Portfolio Committee on Environmental Affairs</u>

Discharged:	Bonhomme, Mr TJ
Appointed:	Dube, Mr JJ

<u>Portfolio Committee on Health</u>

Discharged:	Khosa, Mr DH
Discharged:	Senokoanyane, Ms DZ
Appointed:	Adams, Ms RC [Alternate]
Appointed:	Nkonzo, Mr TM

<u>Portfolio Committee on Higher Education</u>

Appointed:	Gordon, Mr PJ [Alternate]
Appointed:	Dambuza, Ms NB

<u>Portfolio Committee on Home Affairs</u>

Appointed:	Kekana, Mr DM
Appointed:	Dambuza, Ms NB

<u>Portfolio Committee on International Relations and Cooperation</u>

Discharged:	Molefe, Mr B

<u>Portfolio Committee on Labour</u>

Appointed:	Theko, Ms CL

<u>Portfolio Committee on Public Enterprises</u>

Appointed:	Gordhan, Mr PJ
Discharged:	Cele, Mr MA
Appointed:	Gungubele, Mr M

<u>Portfolio Committee on Public Works</u>

Appointed:	Dr Madlopha, CQ

Portfolio Committee on Social Development

Appointed:	Dr Madlopha, CQ [Alternate]

Portfolio Committee on Telecommunications and Postal Services

Appointed:	Koornhof, Mr NJJvR
Appointed:	Mafolo, Ms MV [Alternate]

Portfolio Committee on Trade and Industry

Discharged:	Koornhof, Mr NJJvR
Appointed:	Mbuyane, Mr SH
Appointed:	Theko, Ms CL
Appointed:	Kalako, Mr MU [Alternate]

Portfolio Committee on Transport

Discharged:	Boshielo, Ms SP
Appointed:	Mpanza, Mr TS

Portfolio Committee on Water

Discharged:	Manyoni, Mr TM

Portfolio Committee on Women in The Presidency

Discharged:	Kilian, Ms JD
Appointed:	Nkonzo, Mr TM

Standing Committee on Finance

Appointed:	Hanekom, Mr DA [Alternate]

Standing Committee on Appropriations

Discharged:	Dr Madlopha, CQ
Appointed:	Hanekom, Mr DA

Committee on Auditor-General

Appointed:	Adams, Ms RC
Appointed:	Mpanza, Mr TS [Alternate]

Joint Standing Committee on Intelligence

Discharged:	November, Ms CC

Joint Committee on Ethics and Members' Interests

Discharged:	Nqakula, Mr C

Discharged: Bhengu, Ms NR
Appointed: Bhengu, Mr F

2. Referral to Committees of papers tabled

(1) The following paper is referred to the **Joint Standing Committee on the Financial Management of Parliament** for consideration:

(a) Monthly Financial Statements of Parliament – April 2017, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No 10 of 2009).

(2) The following paper is referred to the **Portfolio Committee on Arts and Culture** for consideration and report:

(a) Revised Annual Performance Plan of the KwaZulu-Natal Museum for 2017-18 – 2019-20.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Social Development

(a) Addendum to the Annual Performance Plan of the South African Social Security Agency (SASSA) for 2017/18 – 2019/20.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Labour on the workshops and public hearings held on the national minimum wage, dated 8 March 2017

The Portfolio Committee on Labour, having conducted a series of workshops and the public hearings on the National Minimum Wage, reports as follows:

Executive Summary

The Diagnostic Overview of the National Planning Commission identified poverty, inequality and unemployment as the major challenges facing the country. The overview found that the Gini coefficient, which is a measure of income inequality, was 0.67 in 2005. This measure placed South Africa as one of the most unequal societies the world over. The overview further noted that the poorest 20 percent of the population earned about 2.3 percent of the national income, while the richest 20 percent earned a disproportionate 70 percent. In response to this high level of inequalities, the governing party undertook to investigate the modalities for the introduction of a national minimum wage as one of the key mechanisms to reduce income inequality (2014 Election Manifesto). In his State of the Nation Address, the President committed the Government to investigating the possibility of a national minimum wage. Accordingly, the Portfolio Committee on Labour initiated its own process of information gathering on the subject of the national minimum wage. The information gathering process was divided into two phases, namely the workshops where stakeholders were invited to share their views on this subject matter and the public hearings.

Twelve organisations presented before the Portfolio Committee on Labour in the first round of the workshops, which was between 20 August and 19 September 2014. Four of the organisations were academic based institutions viz, Development Policy Research Unit (University of Cape Town), Social Law Project (University of the Western Cape), PLAAS (University of the Western Cape) and Professor Neil Rankin (representing University of Stellenbosch Faculty of Economics). Seven organisations were employers' associations. viz. AgriSA, Black Management Forum (BMF), Business Unity South Africa (BUSA), National Employers' Association of South Africa (NEASA), SANTACO and the Chamber of Mines. The Progressive Professionals Forum (PPF) is the new non-aligned organisation that also presented before the Committee on this subject.

The second round of the workshops was held between 23 and 24 June 2015. Nine organisations, which comprised organised labour, organised business and small individual businesses presented before the committee during this round of the workshops. The organisations that presented were AHI Business Network; South African Domestic Services and Allied Workers' Union (SADSAWU); Mamiya Travel Tours; Confederation of South African Workers (CONSAWU); National Union of Metal Workers of South Africa (NUMSA); South African Chamber of Commerce and Industry (SACCI); and COSATU, FEDUSA and NACTU who made a joint presentation.

Most of the presentations reflected on the South African situation and were based on the studies conducted on the impact of Sectoral Determinations (SD). Some of the interesting findings were:

- The impact of introducing the SD on employment levels in Retail, Domestic, Forestry, Taxi and Security sectors was insignificant.
- An increase in working hours was recorded in sectors where there were job losses as a result of the introduction of the SD. In sectors where employment continued to grow after the introduction of the SD, there was a decrease in working hours.
- The Agricultural sector recorded a 45 percent non-compliance to the SD.
- Minimum wages lifted the working poor from extreme poverty.

- In the clothing and textile industry, rapidly rising minimum wages in the non-metro areas drove many low wage more labour intensive producers out of business, whilst the DTI subsidies helped the high end fashion producers.
- The minimum wage had a negative effect on vulnerable workers such as mine workers and farm workers.
- An increase in the minimum wage that is not accompanied by an increase in productivity would result in job losses.
- The sectors that are exposed to high international competition and where cost increases cannot be passed on to customers could be negatively affected.
- The national minimum wage could address the existing wage fragmentation by way of uniform coverage.

Most presenters expressed support for the national minimum wage but cautioned that it must be set at a reasonable level so as to avoid job losses.

The workshops were followed by the public hearings, which were conducted in all nine provinces of the country. The Committee resolved to conduct public hearings as an initiative to test public opinion on the introduction of a national minimum wage.

Public hearings were conducted across the country starting in the Western Cape on 7 November 2014 and ending in Mpumalanga on 25 April 2015. The work background of participants varied and included domestic workers, cleaners, farmworkers, security guards, community work project workers, public service workers, mineworkers, workers in the steel industry and the unemployed. The public hearings' section of the report is presented as oral submissions per province and follows a chronological order. In addition to the main theme, which was the national minimum wage, other themes that emerged were temporary employment services (labour broking), unemployment, skills development, salary disparities, gender discrimination at workplaces, low wages and its attendant problems, lack of enforcement of labour laws and victimisation of employees who stood up for their rights. Members of the public were advised to submit grievances unrelated to the national minimum wage to the table reserved for that purpose. It is worth noting that the summary of submissions does not seek to provide a verbatim account of oral inputs.

NB: This Report must be read in conjunction with the following NEDLAC Reports, which are available on the Parliamentary website:

- Agreement on the Introduction of a National Minimum Wage
- Declaration on Wage Inequality and Labour Market Stability
- Engagement on the National Minimum Wage

Contents

1. Introduction

The Committee resolved to convene a series of workshops as an initiative to gather information on the introduction of a national minimum wage as one of the key mechanisms to reduce income inequality that needs to be investigated. In his state of the nation address, the President stated, that the social partners need to deliberate on wage inequality. He committed the government to the investigation into the national minimum wage which was identified as an income inequality reduction mechanism. He informed the nation that the Deputy President will convene the social partners' dialogue within the ambit of NEDLAC to deal, *inter alia*, with this matter.
The workshops were conducted aimed at gathering information from the various academic, business and labour organisations on the topic of national minimum wage. The workshops were followed by the public hearings, which were conducted in all nine provinces of the country. Accordingly, the report was divided into two sections viz. section A and section B, which covered the workshop presentations and public hearings submissions respectively.

Section A

2. Presentation by the Development Policy Research Unit (DPRU) of UCT (20 August 2014)

The DPRU started by reflecting on the economy and the labour sector of the country as follows:

- South Africa recorded significant job losses in the 2008-2009 period as a result of the global financial crisis.
- The manufacturing sector, which is a driver of economic growth and development in other countries, contracted from 19 to 17 percent of GDP between 1993 and 2012, respectively. The mining industry contracted from 11 percent to 6 percent during the same period. The

sector that registered significant growth as a percentage of GDP was the financial sector, which expanded from 17 to 24 percent.
- The only sector that reflected employment growth above the GDP was the Community Service, which include the Public Sector. It grew from 17 to 22 percent share of the labour force between 2001 and 2012, respectively. The financial sector, which comprises mostly labour brokers, grew from 9 to 13 percent during the same period.
- Employment was driven by the economic growth of 2001 to 2008. The global financial crisis of 2008 led to significant job losses in the primary sector (Agriculture and Mining).

The DPRU conducted a study to assess the impact of the introduction of the SD in the Retail, Domestic, Forestry, Taxi and the Security sectors. The study made the following findings:
- The impact of introducing SD on employment levels in the five studied sectors was statistically insignificant.
- There was significant increase in wages in the Taxi, Domestic, Security and Retail sectors as a result of the introduction of a SD.
- There was a change in working hours as a result of introduction of SDs. The working hours increased from 42 to 49 hours per week in the Agricultural sector between 2002 and 2003. In the sectors where employment continued to grow after introduction of SD (Retail and Security), there was reduction in the usual number of weekly hours.
- Agriculture sector specific findings were:
    - In areas where the wage gap was higher before the introduction of the SD, there was decrease in employment after it was implemented.
    - The farmworkers who kept their jobs received a significant wage increase of close to 18 percent.
    - A move away from non-permanent workers was recorded.
    - The number of workers with a written contract of employment increased to reach 57 percent in 2007.
    - Employment level fell significantly in response to introduction of the SD.
- Non-compliance to the SD was recorded at 45 percent. There was a dramatic shift towards compliance in the Agricultural sector. Western Cape and Gauteng were the best performing provinces in terms of partial compliance in Agriculture.

The DPRU study experienced the following challenges:
- The data used covered the period between 2000 and 2007.
- The study did not look into the impact of minimum wage on income inequity.

The following recommendations came out of the DPRU study:
- Decision to be made on choosing the single or split minimum wage.
- Inspection and Enforcement Services will have to be capacitated to ensure high levels of compliance.

3. Presentation by the Black Management Forum (BMF) – (03 September 2014)

As an introduction, the presenter provided the following information:

- In South Africa, inequality as measured by the Gini coefficient increased from 0.64 in 1995 to 0.69 in 2005, but improved to 0.65 in 2010/11. The share of wages in national income has been decreasing from just below 55 percent in 1994 to a low of 49 percent in 2008. It then increased to 51 percent in 2012. The average income for females remains less than their male counterparts. In 2012, the median income for an African household was under R3 000. The median income for Coloureds and Indians was over R7 000, while for whites it was around R20 000. (20 Year Review)
- There is growing inequality within the black community.
- It is possible for the country to seriously address inequality through coming up with targets that the country can use to evaluate if it is making progress or not on this pressing social challenge.
- The national minimum wage is undoubtedly one of the most effective mechanism through which inequality could be addressed.
- Since 1999 detailed minimum wages schedules have been developed covering eleven sectors of the economy, which include agriculture, domestic, clothing and textiles, etc. (Ben Stanwix:2013)
- The mandated wage can vary by occupation type, number of hours worked, geographic location, etc.
- The subject of discussion was about taking the minimum wage discourse to a national level.
- The investigation into the national minimum wage should take into consideration a number of issues namely:
    - The rationale behind the minimum wage;
    - Harmonisation of national minimum wage with sectoral minimum wages;
    - The impact of the national minimum wage on poverty alleviation and reduction of inequality;
    - The impact of national minimum wage on the country's industrial relations system;
    - Trade-offs that often have to be made between employment levels and minimum wages;
    - In any policy choices, there are costs and benefits, advantages and disadvantages, winners and losers; etc.

According to the presenter, all these facts need to be factored into the final research that will form the basis for the decision on minimum wages.

The presenter provided the following facts on SDs, which are a form of minimum wage:

- Minimum wages lift the working poor from extreme poverty.
- When minimum wages were introduced in the agriculture sector, aggregate employment on farms fell by 13 percent in the 4 years after 2003 (Ben Stanwix:2013).
- In the clothing & textile industry, rapidly rising minimum wages in the non-metro areas have driven many low-wage, more labour

intensive producers out of business whilst subsidies from the Department of Trade and Industry (DTI) has helped higher end fashion producers. (Nicoli Natrass: 2014).
- Further, the clothing and textiles factories that survived between 1995 and 2014 did so because they were non-compliant with the minimum wages extended by the Minister of Labour.

The BMF shared the information on the case studies conducted in Indonesia and Brazil.

Indonesia
In Indonesia, the minimum hike in national minimum wage had a modest impact on the conditions of the Indonesian labour market.
- Average wages increased by 5-15 percent.
- Urban wage employment decreased by 0-5 percent.
- The impact of minimum wage hike varied according to the size of the enterprise: employment in small enterprises decreased substantially, whilst in large firms, it increased. (Matjeke: 2011)

Brazil
The study of the national minimum wage in Brazil that was conducted by J Berg: 2014, made the following findings:
- In Brazil, an increase in minimum wage led to a rise in income, not only for wage earners but also for pensioners and the unemployed, whose benefits were linked to the national minimum wage.
- The minimum wage contributed to reducing income inequality between men and women and between white and black workers.
- The Gini index dropped from 0.56 in 2000 to 0.53 in 2007.
- The number of workers whose income were below the poverty line fell from 23 percent in 1999 to 14 percent in 2006.
- The minimum wage also served as a benchmark for social security benefits.
- One of the main factors contributing to economic growth in the period 2005-2008 was the growing domestic market. The minimum wage valuation process played a key role.
- Employees and employers often negotiated wages using national minimum wage as a benchmark
- The national minimum wage played an important role on the redistribution of income particularly for the disadvantaged and vulnerable members of society.
- It also played a distributive role among workers with an income.
- The national minimum wage contributed to the reduction of the Gini index by 44 percent.

The BMF made the following recommendations:
- It is important that the private sector be brought on board.
- The summit that the Deputy President should convene with social partners should be preceded by the research/investigation. This should be an open process.
- The social partners should negotiate principles and applications emanating from the research.

- South Africa has a higher unemployment rate compared to BRICS partners, which is a contributor to inequality. Unemployment rate in the BRICS is as follows: Brazil 4.3 percent, Russia 4.9 percent, China 4.05 percent, India 3.8 percent and South Africa 25 percent. It is therefore recommended that SA addresses the challenge of unemployment as another mechanism for reducing inequality.
- It is recommended that a ceiling on executive pay be considered as part of the process of narrowing the wage gap.

4. The presentation by the Business Unity South Africa (3 September 2014)

As an introduction, the presenter pointed the following:

- Business Unity South Africa (BUSA) is committed to participating constructively in the deliberations on national minimum wage.
- BUSA is in the final stages of research into the national minimum wage, which will inform its mandated position.

However, BUSA have sought guidance from the International Labour Organisation (ILO) and the International Organisation of Employers (IOE) and have some preliminary comments, which are elaborated upon in the following section.

BUSA made the following general comments:
The preliminary comments are informed by the ILO Convention 131 and Recommendation 135. The purpose of the Convention was to give wage earners necessary social protection regarding minimum permissible levels of wages. The Convention required full consultation between employer and employee or employee representative.
The criteria to determine minimum wages (Article 3) included:

- The needs of workers and their families taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups.
- Economic factors including the requirement of economic development, levels of productivity and desirability of attaining and maintaining high level of employment.

The Basic Conditions of Employment Act [Section 54(3)] provides:

- When advising the Minister on the publication of sectoral determination, the Commission must consider in respect of a sector and area:
  - Ability of employers to carry on their business successfully.
  - The operation of SMMEs and new enterprises.
  - The cost of living.
  - Alleviation of poverty.
  - Conditions of employment.
  - Wage differentials and inequality.
  - Impact of proposed condition on employment or health, safety and welfare of employees.

Therefore, South Africa has a functioning system of sectoral minimum wages through SDs, which provide for minimum wages per job category. In accordance with section 55(8) of the Amendment Act, the Minister may publish a SD that applies to employers and employees who are not covered by other SDs. There is therefore already a provision for a default minimum wage.

Therefore, it appears that the problem is not the regulation of the labour market, but the enforcement of the available regulations. The problem of enforcement has to be innovatively tackled in order to impact unemployment, inequality and poverty.

On Unemployment, Inequality and Poverty, BUSA commented as follows:
Significant progress has been made in the fight against poverty, which need sustaining. These include:

- 10.2 million people living in extreme poverty in 2011, down by 20.2 percent from 2006.
- 23 million people living in moderate poverty in 2011, down by 45.5 percent from 2006.
- Self-reported hunger dropped from 30 percent in 2002 to 13 percent in 2011.
- Social grants recipients rose from 2.5 million in 1998 to 16.5 million in 2014/15.

To sustain social grant support, more people have to be in employment (currently the tax payer base sits at about 5 million people.) If the minimum wage is set too high, it can push more people into informality. The IOE stated that particularly low skilled workers and youth are negatively affected if the minimum wage is set too high. The level at which the minimum wage is set is therefore crucial in its success.

On minimum wage setting, BUSA made the following comments:
Minimum wage setting consists of three aspects, namely:

- Remuneration for work performed
- Basic income
- Cost of production

National minimum wage should be set relative to:

- Employment rates, productivity, employment of vulnerable groups, inflation, tax and social contributions.
- Differentiation and decentralisation via a sectoral system is important to take into account different costs of living in different areas, productivity levels and employer’s ability to pay (particularly small business).

BUSA made the following recommendations:

- The mistake from the Agriculture wage setting at 52 percent, which resulted in about 73 000 job losses must not be repeated.
- The current system must be strengthened and compliance improved through effective enforcement.
- Strike a balance between protecting vulnerable workers and limiting potential negative economic consequences.

- Consider regulatory impact assessment once the Bill is referred to the Committee.

5. The presentation by the Freedom Market Foundation (5 September 2014)

As an introduction, the presenter (Mr Loane Sharp) briefed the Committee on the history and philosophy of the Free Market Foundation (FMF). According to Mr Sharp, the philosophy of FMF is political and economic freedom. He then took the members through the history of labour market development in South Africa from discovery of gold in the Witwatersrand through the Rand rebellion up to the current labour dispensation. He implored the Committee to consider the historical context when engaging on the national minimum wage. He warned that the national minimum wage must be evaluated on consequences, as opposed to intentions. He pointed out that the possible consequences of the national minimum wage are lay-offs of workers who are less productive and not hiring of new workers who are not productive.

In response to questions raised, the presenter asserted that the national minimum wage affects the workers in most vulnerable sectors such as mining and agriculture. He articulated that the outcomes intended by the introduction of NMW can be achieved through education and training, skills development and acquisition of experience. According to the presenter, lack of these requirements expose the workers to vulnerability as is the case with the youth who lack qualifications, skills and experience. He pointed out that setting of the minimum wage at high level will exclude new entrants into the labour market thus excluding competition.

- The presenter denied that FMF represent employers. He identified beneficiaries of NMW as organised labour and large businesses, which employs nine percent of the national workforce. Large business, according to the presenter, support NMW to drive out competition from Small Micro and Medium Enterprises (SMME).

The presenter advised the Committee to, on receipt of Nedlac report, request independent Regulatory Impact Assessment (RIA). However, the presenter was informed that all Bills that were processed by the Committee were assessed through RIA before they were forwarded to the Presidency.

6. The presentation by the National Employers' Association of SA (5 September 2014)

The Chief Executive Officer of the National Employers' Association of South Africa (NEASA) introduced his presentation by saying that nobody could be against the principle of proper remuneration and honest reward for an honest day's work or with remuneration arrangement which could improve the standard of living for workers. However, he raised the following questions:

- Will a national minimum wage come at the price of jobs?
- Will it reduce inequality or enhance it?

He acknowledged that all parties agree on challenges facing the country but differ only on how to address them. According to him, the challenge is finding a balance between protecting vulnerable workers without the negative consequences of increased unemployment.

NEASA is of the view that a wrong minimum wage approach will destroy jobs, increase unemployment and consequently increase inequality. The presenter stated that they would not be opposed to a national minimum wage that is on a level which is not harmful to employment levels.

The presenter argued against the income lead growth approach by pointing out that the minimum wage, in the short term, will increase employers' wage bill without being met by the same increase in demand for produced goods. According to him, there is no guarantee that increased pay would be met by increased productivity. This will drive up cost and will have a negative effect on consumer spending which ultimately leads to job losses. He cautioned that the sudden introduction of an unrealistic minimum wage and the potential increased demand would be too far apart, resulting in jobs being shed during that period.

According to NEASA, the question is not whether wage increases which are not accompanied by increased productivity and increased demand of products will destroy jobs, but how many jobs will be destroyed and how to weigh up the cost of job destruction and unemployment against the benefits of higher wages for those employed. Further, they believe the moral principle which needs to be addressed is the unacceptability of higher wages for those few who are fortunate to be employed versus the alternative of higher employment but at a lower wage. They conclude that the consequence of a model of high wages and low employment is that ultimately consumer spending power is limited because of the dependency of a large number of persons on the income of a few employed persons.

The presenter argued that that the higher the statutory wage, the less accessible the labour market will be for the unskilled work seekers. He went further to site the metal and engineering as well as the clothing and textile industries as examples where wages were set high by the bargaining councils as a result putting companies out of business and workers out of jobs. He advocated the market as the only institution that can establish a sustainable wage.

NEASA made the following recommendation:

- "A national minimum wage has to be fixed at a level where new entrants to the labour market can be absorbed at an affordable and sustainable cost and that a healthy trade-off between a minimum wage and employment be maintained at all times."

7. The presentation by the SANTACO (10 September 2014)

In his introduction, Mr Buthelezi provided information on the taxi industry in general and SANTACO in particular. He told the Committee that SANTACO comprise 100 000 members representing over 90 percent of taxi operators and is the only industry body recognised by government. According to him, the organisation subscribes to corporate governance principles and standards, which includes full annual audits and accountability procedures.

Economically, the organisation has 65 percent public transport market share transporting over 15 million commuters daily. It contributed 3.4 percent to the GDP and employed 600 000 workers. SANTACO owned approximately 200 000 taxis valued at approximately R18 billion. It had a buying power close to R34 billion.

SANTACO expressed the following views on national minimum wage:
SANTACO was involved in the process that led to the development of the first taxi SD and has been involved in subsequent review processes. Therefore, SANTACO supports the initiative to set up the national minimum wage. However, it cautioned that due consideration be given to various options available to achieve an ideal level while ensuring mass employment. The presenter pointed out that the industry is already paying taxi drivers far above (81 percent) the SD wage.

SANTACO recommended as follows:

- There must be collaboration to ensure that the industry is capacitated for purposes of compliance to the labour legislation framework such as the Labour Relations Act, Basic Conditions of Employment Act, Unemployment Insurance Fund Act, Compensation for Occupational Injuries and Diseases Act, Taxi SD, etc.
- An enabling environment has to be collectively created to ensure smooth enforcement of policies.
- The taxi industry has to be fully engaged in determining a suitable and sustainable minimum wage.

8. The presentation by Professor Rankin of the University of Stellenbosch (10 September 2014)

Professor Rankin provided the following overview as an introduction to his presentation:

- Firms choose different inputs and technologies which differ across a number of dimensions, particularly firm size.
- There is empirical evidence that larger firms pay higher wages, smaller firms hire people with lower skills and that wage share is a higher proportion of costs for smaller firms.

He went further to outline the impact of the binding minimum wage on the above observations.

The presenter outlined the impact as follows:

- Reduction in employment, the magnitude of which will depend on the sensitivity of employment to wages.
- It will raise the wages of the lowest paid (lowest skilled) thus making it relatively more expensive to hire them.

- The firms that employ more lower skilled and lower paid workers as well as with the larger relative wage share will be most negatively affected.
- The sectors that are exposed to high international competition and where cost increases cannot be passed on to customers will be negatively affected.

The presenter provided a brief review of some research conducted on the impact of minimum wages (SDs and sectorally bargained wages) in South Africa:

- According to the study by Bhorat et al (2012, 2014), wages for those who remained in employment increased by about 17 percent but employment probability in agriculture (tradable) fell by 13 percent. The non-tradable sectors (retail, taxi, security, and domestic workers) were less affected.
- Centralised bargaining agreements are found to decrease employment in an industry by 8-13 percent, with losses concentrated among small firms (Magruder: 2012).
- Smaller firms in sectors with active Bargaining Councils that face high imports are more likely to exit. Also labour-intensive firms with higher ratios of unskilled labour are negatively affected. Binding bargaining council agreements mean that small firms which cannot pay the higher wages and cannot upgrade their capital exit the market (Edwards, Rankin and Stijns: 2014).
- There were no net new jobs created between 2005 and 2011 in firms with fewer than 500employees (Kerr et al: 2014).

The above findings reflected an increased concentration of jobs in bigger firms which are not constrained by wage floors. According to the presenter, these bigger firms may actually set higher wages in bargaining councils to drive out competition from smaller firms. The findings further reflected that smaller firms which survived chose capital-intensive high skilled production technology. There is also a shift in jobs away from tradable sectors to non-tradable (tertiary/ service) sectors as a response to restrictions and trade competition. The presenter cautioned that growth strategies that rely exclusively on domestic demand eventually reach their limits since the home market is usually too small to sustain growth for long and it does not give an economy the same freedom to specialise in whatever it is best at producing.

The presenter concluded by noting that:

- A change away from collective bargaining at a sector level and extension of collective agreements to non-parties may lead to higher employment but this will depend on the level of the wage and the institutional process in determining it.
- Social transfers have to be considered in a fight against poverty but this requires tax revenue, which is dependent on the level of employment.
- The introduction of the national minimum wage will probably result in loss of jobs and the burden of reduced employment chances is likely to fall on lower skilled, smaller firms, youth and tradable

sectors. These are precisely the types of jobs the country need to be creating for the unemployed to fill.

- Other policies such as earned income tax credit similar to that in the United States, are better at increasing incomes without the same negative effects as the national minimum wage.
- The key issues to think about are the correct level of the national minimum wage, linkages between wages and productivity, how does the national minimum wage affect SDs and collective bargaining structures as well as who decide what the national minimum wage should be.

9. The presentation by Social Law Project of the University of the Western Cape (12 September 2014)

As an introduction, the presenter put the discussion on the national minimum wage in context of high levels of inequality and poverty between population groups with racial, gender and age dimensions resulting in African women being the most vulnerable group. The Organisation for Economic Cooperation and Development (OECD) put South Africa as amongst the countries with highest levels of inequality in the world with a Gini-coefficient of 0.69 (2011). According to the OECD, the richest 20 percent consume 61 percent and the bottom 20 percent consume 4.5 percent. The total of 23 million people or 45.5 percent of the population is classified as poor. The country is among those with highest levels of unemployment in the world at 25.2 percent. It is second in the Medium Developed Group of countries after Kiribati in the Pacific islands which stands at 30.6 percent. There is lack of social cohesion, which is evidenced by high levels of public protests and strikes. However, in addressing these glaring inequalities, constitutional as well as legislative framework has to be taken into consideration.

The presenter located the discussion on constitutional imperatives, which include human dignity; protection against unfair discrimination; freedom of expression and association; fair labour practice; right to organise and bargain collectively; as well as access to social security including social assistance.

He called on the members of the Committee to consider the national minimum wage within the legislative framework, which include the Labour Relations Act and Basic Conditions of Employment Act.

Finally, the Committee members were asked to consider the country's international law obligations as espoused in the International Labour Organisation's (ILO) Decent Work Agenda. According to the Country Programme agreed at Nedlac, there is: "Urgent need for national consensus on what constitutes a minimum wage and minimum level of living sufficient to meet the Constitutional guarantee of life and dignity and the need to develop wage policy on this basis." The value of work was introduced as a guiding concept where: "…work is valued for multifaceted reasons and serves multifaceted functions, some of which are clearly economic (understood in a restrictive sense of value added and remuneration) and many of which are not. It is in this range of values and functions, both economic and social, that we must seek to understand the place of employment within human development." (Fischer: 2014, p4). With regard to the value of work, while there is a view that domestic work must be excluded from the national minimum wage, the Social law Project is of the view that it must be included and properly valued.

Social Law Project propagates for the national minimum wage based on the following reasons:

- It contributes to reducing inequality and poverty.
- It addresses existing wage fragmentation by way of uniform coverage.
- It provides protection to vulnerable workers.
- It is simple and easy to understand and enforce.
- It serves as a foundation for improvements to employment conditions through collective bargaining.

Social Law Project made the following recommendations:

- Public consensus on the concept of national minimum wage should be fostered including how a figure is to be determined. Much work has already been done in this regard through institutes like the Study of Poverty and Inequality Institute (SPII).
- A wage policy should be developed as part of Decent Work ILO programme.
- The national minimum wage has to be located within the overall wage framework.
- A new collective bargaining model is proposed, which includes:
    - Coherent demarcation of sectors.
    - Greater state support for Nedlac, statutory and non-statutory bargaining fora, better equipped inspectorate etc.
    - New section 55(8) – Minister can be supportive of establishing a forum "for employees and employers who are not covered by any other sectoral determination".
    - Unpacking of bargaining levels to permit some issues to be bargained at workplace level.
    - Moving collective bargaining beyond the existing coverage of "standard employees".

10. The presentation by Professor Hall of the Institute for Poverty, Land and Agrarian Studies at UWC (12 September 2014)

Professor Hall provided statistics that show a decrease in the number of farms and an increase in the area per farm between 1918 and 2008. The statistics also showed that labour costs were less than materials and capital costs in agriculture between 1945 and 2010. There was also gradual decrease in employment while wages steadily increased between 1971 and 2007. She referred to the findings of the study that was conducted by Department of Labour in 2001, which found as follows:

- Children living in commercial farms were more likely to be stunted and underweight than any other children-almost one in three. Only one in four children on commercial farms are "food secure".
- A minimum wage was needed to provide a floor for wages.
- Job losses would likely affect unskilled workers, women and youth.
- A minimum wage is one contribution towards taking people out of poverty. It cannot be expected to achieve this by itself.
- A minimum wage would lead marginal businesses only viable through exploiting workers to exit the sector, making way for others.
- Best justification for minimum wage is to reduce inequality between sectors.

The SD of 2003 resulted in an average percentage increase of 4 to 44 percent. There was no ability or attempt to determine affordability. The rankings by districts were merged into a single national minimum wage for agriculture in 2009.

The presenter provided statistics to the effect that the agriculture industry employed 589 000 workers in 2008. The number decreased by 78 000 to 510 000 in 2011. It came up by 9.7 percent to 613 000 during the first two quarters of 2013. The reasons for the bounce back was reported to be mostly due to good commodity prices and higher exchange rate. PLAAS pointed out that the attribution of job losses in agriculture to the introduction of the sectoral determination is weak. The presenter referred the Committee to a study conducted by the Bureau for Food and Agricultural Policy of the University of Pretoria. The study found that most farms could not afford even a R20 increase in wages. It also found that R69 per day does not allow even a single worker to achieve food security, let alone a household.

The study showed that many farmers could not afford any increase above R10-R20 per person per day and predicted major job shedding and economic decline should a wage be imposed. It indicated that even R105 was too much for farmers. It also showed that even with substantial increases in wages, worker households would unlikely be able to afford sufficient nutritious food. It indicated that even R150 was too little. The BFAP report looked at R105 as an example close to the mid-point between R150 demand (unaffordable) and then existing R69 level (politically untenable). The new minimum wage was finally adopted with effect from March 2013.

Most farmers absorbed the minimum wage of R105 but R2 billion was added to the wage bill and 26 000 jobs (3.5 percent) were lost in March-June 2013. However, according to Professor Hall, the drop in employment was very small given the magnitude of the numbers and the size of the increase in the minimum wage. It is reported that there is a long term trend of steadily rising employment in agriculture since June 2011, along with a large shift from casual and seasonal to permanent employment.

The agricultural economists explain the above-mentioned phenomenon as follows:

- There is a growing demand for labour, especially higher skilled labour in more precision-based farming.
- Labour-substituting mechanisation has been largely achieved and therefore there is not much further scope.
- More marginal farm enterprises have already retrenched workers or gone under.
- Farms need to retain labour force in order to retain production levels.
- Farmers have been able to adjust production systems to make the new wages affordable-structural adjustments.

In essence the argument of PLAAS is that the job losses in agriculture are as a result of deregulation and liberalisation policies. They are also not in favour of a special dispensation for agriculture as proposed by the DPRU of UCT. Their argument is that the social wage, in which DPRU based its proposal, is shrinking anyway and there is difficulty in quantifying, monitoring as well as enforcing it.

PLAAS made the following conclusions:

- Macro-economic policy is the primary cause of the decline of employment in primary agriculture.
- This is closely associated with the trend towards consolidation of farm ownership and enterprises up and down the value chain,
- Rising cost of intermediate goods rather than labour, land or capital, plus growing power of downstream intermediaries and retailers, are the main explanatory factor in the cost-price squeeze in agriculture, not labour costs.
- Wage determinations have modestly increased real average wages and the overall wage bill, while the decline in employment has tapered off and the numbers of workers per farm is stable.

11. The presentation by the Progressive Professionals Forum (12 September 2014)

After a brief overview of the organisation, the presenter outlined the socio-economic conditions confronting the country post 1994. Among the challenges facing the country, the presenter mentioned extreme inequality with 10 percent owning more than 68 percent of the total income; failure to transform apartheid labour structure, particularly cheap labour and income distribution; high unemployment rate; and transformation in education not addressing real needs. However, there were also positive developments mentioned such as the phenomenal growth for the black middle class.

The PPF is supportive of the introduction of a national minimum wage whose aim must be to ensure that vulnerable workers are guaranteed a minimum income. This minimum wage should apply to the minority of workers not covered by the sectoral collective bargaining agreements. The national minimum wage will lift the working poor from extreme poverty and facilitate the redistribution of wealth in an unequal society. PPF is of the view that this is a positive step towards achieving a decent working class environment.

However, PPF caution that the national minimum wage should not be a quick fix or done in isolation of other laws governing poverty alleviation. It advised that further research be conducted in order to understand the complexities which could exist around employment conditional benefits, payroll tax and the like. The organisation states: “The PPF are cognisant of the claims of some critics that job losses or severe damage to the economy may occur, however US economists including 5 Nobel Prize Winners state that there will be improvement in the lives of the low income workers and a positive spin off for their families.”

The PPF sited Business Process Outsourcing (BPO) as the sector that requires regulation in the form of the national minimum wage. It is said to be the only sector to have grown by 37 percent during the recession and growing year on year. The sector has a demand for 15 000 jobs over the next 3 years. According to PPF, the high performance of the sector is a result of South Africa’s unique customer services ethos and English language capabilities compared to countries such as India and the Philippines. The sector has an annualised attrition rate of 52 percent and therefore the national minimum wage will formalise the sector and reduce labour disputes thereby creating a professional image, which is long overdue.

The PPF calls for a more realistic basket to measure GDP in order not to disadvantage the poor. It also calls for an improvement in productivity to ensure the revenue line is more sustainable to fund a decent wage. The PPF called upon economists to compute and publish the multiplier effect of the introduction of the national minimum wage.

In conclusion, the PPF proposes that exemptions of the informal sector, small businesses employing less than 50 employees and industries where sectoral determination already exists be considered.

12. The presentation by the Agri SA (17 September 2014)

Agri SA welcomed the opportunity to address the Portfolio Committee on Labour regarding a possible national minimum wage. It acknowledged the important role that farm workers play in the sector. It pointed out that the agricultural sector is unique in the sense that a farm is a place where farm owners, managers, workers and their families live and work together on the same property. In many instances, close relationships existed between farmers and workers for generations. Sound relationships ensure a harmonious and productive workforce.

However, Agri SA is of the view that the introduction of a national minimum wage at a higher level than what is currently applied in agriculture will result in unintended consequences such as job losses and competitive advantage for neighbouring countries.

Agri SA referred to the National Development Plan’s (NDP) objectives in respect of Agriculture. They point out that a policy environment that is supportive for job creation is needed to achieve the NDP goals. They also noted that the NDP's assumptions were based on a lower minimum wage of R67 per day which was applicable at that stage.

Agri SA took the Committee through an overview of the sector including the diversity of the sector in terms of labour intensity, a 32 percent decline in the number of farming units between 1993 and 2007 (1993: 57 980 and 2007: 39 982) as well as a decline in employment from 1 million in 1993 to 796 806 in 2007. As a result 20 percent of commercial farms are responsible for 80 percent of SA's total production. This reflects an increase in mechanisation as wages rise which is expected to continue to result in a lower number of jobs but increased employment opportunities for staff with higher skill levels and higher levels of remuneration.

Agri SA referred to statistics from the Department of Agriculture, Forestry and Fisheries, which showed that the wage bill amounted to approximately R14.5 billion or 13.3 percent of total cost in 2013/14. They further argue that the situation could be worse if the social wage is factored in. They cautioned that the ability of farmers to pay higher wages should be considered against the backdrop of a sector that is a price taker not a price maker. The presenter referred to a study by DPRU of UCT which found that the introduction of a sectoral determination in the agricultural sector resulted in a 17 percent decline in employment in the first year after implementation.

The presenter also quoted statistics to the effect that significant increase of 52 percent in the minimum wage in 2013 had a major impact on the sector. Statistics South Africa recorded 73 000 job losses in the second quarter of 2013/14 year-on-year.

Agri SA argued that the higher national minimum wage could be highly attractive to foreign workers resulting in an increase in foreign workers entering the country for better economic prospects. Further, they argued that it will most probably enhance the attractiveness for South African farmers to invest in neighbouring countries where vast comparative advantages existed in terms of cost and quality of land, water and labour. Agri SA also predicted a substitution of local production by imports from foreign countries if the minimum wage is set higher than the current applicable one.

Agri SA submitted that the following factors be taken into consideration when deciding on the national minimum wage:

- Adjusting minimum wages or wages in general will, if not accompanied by productivity improvements, aggravate the challenges, i.e. lack of investments, balance of payment pressure, cost of doing business and high levels of unemployment which the economy is already facing.
- Lack of competitiveness will ultimately defeat the noble goals of social upliftment and employment creation if minimum wages are set out of context.
- Ranking of South Africa by the world rating agencies such as the World Economic Forum in its Global Competitiveness Report.

- Sectoral considerations, rural vs urban labour characteristics, skills availability, employer contribution to the social wages and differing minimum wages currently will have to be factored into a national minimum wage to avoid unintended consequences.

Agri SA concluded that a minimum wage set at a higher level than the current wage determination for agriculture will result in more structural adjustments to accommodate the higher wages. These adjustments include the shedding of jobs, increased mechanisation and the consolidation of farming units endeavouring to maintain competitiveness and profitability.

13. The presentation by the Chamber of Mines of SA (19 September 2014)

The presenter took the Committee through an overview of the mining industry and the wage negotiations in the gold sector. Unlike in the platinum sector, negotiations in the gold sector took place at a central level under the auspices of the Chamber of Mines (COM) as the employers' representative. The employees were represented by four unions namely National Union of Mineworkers (NUM), Association of Mineworkers and Construction Union (AMCU), United Association of South Africa (UASA) and Solidarity. All unions with organisational rights, regardless of their representativity have access to negotiations e.g. Solidarity represents two percent of employees. The bargaining unit is representative of categories four to eight employees, which comprise miners and artisans as well as officials. The total number of employees represented at the bargaining unit is 90 000. The outcome of the negotiations was a two year agreement concluded in 2013, which would expire in June 2015.

The presenter reported that over the past decade, the average basic wage increase had been above the consumer price index (CPI). The trend had been towards the sliding scale where lower category employees received a higher proportion of increase than the higher categories. This was done purposely to address wage inequality in the gold sector.

The Committee was informed that the gold sector is also addressing the issue of employee indebtedness and employee accommodation. Further, the issue of employees living in informal settlements was attributed to the living-out allowance introduced ten years ago at the request of unions being used to augment the disposable incomes instead of renting decent accommodation.

As an attempt to improve the conditions of entry level employees and close the wage-gap, the presenter informed the Committee that categories one to three were rolled up, hence the entry level is now category four. The sector had also put a provision in service contracts that requires contractors to offer their employees wages as well as terms and conditions of employment that are not less favourable than those offered by mines to their employees.

The Committee was also told that the sector introduced employee benefits to address inequality. The mineworkers provident fund was established after the 1987 gold strike and the employers were contributing 15 percent of the basic salary while employees contributed eight percent. There was free health care for employees or medical aid for employee, spouse and children on a 50:50 contribution basis. The companies contributed 60 percent for first time members.

In order to address legacy issues that exacerbated inequality, the Committee was told that the industry introduced the living out allowance; was working on housing, including home ownership; was working on transforming the migrant labour system; and was also working on addressing employee indebtedness.

The COM expressed appreciation of the value of the minimum wage in addressing income inequality but suggested that it be explored collectively by all stakeholders. Some of the issues they suggested be taken into account include the meaning of a minimum wage, whether it refers to an actual wage, included social wage, basic salary or basic salary plus benefits. They also pointed out that a minimum wage was but one of a range of mechanisms to address inequality and that it might be inappropriate to implement it across all industries as it will not necessarily take into account realities within different industries such as skills levels required, geographic spread, labour intensiveness, size of business and economic realities of each industry. For the same reasons, they argue that a national minimum wage for an industry as a whole and with no distinction between different sectors might also be inappropriate. An example is the difference between the gold sector that is more labour intensive deep level mining as opposed to coal sector that is mechanised open cast mining.

COM suggested that a national minimum wage be pegged at a level which does not threaten existing jobs or job creation, undermine the sustainability and competitiveness of a business and leads to informalisation. They pointed out the difficulty in enforcement of a national minimum wage, particularly in the informal sector. COM also enquired as to what was going to happen to existing minimum wage agreements concluded through voluntary collective bargaining process and the existing SDs made by the Minister of Labour.

COM concluded by stating that the national minimum wage is a complex issue that should be explored collectively by stakeholders in the spirit of putting South Africa first and finding ways to address inequality.

14. The presentation by AHI Business Network (23 June 2015)

The presentation focused on the importance of entrepreneurship as well as small and medium enterprises in job creation. The presenter used the metaphor of a human organism to describe how different aspects of business are organised to form a functioning entrepreneurial entity. The presenter provided statistics on contribution of private entrepreneurs and government to Gross Domestic Product (GDP) and job creation respectively. His statistics reflected that entrepreneurs' contribution amounted to 83 percent of the GDP while the state contribute 17 percent. Entrepreneurs contributed 72 percent to job creation while the state contributed 18 percent. The presenter also highlighted the high level of unemployment in the country in general and more particularly among the youth.

The presenter identified the minimum wage as a human development and economic imperative. However, he cautioned against a "one size fits all" approach in the South African context given the already high unemployment rate and the low levels of anticipated economic growth. He proposed that:

- The level at which minimum wages are set should take into account the likely negative effects on employment.
- The wage regulations should focus on sectoral minimum wages.
- The determination of minimum wage levels should be a matter of sectoral research and bargaining.

During engagement on his presentation, the presenter pointed out that his organisation supported the sectoral approach to minimum wages. When asked about his proposal on level of minimum wage, he conceded that his organisation has not done research on minimum wage levels.

15. The presentation by South African Domestic Services & Allied Workers Union (SADSAWU) (23 June 2015)

SADSAWU's presentation was premised on the working conditions and wage level of domestic workers as stipulated in the sectoral determination. The presenter was of the opinion that the sectorally determined wage of R2 067 did not meet the basic expenses of workers, which amount to R4 750 according to statistics that she provided.

The presenter proposed a national minimum wage of no less than R5 000 as a requirement for making a difference in quality of life. However, she acknowledged that consideration should be given to the current economic situation of the country and more specifically the high unemployment rate.

16. Presentation by Mamiya Travel Tours (23 June 2015)

The representative of Mamiya Travel Tours' presentation focused on employment equity, which he said was not being observed in the travel industry.

It became apparent that the presenter had not prepared a presentation on national minimum wage. He did not propose any level of the minimum wage. When probed by Committee members, he informed the meeting that tour guides and drivers are paid on day-to-day basis.

17. Presentation by Confederation of South African Workers (CONSAWU) (23 June 2015)

CONSAWU's presentation focused on vulnerable sectors, which include farming, contract cleaning and domestic sector. The presentation included a table outlining average earnings and average expenses for essential goods. The presenter estimated the average earnings to be R2 500. She included amongst other essential goods travelling; rent; electricity; water; and medicines which she costed at R500; R300; R200; R200; and R100 respectively. The presenter also outlined the average prices for VAT free food items. She estimated that approximately two million workers lived in poverty. However, she acknowledged that the study she was referring to was not scientifically based.

CONSAWU contended that a national minimum wage must address both the achievement of substantive equality as envisaged under section 9 and 27 of the Constitution, with a specific aim of reducing poverty levels in the country. The suggestion was that a national minimum wage would have to be supported by other measures such as social security to ensure a more holistic approach to poverty reduction and improved standards of living.

The presenter welcomed the promulgation of sectoral determinations as a major step in regulating the wage of the working poor. However, she cautioned against setting the minimum wages too high as it might lead to loss of jobs in vulnerable sectors given the current state of the economy. She pointed out the discrepancy between the median wage of R2 800 and the average of R14 911, which reflects the disparity in wages. The presenter suggested an increase in the household income requirement for qualification for social grants so that those who receive these grants do not lose them as a result of increase in their wages.

CONSAWU proposed that as a first step, cognisance should be taken of provisioning of the following basic amenities in communities:

- The qualitative provisioning of no fee schools that must be located in communities where the needs are greatest in improving access to education.
- Improved access to primary health care centres that provide services which take into account family health, primary health, family planning, voluntary counselling and testing services and mental health. Progressive reduction of doctor-to-patient and nurse-to-patient ratios to ensure timeous treatment and qualitative service delivery.
- Provision of child/ youth care community centres that provide sport, guidance and counselling, library facilities, crèche facilities that reduce the burden of after school care on working parents. It proposed that early childhood development be one of the focal areas of attention at such centres. The intention and purpose of such centres should be to promote healthy life styles and choices for the youth while providing a safe haven for children when parents/ guardians/ siblings are at work.

CONSAWU did not make any proposal on the level of the national minimum wage. It suggested that before making such a pronouncement, a qualitative and quantitative needs analysis be conducted on the impact of state sponsored social assistance on the reduction of poverty. The analysis should not only focus on the employed but also in households where no one is employed. CONSAWU also proposed an assessment of the needs of communities with regard to the provisioning of basic utilities and services. Further, they proposed the development and creation of a social security fund that offers long term relief for the unemployed.

18. Presentation by the National Union of Metal Workers of South Africa (NUMSA) (24 June 2015)

The NUMSA presenter introduced his presentation by reflecting on the Freedom Charter clause that deals with the national minimum wage. He also reflected on the economic context of the country. More specifically, he reflected on the high unemployment rate (35 percent), high level of inequality (0.63), the proportion of people living below the food poverty line (over 20 percent) and the small proportion of workers who are covered by bargaining councils (9 percent). Approximately 30 percent of working South Africans belonged to trade unions, according to the presenter. NUMSA supported the call for a national minimum wage and submitted that it was a requirement for workers to cover their cost of living. The presenter provided some statistics to highlight the level of income inequality. According to him, half of the working South Africans earned a monthly salary of less than R3 033 per month while the average monthly salary is R15 000. He estimated that approximately 12 million working South Africans need the national minimum wage and proper unemployment benefits to support themselves. The presenter also reflected on sectoral determinations for the 2014/15 financial year.

NUMSA proposed that South Africa should adopt and implement a national wage policy based on:

- Abolishing the apartheid wage gap.
- Abolishing all conditions which impede the development of trade unions and the rights of all workers to organise in trade unions; to bargain for wages and conditions of employment; and to strike.

NUMSA also proposed that South Africa should adopt an industrial strategy that focuses on job creation in sectors with higher wages; and growth in sectors that can contribute to increased domestic demand and benefit from it. According to NUMSA, restructuring of the economy must include:

- More government investment;
- Lower interest rates;
- Preferential financing for chosen industries that applied the national minimum wage;
- Limiting financial market speculation;
- Stopping companies from illegally exporting profit, which is estimated at between 10 and 20 percent of GDP; and
- Radical wealth distribution.

NUMSA proposed that the national minimum wage would have to be legislated and annually adjusted to the inflation level. It further proposed that the legislation must have built-in enforcement mechanism; ensure no job losses; and ensure that the existing sectoral determinations are adjusted upwards. NUMSA cautioned against the national minimum wage becoming the maximum wage.

NUMSA proposed that the national minimum wage must be part of a comprehensive social security system, which must include:

- A grant for the unemployed or a living allowance for the unemployed in the form of grocery vouchers and/or travel coupons;
- Improved retirement contribution by employers;
- Improved UIF contribution by employers; and
- Improvement in the quality service delivered by the state.

19. Presentation by South African Chamber of Commerce and Industry (24 June 2015)

The South African Chamber of Commerce and Industry (SACCI) was of the view that the sectoral determinations that covered 4.5 million workers and the existence of the Employment Conditions Commission together offer the requisite social protection of workers and avoidance of exploitation. In SACCI's opinion, the introduction of a national minimum wage at this time might prove to be an impediment. According to SACCI, the plight of millions who are striken by poverty will receive little or no benefit from the introduction of a national minimum wage. In SACCI's view and under current circumstances, it is less about whether people in employment earn more or less, than it is about getting far more people into employment and that will be achieved only if there is an aggressive focus on creating the conditions in which the economy can grow at least 3 to 4 times faster than it is at present.

SACCI referred to research on sixteen different countries where minimum wages were implemented. According to the afore-mentioned research, six countries had positive outcomes for the economies as well as employment, while the other six experienced a decline in the number of jobs and the rest appeared to have no apparent effect one way or the other. SACCI cautioned against taking minimum wage initiatives out of context of the countries' economic and social circumstances as what may work well in one country might not in another.

SACCI attributed Brazil's positive experience to considerable growth in the economy in respect of production resulting in business prosperity of unprecedented proportion. In the wake of this, the rate of job creation was complimented by the rate at which people gained relief from poverty. Therefore, according to SACCI, the national minimum wage was a useful tool by which enhanced prosperity could be managed so that it was more widely distributed than might have been the case otherwise. On the other hand, the Thailand Development research Institute found that the small and medium businesses of the country would be adversely affected by the national minimum wage. Productivity would have to increase by eight percent to mitigate the extra employment costs.

SACCI is of the view that the influence of consumption relative to production is already far too high and unsustainable going forward. According to SACCI, an increase in GDP based on spending is not what the country needs, particularly when there are too many circumstances stacked up against meeting any additional product demand. Further, they are of the view that the correlation between consumerism and importation is too high.

SACCI believed that the fear that the introduction of a national minimum wage will inhibit employment was well founded. They estimated that 49 000 SMEs growing at 20 percent each year will be required to enable South Africa to meet the NDP target of 11 million jobs by 2030.

20. Joint presentation by COSATU, FEDUSA and NACTU (24 June 2015)

The presenter introduced the joint submission by contexualising the debate on the national minimum wage. The context was that of excessive levels of income inequality, working poverty and high unemployment rate despite the achievement of democracy in 1994. The labour federations proposed the transformation of the apartheid wage structure and introduction of a coherent wage solidarity policy. Among the challenges that they identified was that the collective bargaining system was under attack and that the minimum wages in sectoral determinations and many bargaining councils agreements were way below the minimum living level (about R4 500 to R5 500 per month).

The presenter summarised the proposals of the labour federations as follows:

- Adoption of a legislated national minimum wage;
- Introduction of new collective bargaining strategies to reconfigure the wage structure based on the comprehensive centralised bargaining;
- A campaign for comprehensive social protection;
- Connection of the strategy to appropriate economic strategies aimed at promoting industrialisation; and
- The national minimum wage combined with restructured collective bargaining system should consciously be designed as part of a South African wage solidarity model to:
    - Progressively increase real minimum wages and reduce gaps in overall wage levels; and
    - Improve pay for all those in the bottom half of the wage structure.

The presenter quoted the statistics from Statistics South Africa, which showed that a worker supporting four dependents in 2014 needed to earn R946 per family member or at least R4 730 per month to save his or her family from poverty. However, he outlined the snapshot of working poverty as follows:

- In 2014, 50 percent of all South African employees earned below R3 033 per month (Quarterly Labour Force Survey), indicating a drop of more than 10 per cent in real terms from 2012;
- In 2014, 50 percent of women workers earned below R2 600 per month;
- In 2014, 50 percent of African workers earned below R2 800 per month;
- In 2013, 50 percent of workers in the formal non-agricultural sector earned below R4 333 per month; and

- In February 2014 the average wage for all workers in the formal non-agricultural sector was R14 731 (Quarterly Employment Survey).

However, there was concern amongst researchers that QLFS figures may under report real wages by at least 40 per cent.

The huge gap between the average wage in the formal non-agricultural sector of R14 731 and the median wage in that sector of R4 333 was a reflection of massive inequalities in wage structure. Internationally, the minimum wage was 40 percent of the national average. In South Africa it was about 20 per cent, in current prices.

The wage gap between the top and bottom earners in South Africa was increasing at an alarming rate, according to the presenter. In 2010, the top 5 percent earned around 30 times more than the bottom 5 percent of employees. By 2014, the gap had increased to almost 50 times. The two thirds of workers covered by sectoral determinations in 2007 were living in poverty (DPRU). The presenter quoted statistics to the effect that remuneration has lagged behind productivity and labour had received a decreasing portion of national income over the last 20 years.

The presenter quoted statistics from other countries, which point at mounting evidence that moderate minimum wages can do more good than harm. He also pointed out that low and declining wages do not create employment as there is evidence that real wages of low skilled workers have fallen since the 1990s but jobs for the low skilled have shrunk by nearly a million. Yet 2.5 million jobs have been created for higher paid higher skilled workers over the same period, despite large increases in real wages.

The presenter also pointed to low levels of salaries that were collectively bargained in bargaining councils in the fourth quarter of 2014. Only 8.6 percent of salary increases were negotiated through bargaining councils.

With regard to the minimum wage level, organised labour proposed the needs based approach driven partly by the assertion by workers themselves as to what constituted their basic needs combined with objective scientific surveys. They also proposed a medium term strategy or road map for transforming the wage structure in a managed way as opposed to minimalist or maximalist approach. This would be achieved by starting with a level of the national minimum wage which significantly improves the income of low paid workers, progressively increasing the value of the national minimum wage in line with achieving the average wage and minimum living level targets within a reasonable time. Another proposal was to have one national minimum wage complementing a system of compulsory centralised bargaining or at least promotion of comprehensive collective bargaining. Finally, they proposed the capacitation of inspectorate services of the Department of Labour and publication on a year-by-year list of non-compliant employers on a name-and-shame list.

21. Overall Findings of the Committee on Workshops' presentations

After listening to all the presentations, the members of the Portfolio Committee on Labour made the following findings:

- The impact of introducing the SD on employment levels in the Retail, Domestic, Forestry, Taxi and Security sectors was statistically insignificant.
- There was significant increase in wages in the Taxi, Domestic, Security and Retail sectors as a result of the introduction of the SDs.
- There was a change in working hours as a result of introduction of SD. The working hours increased from 42 to 49 hours per week in the Agricultural sector between 2002 and 2003. In the sectors where employment continued to grow after introduction of SD (Retail and Security), there was reduction in the usual number of weekly hours.
- Agriculture sector specific findings:
    - In areas where the wage gap was higher before the introduction of the SD, there was decrease in employment after it was implemented.
    - The farmworkers who kept their jobs received a significant wage increase of close to 18 percent.
    - A move away from non-permanent workers was recorded.
    - The number of workers with a written contract of employment increased to reach 57 percent in 2007.
    - Employment level fell significantly in response to introduction of the SD.
- Non-compliance to the SD was recorded at 45 percent. There was a dramatic shift towards compliance in the Agricultural sector. Western Cape and Gauteng were the best performing provinces in terms of partial compliance in Agriculture.

Section B
The public hearings were commenced in the Western Cape in November 2014 and finalised in Mpumalanga in April 2015.

22. Public hearings held in the Western Cape

22.1. Gugulethu Sports Complex (7 November 2014)
The delegation at Gugulethu Sports Complex included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms PT Mantashe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr IM Ollis (DA)
Mr MA Tlouamma (AgangSA)

The members of the public who attended came from different parts of the residential areas surrounding the Cape Town metropole, including Gugulethu, Heideveld, Langa and Khayelitsha. The work background of the speakers varied from domestic workers to cleaners, security guards, community work project workers, public service workers and the unemployed. Their views on the national minimum wage and related issues also varied and are thematically reported below.

On the theme of the level at which the national minimum wage must be set, the majority of speakers supported R5 000 per month. Higher amounts of R5 500, R7 000 and R20 000 were also proposed. However, two speakers cautioned that setting the level at R5 000 or higher could lead to job losses and to employers opting for foreign nationals who were prepared to settle for less. These two speakers proposed that the level be set at R2 500. This was also the lowest proposal that came out of this session. The minimum salary levels of R3 500, R4 000 and R4 500 per month were also proposed. Another proposal was that the salary level be set according to the level of education. For example, employees with grade 12 should be paid R12 000 per month and R15 000 for employees with tertiary qualifications.

22.2. Paarl-East Thusong Centre (8 November 2014)

The delegation at Paarl-East Thusong Centre included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms PT Mantashe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr IM Ollis (DA)
Mr MA Tlouamma (AgangSA)

The Paarl leg of the public hearings was attended mostly by farm workers from the farms surrounding the area. Nevertheless, most speakers raised complaints about conditions of service on the farms rather than the issue at hand. The delegation was familiar with the issues that were raised as the Committee has conducted oversight in Western Cape farms. The Chairperson and other members of the delegation had to intervene on several occasions to remind the members of the public about the purpose of the hearings.

The majority of the speakers proposed a daily wage of R250. This proposal translated to R5 000 per month for an employee who worked 20 days per month. Therefore the majority proposal of Paarl was similar to that of Gugulethu even though the speakers came from different backgrounds. Other proposals included R150, R200 and R225 per day translating to R3 000, R4 000 and R4 500 per month respectively. Of concern was also the issue of exemptions of some employers that apply to the sectoral determination on farm workers. One of the speakers requested that exemptions should not apply to the national minimum wage. The workers also raised complaints about victimisation by the farm owners after the revision of the sectoral determination subsequent to the Western Cape farms strikes. The alleged victimisation included charging for services that were freely provided before the revision of the sectoral determination, e.g. transport, accommodation and electricity.

Other issues raised included non-compliance with labour laws such as the sectoral determinations; long working hours in contravention of the Basic Conditions of Employment Act; protective clothing not provided; no deductions in lieu of the Unemployment Insurance Fund; paid sick leave and double pay for working on public holidays not adhered to; and poor working conditions such as workers transported by trucks constituting an occupational hazard.

23. Public hearings held in the North West
23.1. Klerksdorp-Matlosana City (25 November 2014)

The delegation at Klerksdorp-Matlosana included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Ms PT Mantashe (ANC)
Mr IM Ollis (DA)
Mr M Bagraim (DA)

Members of the public comprised union representatives, mine workers, domestic workers and ward committee members. Ward committees are structures through which community participation in local governance is facilitated. The majority of the speakers were ward committee members followed by mine workers. Several speakers made sector-specific proposals, e.g. R9 500 for underground mine workers, R1 500 for ward committee members, R2 500 for those employed in shops owned by foreign nationals (in particular Chinese and Pakistanis), R4 500 for municipal field workers and R4 000 for liquor stores workers. General minimum level proposals ranged from R4 500 to R9 500.Other amounts mentioned were R5 000, R5 500 and R6 000. The most common justification for the proposals was to keep up with inflation.

Other issues that were raised were around the conditions of employment such as non-compliance with labour laws such as the sectoral determinations, racial discrimination in the workplace, disparities between executive and entry level salaries, long hours of work in contravention of the Basic Conditions of Employment Act, low salaries for Extended Public Works Programme (EPWP) workers and no tools of trade for ward committee members.

23.2. Rustenburg Civic Centre (26 November 2014)

The delegation at Rustenburg included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Ms PT Mantashe (ANC)
Mr IM Ollis (DA)
Mr M Bagraim (DA)

The majority of the speakers were mine workers. Other members of the public who attended were domestic workers, construction workers and workers from postal services. Their proposals on the level of the national minimum wage were sector specific. Some of these proposals were R3 000 for domestic workers; R8 500 and R16 000 for general mine workers; R9 500 to R10 000 for underground mine workers; R4 000 for security personnel; between R6 000 and R7 000 for vulnerable workers; R6 500 for construction workers; R8 000 for surface mine workers; R7 000 for postal services workers; and R6 500 per month for employees of Mr Price. The mine specific proposal was that every worker should earn R12 500 three years from then.

Other complaints were similar to those raised at the Matlosana City hearings, e.g. protective clothing not provided for EPWP workers, long working hours for domestic workers and non-compliance with sectoral determinations. The public also raised concern at losing their jobs as a result of demanding a national minimum wage and wanted to know what the government would do to protect them against such dismissals. The issue of discrimination was raised with regard to only black workers working underground while white workers worked on the surface in offices. Disparities in salaries for the EPWP workers was raised as a cause for concern. There was also a proposal for the abolition of sectoral determinations based on the view that the system was not enforced.

24. Public hearings held in Gauteng
24.1. Johannesburg City Hall (3 February 2015)

The delegation at Johannesburg City Hall included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr M Bagraim (DA)
Mr PG Moteka (EFF)

The Gauteng leg of the public hearings was well attended by members of the public. The majority of those who made oral submissions were representatives of organised labour.

The submissions varied from a sectoral minimum wage to general national minimum wage. The sectoral submissions ranged from R4 000 to R24 000. For example, one submission proposed R4 000 for ward committee members. The motivation was that since the project started in 2010, workers had been earning R600 per month. This category of workers was well represented and their grievances appear to be national since similar problems were also raised in other provinces. Another sector-specific proposal was the minimum wage for domestic workers. An organiser for the Domestic Workers Union complained of exploitation of domestic workers. She mentioned that the sectorally determined R2 080 - the actual amount was R2,065.47 for domestic workers who worked more than 27 ordinary hours per week in urban areas - was insufficient for meeting the needs of domestic workers. The proposal was R4 000 for those residing at their workplaces and R4 500 for those who travelled to work on daily basis. A chemical worker reported that she earned R4 992 per month and felt that this was not sufficient when considering the hazardous nature of her job. She proposed a raise of R1 000 to R5 992 per month. Other sector-specific proposals included R8 500 for hospitality (hotel) workers, R15 000 for steel workers, R16 000 for tour guides and R24 000 for cash-in-transit personnel and truck drivers.

The general national minimum wage proposals ranged from R4 500 to R20 000 per month. The more common figures were R7 000, R12 500 and R15 000 per month. Motivation for the national minimum wage included: vast income disparities between Chief Executive Officers and ordinary workers; on average one worker supported 10 dependents, the national minimum wage would revive the economy of the country through stimulating demand and it would address issues of inequality and poverty.

25. Public Hearings held in the Free State

25.1. Bloemfontein City Hall: (4 February 2015)

The delegation at Bloemfontein City Hall included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr IM Ollis (DA)
Mr PG Moteka (EFF)

Some members of the public who made oral submissions in the Free State province stated that they were from Kimberley.

Some of the oral submissions were sector-specific while others were more general. The most dominant sector-specific submission was the proposal for R12 500 per month for mine workers. Other proposals included R8 500 per month for motor industry workers; R7 000 per month for security personnel; R5 000 per month for cleaners, petrol attendants, farm workers and foundation level educators; R4 500 per month for farm workers; and R180 to R200 per day for EPWP workers, which translated to R3 600 to R4 000 per month.

The general submissions ranged between R7 000 to R20 000 per month. A proposal of R8 500 featured more prominently. One unique submission proposed a minimum wage of R8 500, a medium wage of R15 000 and a maximum wage of R30 000. However, the presenter did not go into details on the method used to arrive to these figures or motivate for the afore-mentioned amounts

26. Public hearings held in the Eastern Cape

26.1. Port Elizabeth, New Brighton – Nangoza Jebe Hall (5 February 2015)

The delegation at Port Elizabeth included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr M Bagraim (DA)
Mr PG Moteka (EFF)

The Eastern Cape session of the public hearings was well attended by members of the public. Over 40 per cent of those who made presentations were ward committee workers. Their grievances were similar to those raised by ward committee members in other provinces.

The representative of the ward committee members gave a background to their grievances. He informed the parliamentary delegation that they were sworn-in in June 2014 by the former MEC. He further said that they were promised a stipend of R1 000 per month and some tools of trade such as cell phones. However, they only received R2 000 in December 2014, while ward committee members from other municipalities had been receiving stipends since 2011. He also complained of not being provided with proper identification tags to be identifiable when visiting communities. He proposed a minimum wage of R5 000 per month, which was supported by most of the ward committee members present. The ward committee members also demanded that they be paid equally regardless of the municipality they assist. Other complaints included not being paid when they did not attend council meetings despite having conducted door-to-door community visits. Other ward committee members came with different proposals such as R2 500 per month and R7 000 per month.

Other sector specific submissions came from EPWP workers. Their proposals ranged from R1 500 to R7 000 per month. One EPWP supervisor proposed R4 500 per month for supervisors and R1 500 for ordinary workers. There was also a proposal for extension of contracts for EPWP workers. Currently, the EPWP workers were reported to earn R600 per month for working two days in a week. There was also a proposal for Assistant Councilors to earn R20 000 per month. One speaker proposed that the salaries of cookers for school children be raised from R700 to R2 000 per month. The recommended stipend for community police forums volunteers was R5 000. A presenter who said that she is working as a 20/20 volunteer proposed that their salaries be increased from R1 500 to R3 500 per month. The motivation was that they buy their own protective clothing and are exposed to health hazards like contaminated waste.

The general national minimum wage proposals ranged from R4 500 and R12 500 per month. However, the figure that was most common was R7 000 per month.

27. Public hearings held in KwaZulu-Natal
27.1. Pinetown Municipal Hall (6 February 2015)

The delegation at the Pinetown Municipal Hall included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms SR van Schalkwyk (ANC)
Mr IM Ollis (DA)
Mr PG Moteka (DA)

The KwaZulu-Natal public hearings' meeting was well attended. The targeted audience for this leg of the hearings was the clothing and textile sector workers. The Chairperson and other members of the Committee had to intervene on several occasions as the speakers were raising issues related to conditions of employment rather than minimum wage proposals.

The submissions comprised a few broad national minimum wage proposals and other sector-specific proposals. The broad proposals ranged from R3 500 to R6 000. A COSATU representative referred to research that found that R5 500 was sufficient income for a family of five. However, he pointed out that most workers supported extended families. He recommended comprehensive social security to address the high unemployment rate and poverty. He also suggested an extension of the time for the hearings until 14h00. The Chairperson explained that there were still going to be workshops where union federations would have an opportunity to make their inputs. She also referred to the NEDLAC process in which organised labour was participating.

The sector-specific proposals ranged from R4 000 to R7 000. There was a proposal of R200 to R250 per day (R4 000 – R5 000 per month if working 20 days) for EPWP workers. Submissions for domestic workers ranged from R3 000 to R8 000. The speakers for the domestic worker sector complained about long working hours and verbal abuse by their employers. One speaker who introduced himself as a shop-steward made a submission in support of R7 500 for workers in the clothing and textile sector. His motivation was that the clothing and textile sector was the lowest paid sector. An amount of R5 500 was proposed for community workers. A proposal was put forward for the stipend to start at R4 500 per month. Another stipend-related proposal was that they (stipends) be banned. A ward committee member complained that they earned only R1 000 per month from which they had to buy food and make phone calls. They proposed R6 000 per month for ward committee members. One speaker who introduced himself as the security officer complained of poor working conditions and a low salary of R3 000. He proposed R7 000 per month for the security sector.

28. Public hearings held in Limpopo
28.1. Ga-kgapane Sasko Hall (14 March 2015)

The delegation at Ga-Kgapane-Sasko Hall included the following Members of Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe ANC)
Ms TMA Tongwane (ANC)
Mr D America (DA)
Mr WM Madisha (COPE)
Mr MA Tlouamma (AgangSA)

Farm workers comprised the majority of those who made oral submissions during the Limpopo leg of public hearings. The Chairperson had to intervene after the fourth speaker to remind the members of the public about the subject of the public hearings.
The majority of speakers proposed R5 500 as the national minimum wage applicable to all workers. This was followed by a proposal of R5 000, which was submitted by two speakers. The motivation for the submissions were, amongst others, to be able to support extended families, educate their children, afford health care for themselves and their families and to afford travelling expenses for those workers who are not provided with farm accommodation.

Other grievances raised were similar to those of farm workers in other provinces. Some farm workers complained of being paid less than the stipulated sectoral determination. One farm worker reported that he earned R900 per month and from this amount he had to use R300 for transport. He was then left with only R600 for other monthly expenses such as groceries. This was not sufficient for him to take care of himself, not to mention his family. There was also a complaint of farm workers being forced to buy some goods from the farmer. This practice resulted in a reduction in take-home pay of workers as a result of deductions of money owed to the employer. The new amended labour laws prohibit this practice. Some workers also complained of being expected to buy their own work clothes. There was also a complaint of unequal pay for work of equal value. The new labour law amendments also prohibit this practice except under exceptional circumstances, e.g. differentiation based on length of service. The issue of labour brokers was also raised and the lack of capacity of the Department of Labour to conduct regular inspections.

29. Public hearings held in the Northern Cape

29.1. Hartswater Town Hall (28 March 2015)

The delegation at Hartswater Town Hall included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms PT Mantashe (ANC)
Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr MA Tlouamma (AgangSA)

The majority of those who made submissions during the Northern Cape leg of the public hearings were mostly farm workers. The target audience for this leg of public hearings was farm workers, implying the targeted sector was reached.

A proposal of R5 000 was made by the majority of those who made oral submissions. The predominant motivation for this amount was the rising cost of living. The highest amount proposed was R10 000. The motivation was that it was sustainable for raising families and paying for children's education. A representative of Agri-Northern Cape proposed R2 606 as per the sectoral determination, and the motivation was that it would prevent further job losses in the sector as it had happened in 2011/12. The COSATU representative proposed R250 to R300 per day to keep up with rising cost of living. He also cautioned that the national minimum wage must not replace sectoral determinations and collectively bargained wages. He also advised that farmers who pay incentives as per profit must be encouraged to continue doing so. One worker from the Department of Agriculture proposed R6 600 per month or R300 per day. He also cautioned that the national minimum wage must consider issues such as salary deductions for electricity bills and transport. He also advised that working hours have to be monitored since employers have a propensity of increasing hours when forced by regulations to increase wages.

Other issues raised that were not directly relevant to the national minimum wage were salary disparities based on race and sex, lack of death benefits, poor working conditions, indefinite employment on a temporary basis, the requirement of documentary proof for death benefits and non-adherence to government regulations such as the sectoral determinations

30. Public hearings held in Mpumalanga

30.1. KaMhlushwa in Nkomazi Municipality, Ehlanzeni District (25 April 2015)

The delegation at KaMhlushwa Community Hall included the following Members of the Committee:

Ms LE Yengeni, Chairperson and leader of the delegation (ANC)
Ms FS Loliwe (ANC)
Ms PT Mantashe (ANC)

Ms SR van Schalkwyk (ANC)
Mr D America (DA)
Mr MA Tlouamma (AgangSA)

The focus of the Mpumalanga leg of the public hearings was on farm workers. The attendance of the hearings also reflected the purpose as the farm and related industry workers were well represented. This is also reflective of the economy of the province since agriculture is the key sector. The majority of participants proposed R5 000 as the national minimum wage. The highest amount proposed was R15 000 for sugar cane harvesters.

Other observations were that there is a lack of information among workers on Basic Conditions of Employment Act and that workers are not organised into labour unions. Participants also expressed feelings of being discriminated against, safety standards not being adhered to and that they were being paid less than the statutory requirement.

31. Overall findings of the Committee on Public Hearings' submissions

After considering all the oral submissions, the Committee made the following findings:

- The majority of participants were consistent in proposing R5 000 per month as the national minimum wage sufficient for them to provide for their basic needs.
- Some employers who were operating in sectors covered by sectoral determinations as provided for in Chapter 8 of the Basic Conditions of Employment Act were paying below the stipulated wage.
- It was apparent during the public hearings that except for unionised workers, the majority of the public was not aware of the proposal for the national minimum wage.
- The views of the majority of the participants were informed by their specific workplace experiences and therefore sectoral in nature.
- One of the labour representatives proposed that a living wage should rather be looked at than the national minimum wage.
- Some of the issues addressed to the members of the Committee could have been better handled by union representatives.
- Most workers were still subjected to poor working conditions that are in contravention of labour legislation such as the Basic Conditions of Employment Act.
- Wage discrimination was still based on race and sex in some sectors of the economy such as the agricultural sector.
- Some farmers provided protective clothing for farmworkers but deducted the amount from the wages of workers or workers had to buy the protective clothing for themselves at some farms.
- Human rights abuses such as beatings of workers by employers still occured in some sectors such as the agricultural sector.
- Most workers felt that they were not adequately represented.
- Some workers were employed on temporary basis for indefinite periods.

- Most workers seemed unaware of worker rights as enshrined in the Bill of Rights and other pieces of legislation such as the Basic Conditions of Employment Act and the Labour Relations Act.
- There was a general complaint about poor enforcement of labour laws.

32. Conclusion

The Committee noted all the presentations made by organisations and individuals' submissions. The Committee agreed that the inputs will definitely assist it when deliberating on the National Minimum Wage policy.

THE NATIONAL MINIMUM WAGE: INTERNATIONAL PERSPECTIVES

Compiled by: Sindisiwe Mkhize (Researcher) and Sibongiseni Ngcobo (Content Advisor)

Date: 13 February 2015

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1 INTRODUCTION

In his State of the Nation Address (SONA) that was delivered after the 2014 general elections, the President raised concern about the level of inequality in the country. He committed the government to the investigation into a national minimum wage, which was identified as an income inequality reduction mechanism. He assigned the Deputy President to lead the project within the ambit of NEDLAC to deal, *inter alia*, with this matter.

The Portfolio Committee on Labour decided to conduct workshops which were aimed at gathering information from the various academic, business and labour organisations, on the subject of national minimum wage. The workshops were followed by public hearings which were conducted throughout the country to test the public opinion on this matter. The Committee planned to embark on a study tour as part of its investigation into a national minimum wage.

The purpose of this study is to assist the Committee in deciding on the country to visit as part of its investigation. It starts by outlining the general background to the subject of minimum wages and then focuses on the South African context. Further, it examines the different types of minimum wage fixing procedures. Finally, it explores the approaches adopted by countries in all continents in implementation of minimum wages.

2 BACKGROUND

The unequal distribution of income and wealth has been one of the key characteristics of economic growth in most countries of the world during the last decades. This not only undermines justice and endangers social coherence, but has also become a limiting factor for development and employment. Numerous scholars have come up with answers as to why wage structure is uneven and unjust. However, based on various literature, it depends on institutional factors, the relative power of the different groups in the labour market and government policies and not simply on (marginal) productivity[1]

In the emerging economies, income inequality is a persistent problem. According to the Organisation for Economic Cooperation and Development (2011), income inequality has decreased in Brazil in the last 15 years, but it has risen in China, India and the Russian Federation. The South African case also confirms the persistence of income inequalities despite the interventions by the democratically elected government: when the apartheid regime collapsed, the Gini coefficient registered was among the highest in the world. Despite vociferous calls for redistribution in the post-apartheid period, according to official statistics, inequality continued to rise considerably in the following decade – from 0.56 in 1995 to 0.72 in 2005–06, where it continues to hover.[2]

In many countries government policies have allowed uncertain working conditions with low wages and have actively encouraged a low-wage sector (OECD, 1994). For example, in the OECD countries, policies to protect regular workers have not changed much, but protection of temporary workers has declined drastically in 11 of the 23 countries, where dual labour markets with precarious and usually badly paying jobs have been created. At the lower end of the wage scale, a key policy has been to keep minimum wages low. In Australia, Belgium, Czech Republic, Ireland, Netherlands, Poland, Spain and the United States minimum wages have declined in relation to median wages. Statutory minimum wage levels are particularly low in Canada, Japan and the United States, at around or below 40 per cent of the median wage.[3]

As soon as a less regulated sector develops in the labour market – for example for temporary workers – there is a high incentive to outsource production or certain tasks to this unregulated sector or to substitute irregular workers for regular ones. Moreover, certain jobs originally held by employees are offered to the self-employed. It is obvious that these developments lead to higher wage dispersion and more inequality in general. Regulatory arbitrage (taking advantage of different salary rates in hiring of labour) leads to an accelerating erosion of the regulated sector of the economy, as firms have an incentive and are driven by competition to use the deregulated sector of the economy to an ever-increasing extent.[4]

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[1] Levy, F.; Temin, P. (2010)
[2] Leubolt, B. 2013
[3] Gallas, A., Scherrer, C. and Williams, M. (2014)
[4] Ibid.

On the other hand, compensation for management in general and more specifically in the financial sector has shot up spectacularly since the 1970s via wage increases and bonus payments. Superstars in sports, cinema, television and fashion also earn incomes unimaginable 30 years ago due, in many cases, to the new technologies of mass communication. The income of top managers and celebrities has most likely changed the perception of what constitutes a fair wage.[5]

Hence some have called on governments to intervene through wage policies in closing the wage gap. A statutory minimum wage can directly compress wage dispersion from below and is an effective instrument which *can* be used by governments. The best way to fix minimum wages is through negotiation at the national level by a tripartite body. A possible model is the Low Pay Commission (LPC) in the United Kingdom, composed of worker and employer representatives together with independent experts, where each group has one-third of the members in the Commission. The LPC recommends a certain increase in minimum wages; however, the Government has the last word. The number of minimum wages in a country should ideally be as small as possible to avoid ambiguities; adjustments should be made annually to appropriately reflect changes such as macroeconomic productivity developments or strategies to realise a certain relation between minimum wages and median or average wages. Furthermore, it is advisable that a minimum wage should not be automatically linked to pensions and social transfers to avoid budgetary constraints. A percentage of median or average wages seems to be a better anchor for determining the level of the minimum wage than reference to a basket of goods which can never be defined in a satisfactory way.[6]

Wage determination involves an evaluation of the contributions of employees in order to distribute fairly direct and indirect, monetary and non-monetary rewards within an organisation's ability, pay and legal regulations. A minimum wage legislation is a very important criterion in the payment of wages. The fixing of minimum wage prevents the exploitation of weak, ill-informed or isolated groups of individuals. Minimum wage affords such people a more comprehensive protection than is available through existing voluntary bargaining machinery. Minimum wage is a universal practice. It is practiced in countries across the globe. The International Labour Organisation (2008) affirms that presently, there is legislation or binding collective bargaining regarding minimum wage in more than 90 per cent of countries of the world. One argument is that the fixing of minimum wage affords workers a reasonable income to meet their basic needs and raise their standards of living. Another argument is that by the introduction of minimum wage, employers are not only hindered from using unreasonably cheap labour; they are encouraged to use human resources more efficiently and therefore, raise productivity. However the success of minimum wage in its intended goal will depend apart from the criterion used, on the level at which it is fixed.

[5]

[6] Herr, H. and Kazandziska, M. (2011)

The ILO (2009) observed that ultimately, the impact and usefulness of a minimum wage policy depends on whether minimum wages are paid. This in turn depends on the effectiveness of the enforcement mechanisms. Penalties for violators, adequate compensation for workers whose rights have been violated and suitable resourcing of the enforcement authority are all crucial factors. The active involvement of social partners in both the design and operation of minimum wage enforcement regimes is essential to enhance its impact.

There is a variety of minimum wage fixing procedures adopted by different countries and two interdependent factors play a vital role in the establishment of these procedures. These factors are the state of collective bargaining and the use by governments of the minimum wage as a tool for economic policy. Where collective bargaining is not well developed, the influence of a statutory minimum wage system is more pronounced. On the contrary, a well-established collective bargaining process results in government intervention being excluded or limited to the protection of the lowest-paid wage earners.[7]

3 BASIC TYPES AND COMBINATIONS OF MINIMUM WAGE FIXING PROCEDURES

According to the International Labour Organisation (ILO), types and combinations of minimum wage fixing procedures can be classified into four categories based on the actors involved and the number of minimum wage rates.

- One base rate for the whole country or per region, with the State as the key decision-maker.
- Multiple rates that vary by sector and/or occupation, with the State as the key decision-maker.
- One base rate for the whole country or per region, determined by collective bargaining
- Multiple rates that vary by sector and/or occupation, determined by collective bargaining.

The above-mentioned four categories of wage fixing methods are briefly discussed below.

3.1 Single national or regional rate set by the State or a tripartite Body

This is the most commonly used method. Sixty-eight countries included in the ILO database (67 per cent of the total) are covered by a national or regional minimum wage rate."[8]

There is a strong relation between minimum wage fixing mechanisms and the degree of development of collective bargaining. In some countries bargaining is sufficiently structured and institutionalised to play a pivotal role in wage determination, limiting the function of minimum wage fixing

[7] International labour organisation (2005).
[8] International Labour Organisation (2005)

to the protection of the lowest-paid workers or even totally absorbing this function. In other countries, however, the state-dominated process of minimum wage setting is the only institutional framework available for wage bargaining.

This category has two sub-categories: countries with a single national rate and those with regional rates. The most obvious reason for the minimum wage to be set at regional level is the administrative and political structure of the country. This method is often used in federal systems where a country's individual states or regions maintain a certain degree of autonomy. The second reason is to allow for differences in living standards between regions. The negative effect of regional rates to the country is that it contributes to the depopulation of regions with lower minimum rates as people move to regions where minimum rates are higher.[9]

3.2 Multiple rates set by public authoritie

This is the second most commonly used method. Multiple minimum rates are fixed under the authority of the government or a tripartite committee by sector and occupation. This system exists in 29 countries included in the database (28 per cent of the total) and applies to a large variety of situations. This system is generally combined with minimum wage fixing through collective bargaining for sectors with well-organized trade unions. In countries such as Botswana, Malaysia and South Africa collective bargaining is an integral part of the minimum wage fixing system.

In South Africa, well organised sectors of the economy determine their minimum wages through collective bargaining. The government set wages for the vulnerable and less organised sectors through sectoral determinations made by the Minister of Labour after consultation with relevant stakeholders. The South African minimum wage fixing is discussed further in paragraph five below.

3.3 Single national rate set through collective bargaining

Very few countries have a single national rate set through collective bargaining.
Of all the countries studied only two - Belgium and Greece - belong to this category. As in countries where a single national rate is set by the government, there are sectoral and enterprise-level agreements. Indeed, collective bargaining establishing sectoral and enterprise-level wage rates is beyond the legal framework relating to the minimum wage as such.[10]

3.4 Multiple rates set through collective bargaining

In countries without a centralised minimum wage fixing system, this role is fulfilled by sectoral agreements. It is the network of collective agreements that makes up the minimum wage fixing system. This model is found in several European countries, including Germany and Italy, and one African

[9] Ibid.
[10] Ibid

country, Namibia.[11] However, Germany has introduced the national minimum wage effective from 1 January 2015. This wage will be reviewed annually from 1 January 2018.
In view of the statement made by the President in his State of the Nation Address, the above-mentioned minimum wage fixing methods are worth considering in addressing the high levels of inequality in South Africa.

4 INEQUALITY IN SOUTH AFRICA

Whilst the first decade of democracy can point to a decline in national poverty levels in both absolute and relative terms, the trends in terms of income inequality are more worrying. Rising income inequality is a key challenge for South Africa that adversely impacts economic development; socio-political stability; and also impedes the progress of health and education. Despite the end of apartheid in 1994, South Africa has the highest income inequality in the world measured by the Gini Index – a level that has remained relatively unchanged between 1990 and 2011. This is one of the biggest challenges facing the country and has a detrimental impact on the country's economic development and business environment.

Real GDP growth in South Africa averaged 3.6 per cent between 2000 and 2011 – this was on par with the average global growth for the same period. Despite gains in economic growth, the country has the most unequal income distribution in the world with a Gini Index of 63.6 per cent in 2011, relatively unchanged from 63.5 per cent in 2000.[12] The income gap between the poorest 10 per cent of households (decile 1) and richest 10 per cent of households (decile 10) has widened between 2000 and 2011. During this period, the average household disposable income (constant US$) of the poorest 10 per cent of households and richest 10 per cent of households recorded a real increase of 14.4 per cent and 26.8 per cent respectively to reach US$427 and US$80,880 respectively by 2011.[13]

When commenting on the National Development Plan (NDP), Professor Adam Habib argues that based on the Plan’s recommendations on the economy to expand livelihood opportunities at the lower end of society through a series of reforms: a new industrialisation plan targeting employment, expanding educational opportunities, and financing new entrepreneurs is required. While these are important to expand employment and lift people out of poverty, they will not address inequality. “The essential problem is that even if we get livelihoods growing at the bottom end of society through employment, financial support for new entrepreneurs and the like, the incomes of those at the upper end of society are likely to grow even faster. This is because the rich have assets – property, stocks, bonds – and it is these assets, which the poorer do not have, which will ensure that the incomes of the rich will grow faster. The net effect is that even if poverty erodes, inequality will grow faster. This is essentially what

[11] Ibid
[12] The Gini index is the standard economic measure of income inequality varying between 0 per cent (perfect equality) and 100 per cent (perfect inequality);
[13] Euromonitor International (2012)

happened in South Africa, Russia, India and China in the last 20 years. And it is the fundamental challenge of our time".[14]

The high levels of inequality has ignited the debate on a national minimum wage for South Africa. This debate has to be viewed in the context of the current system of minimum wages in South Africa.

5. MINIMUM WAGES IN SOUTH AFRICA

There is no statutory national minimum wage in South Africa. However, the Basic Conditions of Employment Act (1997) empowers the Minister of Labour to set minimum terms and conditions of employment, including Minimum Wages. The Sectoral Determinations cover areas of economic activity where labour has been deemed vulnerable, such as in the following sectors:

- Domestic work
- Contract cleaning
- Private security
- Wholesale and retail
- Farm worker
- Forestry
- Taxi sector
- Learnerships
- Children in the performance of advertising, artistic and cultural activities
- Civil and Engineering
- Hospitality[15]

The sectoral determinations are reviewed at predetermined periods to ensure that they are aligned to the cost of living.

The sectors which are organised determine their minimum wages through collective bargain. The Labour Relations Act (1996) set the framework for collective bargaining. Once a collective agreement is reached through a bargaining process, it becomes binding to all employers who fall under that particular bargaining council. Organised labour in a bargaining council may apply to the Minister of Labour to have the collective agreement extended to non-parties who fall under the same sector.

The current minimum wage system has not adequately addressed the high levels of inequality in South Africa as reflected in paragraph four above. This has necessitated an investigation into the national minimum wage. In deciding on the approach to be adopted by South Africa, it is essential to review the methods used to implement minimum wages in other countries.

[14] Habib, A. (2014)
[15] Department of Labour (2014)

6. A CASE STUDY: THE NATIONAL MINIMUM WAGES IN THE UK

The National Minimum Wage (NMW) Act was passed in 1998 under the Labour government. It established the minimum wage at the national level, without sectoral or regional distinctions. However, there are three different minimum wage rates according to workers' age. The lowest rate is for workers under 18, followed by the wage rate for workers between 18 and 21 years old; the adult rate starts at 21. Wage increases are made every year by the Secretary of State following the recommendations of the Low Pay Commission (LPC), which consults workers' representatives, employers and other actors who are directly affected by the changing rates of the NMW.

The LPC is an independent public body constituted by three members with union background, three members with employer background, two labour economists, and the chairman. The task of the LPC is to monitor the implementation and the impact of minimum wage, and to deliver policy recommendations to the government (Low Pay Commission 2010).

When first introduced, the NMW was set at £3.60 an hour for those aged 22 and over. Over the years it has increased in nominal value, reaching its current £6.31 an hour in October 2013, an increase of 75.3 per cent since 1999. This increase is similar to the increase in nominal Gross Domestic Product (GDP) over the period, and significantly more than the increases in average earnings.[16]

The introduction of minimum wages was estimated to affect almost 2 million workers in 1999. According to the LPC, in 2008 there were 1.13 million minimum wage jobs, which made up 4.3% of the labour market. The LPC also reported that the real and relative value of NMW has increased over years: between 1999 and 2009, the adult rate increased by 61 per cent, which is higher than both the average earnings increase (48 per cent) and the price increase (21-31 per cent depending on the index used). Different studies have found that low paid workers have experienced higher wage increases since the introduction of the NMW and that the latter has had a positive impact on income distribution.[17]

According to the LPC, it has commissioned over 130 research projects that have covered various aspects of the impact of the NMW on the economy. In that period the low paid have received higher than average wage increases but the research has, in general, found little adverse effect on aggregate employment; the relative employment shares of the low-paying sectors; individual employment or unemployment probabilities; or regional employment or unemployment differences. The research suggests that employers have coped with the minimum wage by adopting a combination of strategies. Pay structures may have been adjusted or non-wage costs reduced. There may have been small reductions in hours worked and increases in productivity.

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[16] Low Pay Commission (2014)
[17] Butcher, K.; DiNardo,]. (2002)

The LPC highlighted the fact that the introduction of a minimum wage in 1999 had the greatest impact on reducing male-female pay inequalities since the Equal Pay Act was adopted in 1970. Within two years the spread in pay according to sex fell by two percentage points for full-time workers, reaching 82 per cent in the year 2000.

The research conducted in the UK on the effects of minimum wages on employment levels found little adverse effects on aggregate employment. This finding is corroborated by, among others, the study done by Development Policy Research Unit of UCT on the effects of the introduction of sectoral determinations in five sectors (Retail, Domestic, Forestry, Taxi and Security) of the South African economy. The study found the impact of introducing sectoral determinations in these sectors to be statistically insignificant.[18]

7. A CASE STUDY: THE NATIONAL MINIMUM WAGE IN BRAZIL

7.1. Historical Background

The Brazilian minimum wage was adopted in the late 1930's (other research say in 1940). It defines the floor for formal wage-earning work, in both the private as well as the public sector. It therefore does not apply to informal work. It also serves as a benchmark for social security benefits. During economic crises and in periods of high inflation in the 80s and 90s, the amount of the minimum wage dropped significantly, contributing to the rise in poverty and inequality throughout the country. In 2006, the government coordinated negotiations with representatives of unions, employer organisations and organisations of retirees and pensioners. The outcome was an annual adjustment policy based on the rate of inflation and growth of GDP per capita, in effect until 2011.

In 1 January 2003 the Workers' Party (PT) won the presidential elections for the first time in the history of Brazil. This ushered Luiz Inácio Lula da Silva into the presidency of the country. President Lula kept the presidency for two consecutive terms, which was 2003 to 2006 and 2007 to 2010 respectively. In its first term, the Lula government effected a 19 percent real increase in the minimum wage. A much more impressive increase of 31 percent was implemented during the second term in office.[19]

Contrary to conventional economic reasoning that a large increase in the minimum wage would result in inflation explosion, inflation was kept under control during both terms of Lula's presidency. Conventional economics also argue that you cannot create formal jobs without cutting labour rights - that the existence of a huge informal sector is evidence of excessive labour rights and regulation. However, the Lula administration created millions of jobs and, simultaneously, changed the ratio of formal to informal jobs in favour of the former. This was done without infringing on labour rights. The

[18] Bhorat, H. & Stanwix, B. (2014).
[19] Schutte (n.d.).

unemployment rate decreased from 12.3 percent in 2003 to 6.7 percent in 2010.[20]

7.2. Benefits of National Minimum Wage in Brazil

The minimum wage in Brazil is an important benchmark for the evolution of income. It fixes the income for formal workers earning the minimum wage as well as for informal workers whose wages are equal to the minimum. For example, in 2005, 20 percent of informal wage-earners were paid wages equal to the minimum. Employers and employees often negotiate wages using the minimum wage as a benchmark.

Contrary to advice of not linking a minimum wage to social security, the minimum wage is also a benchmark for social security benefits such as pensions, welfare and unemployment insurance in Brazil. Therefore any rise in the minimum wage results in raises of the above-mentioned benefits. According to a study conducted by the Ministry of Social Security, benefits paid in 2007 led to a reduction by 22.2 million in the number of persons living in poverty conditions. However, because social security benefits are linked to the minimum wage, any rise in minimum wage has a significant budgetary impact.

7.3. Redistributive effects of National Minimum Wage in Brazil

Another important aspect of the Brazilian minimum wage is its effect on redistribution of income, in general terms, but also in favour of the most disadvantaged groups in society as well as in the labour market: women, blacks, young people, the undereducated, and senior citizens. Their wellbeing is most affected by changes in the minimum wage. For example, almost 30 percent of domestic workers earn the minimum wage (the sector accounts for 8 percent of total employment and 17 percent of female employment in Brazil). The rise in the minimum wage in the 2000s, especially since 2003, succeeded in improving working conditions for low-income and less-skilled male and female workers. For example, the proportion of women's wages as compared to men's wages rose from 62 percent to 71 percent between 1995 and 2007, while the proportion of black to white workers rose from 49 percent to 56 percent in the same period. These workers usually have weak bargaining power or work in job categories that are seldom unionised. Many women and blacks hold jobs of this nature; therefore, by its positive impact at the base of the wage pyramid, the minimum wage helps to reduce existing gender and racial inequality in Brazil.

Based on the *Pesquisa Nacional por Amostra de Domicillios* (PNAD-Brazilian household surveys) data, Saboia (2007) examines the effect of the minimum wage on the evolution of the Gini Index from 1995 to 2005. According to his calculations, the rise in the minimum wage was responsible for 73 percent of the improvement in income distribution among workers with an income, during that period. In terms of family income, the calculations show that the minimum wage was responsible for 64 percent of

[20] Ibid.

income distribution improvements, as measured by the Gini Index. Another conclusion was that the effect of the higher minimum wage on the reduction of the Gini (44 percent) was considerably higher than the effect of pensions (21 percent) on the reduction of the Gini. This comes as no surprise because income from work was, in 2005, almost four times higher than income from pensions. Furthermore, in 2006, 13.4 percent of workforce earnings equalled the minimum wage. Given the importance of the minimum wage in determining the income of a significant part of the workforce in Brazil, it is not surprising that its impact on income distribution nationwide was so significant.

7.4. Lula Moment's global and domestic context

In his article titled "A Lula Moment for South Africa: Searching for Sugar Man?", J Netshitenzhe (2013) argues that Brazil's progress towards reducing inequality cannot be divorced from the global economic context. During President Lula's second term, when most of the progress was made, the global GDP was growing at close to 4 percent on average per year. The major drivers of this economic growth, China at 10 percent and India at eight percent, were also massively consuming commodities from Brazil to fuel their industrial development. Domestically, the fiscal surplus as a result of the macroeconomic policies based on inflation targeting, primary surplus in the government's budget and the policy of floating exchange rates, enabled the Brazilian government to expand access to social grants and stimulate economic growth.[21]

Netshitenzhe (2013) argues that Brazil managed to avoid job losses as a result of increases in minimum wages through the holistic nature of their socio-economic policies, including the following:

- Increased aggregate demand arising out of social and minimum wage policy combined with industrial policy and a tariff regime that encouraged purchase of local goods.
- Measures to incentivise labour-absorption including lower pay-roll taxes.
- Economic and social infrastructure deliberately targeted, including massive housing construction which has a major multiplier effect, and reduction in electricity prices.
- Development Finance Institutions that play a more activist role in ensuring access to credit on the basis of a targeted sectoral and geographic approach.[22]

Therefore, in assessing the replicability of the Brazilian experience in the South African situation, one has to consider the prevailing global economic context. The unfavourable global economic environment, among other things, has resulted in the Brazilian economic growth dropping from 7.5 percent in 2010 to 2.7 percent in 2011 and was estimated at one percent in 2012.[23]

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[21] Netshitenzhe, J. (2013)
[22] Ibid.
[23] Ibid.

8. A CASE STUDY: NATIONAL MINIMUM WAGE IN THE UNITED STATES (US)

8.1. Legislative framework of the NMW in the US

The NMW in the US is regulated through an Act of Congress (Parliament) called "The Fair Labor Standards Act (FLSA) of 1938". The first attempt at establishing a national minimum wage in the US came in 1933, when a $0.25 per hour standard was set as part of the National Industrial Recovery Act (1933). However, it was challenged in court and the United States Supreme Court declared it unconstitutional and the minimum wage was abolished. The minimum wage was re-established in the US through the FLSA and was once again set at $0.25 per hour ($4.07 in 2012 dollars). It was once again challenged in court but this time the Supreme Court upheld the FLSA, holding that Congress had the power to regulate employment conditions. The Supreme Court held that the federal minimum wage is constitutional and does not exceed the scope of the Commerce Clause. Article 1, section 8 (3) of the US Constitution provides Congress exclusive power to regulate trade activities among the states and with foreign countries as well as Indian Tribes.[24]

Section 206 of the FLSA determines the minimum wages for employees engaged in commerce; home workers in Puerto Rico and Virgin Islands; employees in American Samoa; seamen on American vessels; and agricultural employees. Subsection (d) of section 206 prohibits discrimination between employees on the basis of sex by paying wages to employees at a rate less than the rate at which employees of the opposite sex are paid in the same establishment for equal work on jobs the performance of which requires equal skill, effort, and responsibility and which are performed under similar working conditions. Differentiation is only allowed where it is based on seniority, merit and performance. However, section 206(g) of the Act makes a special provision for newly hired employees who are less than 20 years old, which fixes the minimum wage at a lower rate. Subsection 2 of this section prohibits the displacement of other employees for purposes of hiring individuals covered by this section.[25]

The US Department of Labour is responsible for setting the wage and labour standards. The Wage and Hour Division (WHD) administrates the FLSA provisions. Some states, such as Connecticut and Massachusetts, have minimum wage rates that are higher than the federal minimum wage. State minimum wage laws can be very specific. For example, Illinois' minimum wage rate is $8.25 per hour for employers with four or more workers. Michigan's minimum wage rate is $7.40 per hour for employers with two or more employees. Occupations covered under the FLSA might be excluded from the state minimum wage laws, in which case the federal minimum wage would apply. Notably, although the state of Texas adopts the federal minimum wage of $7.25 per hour, it has a minimum wage act that includes provisions for the minimum wage. For example, the act requires employers to give employees an earnings statement showing specific information about

[24] Wikipedia (n.d.).
[25] Fair Labour Standards Act (1938).

the employee's pay. It also allows employees to bargain with their employers for more pay. Some states do not have a minimum wage act, in which case, federal law applies. The US Department of Labour notes that when both federal and state minimum wage laws apply, the employer must use the rate that gives the worker the most pay.[26]

8.2. Exemptions and penalties

The FLSA makes provisions for Exemptions (section 213) and Penalties (section 216). Exemptions include, among others, employees employed in executive positions, administrators; professionals (including any employee employed in the capacity of academic administrative personnel or teacher in elementary or secondary schools); outside sale persons; employees employed in an establishment which is an amusement or recreational establishment; as well as employees employed in agriculture.
The Act provides for a fine of not more than $10 000 or imprisonment of not more than six months, or both for the commission of an act prohibited by the FLSA (section 215). Imprisonment is only applicable for repeated violations of the act.

The specific provisions for the youth in the US and legislation of other countries are obviously aimed at addressing youth unemployment, which is a global challenge. Similarly, South Africa introduced the Employment Tax Incentive Act (2013) to encourage job creation specifically for the youth.[27]

A CASE STUDY: MINIMUM WAGES IN CHINA

9.1. How are minimum wages set in China?

Minimum wages were first introduced in China in 1993. As different Chinese regions have very different living standards, China does not have one national minimum wage. Minimum wages are established following a decision process involving both national and local authorities. Each province, municipality, autonomous region, and even districts sets its own minimum wage according to both local conditions and national guidelines. However, the 1993 rules did not cover migrants, and penalties in the case of non-enforcement were low. As such, minimum wages in the 1990's did not really bind in China. In March 2004, the Rules for Minimum Wages took effect. These rules extended minimum-wage coverage to migrant workers, and penalties in the case of non-enforcement were dramatically increased.[28]

The 2004 Rules afford Provinces, Municipalities and Autonomous Regions less wage-setting discretion in one important respect. Under the 1993 Regulations, the governmental entities responsible for setting minimum wages could do so based on the industrial sector involved. The 2004 Rules retained differential rates according to locality, but no longer explicitly allow minimum rates to be set by reference to particular industries.[29]

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[26] Grace, N (n.d.)
[27] Employment Tax Incentive Act (2013).
[28] Mayneris, F. & Pocet, S. (2014)
[29] Huawei, L. et al (2004).

Under the 1993 Regulations all enterprises were required to pay employees a minimum wage. Because the term "enterprise" was not defined within the 1993 Regulations, employers and employees were left to speculate as to which employers or entities were required to pay a minimum wage. Moreover, the 1993 Regulations afforded Provinces, Municipalities and Autonomous Regions an overriding power to exempt employers from paying a minimum wage. Consequently, numerous employers throughout China were not subject to minimum wage rules.[30]

The 2004 Rules explicitly provided that all enterprises, private non-enterprise units (not for profit), sole proprietors, including state agencies, public institutions and community organisations, were required to pay minimum wages. Provinces, Municipalities and Autonomous Regions are no longer authorised to exempt employers from paying a minimum wage.[31] As of 1 January 2013, the minimum wages across China range from RMB 720 or $115 in Anhui to RMB 1500 or $240 in Shenzhen.

9.2. The Minimum Wage Formulas in China

The 2004 Rules expressly provide that the appropriate authorities are required to determine and adjust the monthly minimum wage for full-time workers by reference to the following factors:

- Minimum living costs of local employees and their dependents;
- Consumer price index for urban residents;
- Social security and housing fund contributions paid by individual employees;
- Average wage of workers in the locality;
- Level of economic development (e.g. the status of the local economy); and
- employment situation.

As a guideline, the 2004 Rules provide that the minimum wage for full-time employees should fall within a range of 40-60 % of the monthly average local wage.[32]

Hourly minimum wage standards for part-time workers are to be determined and adjusted with reference to the factors set forth above and the following additional factors:

- the published monthly minimum wages;
- basic pension insurance contributions payable by employers;
- basic medical insurance contributions payable by employers; and
- difference between full-time and part-time workers in terms of job stability, working conditions, and intensity of labour and welfare.[33]

The 2004 Rules also specify that an employee's minimum wage must not include any payments that are payable to an employee as:

[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] Ibid.

- overtime pay;
- special allowances paid by reason of a particular work environment or condition (e.g. shift duties, working in mines, at high altitudes, etc.), or
- statutory employee welfare benefits.[34]

9.3. Bi-annual Adjustments

The 2004 Rules, like the 1993 Regulations, provide for adjustments to minimum rates to reflect changes in the cost of living. Under the 2004 Rules, the time-frame for undertaking an adjustment review has been extended from one year to at least once every two years.[35]

9.4. Violations and Penalties

Under the 2004 Rules, the labour and social security authorities are responsible for implementing and supervising the minimum wage program. In addition, trade unions at all levels have the right to supervise and report violations to local labour authorities. Disputes regarding minimum wage violations are subject to mediation or arbitration in accordance with the relevant rules governing labour disputes.[36]

In the event a violation is established, the authorities may order an employer to pay the difference owed to employees within a specified period, and may order the payment of damages of up to five times the difference outstanding. While the civil penalties under the 2004 Rules are more stringent than those that could be imposed under the 1993 Regulations, the new rules stop short of imposing any criminal liability on defaulting employers.[37]

When considering the China system, South Africa has to take cognisance of the complexity of implementing and monitoring the multiple minimum wage rate system and possible depopulation of regions with low minimum wage levels as a result of job seekers' migration to high paying regions.

10. A CASE STUDY: MINIMUM WAGES IN AUSTRALIA

10.1. Legislative Framework

The statutory minimum wages in Australia are regulated by the Fair Work Act of 2009. Part 2-6 of the Fair Work Act 2009 deals explicitly with minimum wages. The Fair Work Act established the Fair Work Australia that is responsible for, among other things, minimum wages. The Minimum Wage Panel resides under the Fair Work Australia (FWA) and is constituted by 7 Fair Work Australia members, which include the President and at least three Minimum Wage Panel members. The President may decide which FWA members form part of the Minimum Wage Panel. The President is responsible for managing the Minimum Wage Panel in performing its

[34] Ibid.
[35] Ibid.
[36] Ibid.
[37] Ibid.

functions and exercising its powers. A decision of the majority of the FWA members of the Minimum Wage Panel prevails.[38]

According to section 284 of the Fair Work Act, the objective of the minimum wage is to establish and maintain a safety net of fair minimum wages, taking into account:

- the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
- promoting social inclusion through increased workforce participation;
- relative living standards and the needs of the low paid;
- the principle of equal remuneration for work of equal or comparable value; and
- providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.[39]

10.2. Current Minimum Wages in Australia

The FWA conduct and complete an annual wage review in each financial year. In an annual wage review, the FWA must make a national wage order. A national minimum wage order that is made in an annual wage review comes into operation on 1 July in the next financial year. Section 289 of the Fair Work Act provides for the FWA, in relation to each annual wage review, to ensure that all persons and bodies have a reasonable opportunity to make written submissions to FWA for consideration in the review.[40]

The current minimum wage as per National Minimum Wage Order 2014 is $640.90 per week, calculated on the basis of a week of 38 ordinary hours or $16.87 per hour. This minimum wage does not apply to a junior employee, an employee to whom a training arrangement applies and an employee with a disability. There are special minimum wages for these categories of employees. Special minimum wage 2 applies to an employee with a disability who is unable to perform the range of duties to the competence level required of an employee within the class of work for which the employee is engaged because of the effects of a disability on their productive capacity. Special minimum wage 3 applies to a junior employee and special minimum wage 4 applies to an employee who is an apprentice.[41]

11. A CASE STUDY: MINIMUM WAGES IN BOTSWANA

11.1. Historical Background

The minimum wages were first introduced in Botswana in 1974. The country has had differentiated statutory minimum wages since then. While the government was aware that both the employed and the unemployed had the right to be protected, to ensure that minimum wages were not set at a level

[38] Fair Work Act, 2009.
[39] Ibid.
[40] Ibid.
[41] Annual Wage Review 2013-14.

that would result in the significant slowing down in the creation of employment for any category of workers, the government believed that differential statutory minimum wages should apply as a general principle. Differentiated minimum wages are more likely to take into account employers' varying ability to pay across sectors.[42]

Initially there were two minimum wage rates in Botswana, which covered five sectors in the economy: construction; manufacturing; road transport; trade; and hotels. Later, coverage of minimum wages was extended in 1980 to include night watchmen. Despite the extension of minimum wages to cover previously excluded sectors government persistently excluded the domestic service sector and the agricultural workers.[43]

11.2. Legislative Framework

The issue of whether to have a single national minimum rate or a series of sectoral/ regional minimum rates is a crucial one that requires careful consideration. A national minimum wage has the advantage of providing equal protection for all workers and is also much more easily monitored and enforced than sectoral rates. However, it cannot easily take into account the fact that employers' ability to pay varies across sectors. To avoid causing high unemployment in those sectors which cannot afford to pay minimum wage, a national minimum wage would have to remain low by the standards of the organised labour in the cities.[44]

The minimum wages in Botswana is regulated through the Employment Act, Chapter 47:01. Chapter 131 of the Act established the Minimum Wages Advisory Board, which is responsible for determination of minimum wages. Section 132 states: "Where the Minister considers it necessary or expedient to fix the minimum wage for any category of employees in any trade, industry or section of industry specified in the Fourth Schedule, he shall refer the matter to the Board and the Board shall investigate the wages in the trade, section of trade, industry or section of industry in question and make recommendations to him as to the minimum wage which should, in the Board's opinion, be payable to employees belonging to the relevant category."[45]

In formulating its recommendations to the Minister, the Board takes the following into account:

- the needs of the employees concerned and their families, taking into consideration the general level of wages in Botswana, the cost of living, any social security benefits and the relative living standards of other social groups;
- the desirability of eliminating discrimination between the sexes in respect of wages for equal work;

[42] Sesinyi, M (1998).
[43] Ibid.
[44] Ibid.
[45] Employment, Chapter 47:1.

- economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment; and
- all other relevant matters.[46]

The Department of Labour and Social Security is responsible for monitoring compliance to the minimum wages through inspections. The Department takes into account payment-in-kind when assessing compliance with minimum wage legislation but employees have the right to demand payment in cash. However, the inspections are not conducted as frequently as they should be due to personnel constraints. Non-compliance to minimum wages is punishable through penalties prescribed by section 151(d) of the Act, which is a fine not exceeding P2000 or to imprisonment for a term not exceeding 18 months or both.

The Botswana system is similar to the South African system of sectoral determinations as reflected in paragraph 5 but contrary to their system, domestic and farm worker sectors are covered in South Africa.

12. CONCLUSION

It is evident that most countries have some form of wage regulation that is either set by government or through collective bargaining. Minimum wages are set at national or regional and at sectoral or occupational level. The South African current labour legislative framework favours collective bargaining. However, it recognises that some sectors are not well organised and therefore vulnerable to exploitation by powerful employers. This has resulted to the introduction of sectoral determinations, which resides within the competency of the labour ministry. Despite these mechanisms, inequality in income distribution has persisted leading to consideration of a national minimum wage.

In its investigation into this subject, South Africa can learn from approaches adopted by the above-mentioned countries. However, the country has to customise whatever approach to the South African socio-economic conditions.

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[46] Ibid.

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INTERNATIONAL COMPARISONS ON THE NATIONAL MINIMUM WAGE

22 March 2015

There Shall be Work and Security! … There shall be a national minimum wage….

— The Freedom Charter: As adopted at the Congress of the People, Kliptown, on 26 June 1955.[47]

[47] Available at: <http://www.anc.org.za/show.php?id=72>.

EXECUTIVE SUMMARY

The national minimum wage is used in at least 150 countries across the world in the battle against poverty and inequality. The best known national minimum wage standard was adopted by the United States over 75 years ago. The most recent country to implement a national minimum wage was Germany – with effect from 1 January 2015.

The national minimum wage is only one of many weapons which are aimed at assisting the lowest-paid and most vulnerable sections of the workforce.[48]

This research paper presents possible lessons for South Africa from different countries on the "architecture" of the National Minimum Wage:

How do countries with a national minimum wage (NMW) provide for:

- Setting the scope of the NMW (who is covered, who is excluded)?
- Setting the level of the NMW?
- Enforcement of the NMW?
- Reviewing and adjusting the NMW over time?
-

Much of the opposition to the National Minimum Wage mixes up two questions: whether it is desirable in principle, and what the level should be.

"The main economic objection to minimum wage laws is that some workers will lose their jobs."[49] In terms of economic theory, minimum wages are seen as bad because if wages rise, the cost of labour increases and, all things being equal, this will lead to more unemployment as employers dismiss workers who are unable to earn the prescribed minimum.

But economic theory has not been simply borne out by international experience of minimum wages.[50] The impact that a national minimum wage will have on poverty, inequality and unemployment depends critically on the *way* it is introduced, enforced, reviewed and updated. There are many international studies that demonstrate the positive effect of minimum wages on the triple challenges identified in South Africa's National Development Plan. There are also studies that show that badly implemented minimum wage policies can have negative effects on marginalized workers and on development.

As with any policy, using the metaphor introduced above, the architecture of the national minimum wage can be flawed or it can be successful.

International research shows that South Africa can gain benefits from a national minimum wage, provided it is well designed and implemented correctly and sensitively. It has to be well aligned with the current socio-

[48] Young (1991:21).
[49] Kennan (1998:642); Democracy in America (column) (2014); Economist (leader article) (2013c).
[50] Democracy in America (column) (2014); Economist (leader article) (2013c).

economic realities of South Africa's labour market, including the wide use of flexible and non-standard employment practices.[51]

Some successful countries do not have a national minimum wage (the Scandinavian countries are notable here) – but most do. International research shows that a positive decision can be taken to introduce a national minimum wage independently of what the level should be.

Naturally, there can be a wide difference of opinion about the level at which the National Minimum Wage should be set; the unsuitability of any particular level, however, does not invalidate the principle that there should be a national minimum wage to assure all workers of a basic minimum living standard.[52]

The decision on the architecture of the national minimum wage – including the determination of its level - means that there needs to be research, debate and negotiation. But it is questionable whether public hearings on the national minimum wage are to be relied upon in determining a sustainable and sensible way forward.

There is a need for leadership – for a policy decision to introduce a national minimum wage – and the details should be developed through an inclusive and representative forum (with expert advice) for political consideration. This model has proved successful in other countries. The level of the national minimum wage, international experience suggests, should not be set too high; it should be reviewed annually – and it should not be set directly by politicians (as in the case of the United States).

[51] Theron (2014).
[52] Young (1991:9).

Contents

Acknowledgements:

This paper is a companion document to the report prepared in February 2015 by Ms Sindisiwe Mkhize and Mr Sibongiseni Ngcobo: *The national minimum wage: international perspectives.*

Mr Bertie van Eck, Librarian: Parliamentary Information Centre assisted by locating a key reference article.

The Labour Research Service in Salt River made available an archive copy of the seminal 1991 LRS Policy Paper on the National Minimum Wage by Gordon Young.

1. Background: The consideration of National Minimum Wage in 2015

President Jacob Zuma, in his State of the Nation Address (SONA) in June 2014, committed the government to an investigation into a national minimum wage, as an income inequality reduction mechanism. He assigned the Deputy President to lead the project within the ambit of NEDLAC.

The Portfolio Committee on Labour decided to conduct workshops to gather information on the subject of a national minimum wage from academic, business and labour organisations. The workshops were followed by public hearings which were conducted throughout the country to test the public opinion on this matter.[53]

An earlier research paper: *The national minimum wage: international perspectives*,[54] provided a valuable background on the concept of minimum wages and how the minimum wage systems in different countries are legislated and regulated. The paper discussed the different sorts of minimum wages that may accompany a national minimum wage and how variations by region and industry may be dealt with.

Protective legislation[55] in South Africa has outlawed child labour and established maximum working hours. It has introduced safety and health and workmen's compensation on a broad and increasingly uniform basis. This covers all formal industries, agricultural enterprises and domestic work.

In the area of wage regulation, however, there is little uniformity. The prescribed minimum levels of wages – even for the same sort of work, can vary hugely between industries, regions, and individual employers. Some of the reasons for this variation are "traditional". Women are typically paid less than men. Enterprises evolve payment structures to suit their particular circumstances. In other cases, trade unions have organised workers to negotiate for higher wages in some sectors, but not in others. Government has introduced sectoral wage determinations in some sectors, but not in others. The Minister of Labour may extend the scope of collective agreements negotiated in Bargaining Councils to compel non-parties to the agreement to apply the same wage standards. In other cases, where Bargaining Councils are not adequately representative, non-parties may avoid statutory minimum wages. In some cases, unions seek to give statutory force to their wage agreements. In other cases, as in the huge mining sector, wages are set by formal agreement between unions and employers, but there is no statutory minimum wage level. Even where there is a legally sanctioned wage standard, it may not be properly enforced by the Department of Labour or the Bargaining Council.

The result of this situation is a very wide distribution of wage levels within the working class.[56] The inequality is considerably more extreme when all salaried people are included. Here the legacy of apartheid still has strong

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[53] Mkhize and Ngcobo (2015).
[54] Ibid.
[55] Urofsky (2009:206 et seq).
[56] Kennan (1998:643) points out that "the finding of large unexplained wage variations is characteristic of many field studies of labour markets."

effects – high remuneration for whites and low remuneration for blacks still pertains, even if the dividing line is presented as that between skilled and unskilled.

The purpose of this brief is to supplement the earlier paper on international perspectives by providing possible lessons from different countries on the "architecture" of the National Minimum Wage:

How do countries with a national minimum wage (NMW) provide for:

- Setting the scope of the NMW (who is covered, who is excluded)?
- Setting the level of the NMW?
- Enforcement of the NMW?
- Reviewing and adjusting the NMW over time?

Also of relevance is the relationship between the NMW and other wage setting measures. Sindisiwe Mkhize and Sibongiseni Ngcobo, in their earlier "companion piece" to this paper, make the essential point that while South Africa can usefully study lessons from the experiences of other countries, the critical requirement is "to customise whatever approach is adopted to the South African socio-economic conditions".[57] This is why the contributions of South Africans – workers, unions, employers and policy experts – in the public hearings and workshops may prove to be an important part of the process.

The National Minimum Wage is just one of the measures employed by governments and societies at large to deal with inequality and the fundamental causes of low wages.[58] Many public interventions are needed here – from early childhood development, school education, skills training and accessible public transport to social grants and sound implementation institutions. And worker organisation through trades unions is probably the most powerful force for economic redistribution. Some commentators have argued that a NMW is an essential weapon in the fight against poverty. "Aimed at assisting the lowest-paid and most vulnerable sections of the workforce, it will also underpin the wages of all workers".[59] But the NMW, by definition, can only help people who are in employment (and it may exempt small businesses and ignore the informal sector). It also only directly assists workers who are earning exceptionally low wages. Poverty and inequality are widespread across the whole of South African society, not only amongst low-paid workers.

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[57] Mkhize and Ngcobo (2015:17).
[58] Economist (leader article) (2013c).
[59] Young (1991).

2. Which countries have a legislated minimum wage that is of national application?

The national minimum wage has become the norm across the world.

A well-referenced Wikipedia list of minimum wages by country suggests that over 80 per cent of countries in the world have a national minimum wage in force in 2015.[60]

Analysis of the 2015 Eurostat database shows that 76 per cent of countries in Europe have a national minimum wage.[61]

21 of the 28 member states of the European Union (EU) have a "universal minimum wage".[62]

Amongst the BRICS countries, Brazil[63] and Russia[64] have national minimum wages. In China minimum wages are set by region[65], while in India there is a huge range of minimum wages[66]. South Africa, of course, has no national minimum wage, although minima are set by law for nine sectors where labour is regarded as vulnerable.[67]

Within the 15 member SA Development Community (SADC), Namibia, South African and Zimbabwe are the only countries not to have a NMW.

Germany is the most recent country to have implemented a NMW – from 1 January 2015. The UK was a late adopter of the NMW – from 1999 and the UK's experience has been very positive.

It would be easier to identify the countries that do not have national minimum wages systems. The major exception (apart from India and China) is the Scandinavian countries. Italy, Switzerland and Austria also do not have minimum wage floors. Egypt, Ethiopia and South Africa are the only major economies in Africa that do not have a national minimum wage.[68]

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[60] Of 195 countries, listed, 81 per cent have NMWs (159) and 18 per cent (36) do not. Wikipedia. *List of minimum wages by country*.

[61] Of 35 European countries, 26 had national minimum wage laws in operation. The 9 that did not were the five Scandinavian countries, Italy, Cyprus, Switzerland and Austria. Research Unit calculations from Eurostat (2015).

[62] Business Day (2014).

[63] Mkhize and Ngcobo (2015).

[64] WageIndicator Foundation. [Internet]. < http://www.wageindicator.org/main/salary/minimum-wage/russia/>.

[65] Mkhize and Ngcobo (2015).

[66] Paycheck India [Internet]. states: "There exists more than one minimum wages in India." Minimum wages may be set at national, state, regional, sectoral and occupational or skill level. There is no national floor for this process.

[67] WageIndicator Foundation. [Internet]; Cosatu (2015).

[68] See entries in WageIndicator Foundation. [Internet].

3. Comparisons

3.1. Country Notes

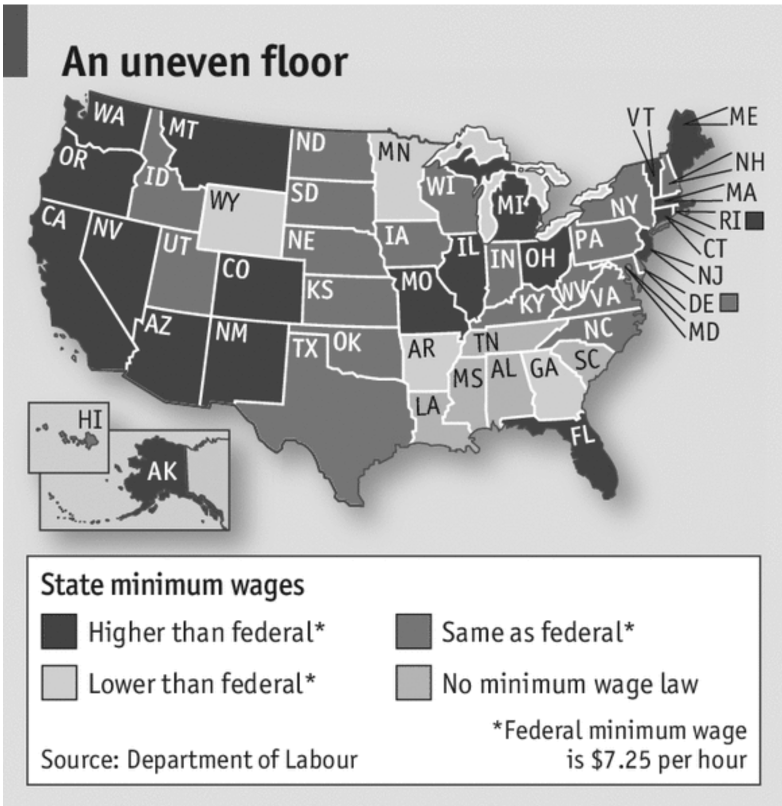
3.1.1. United States – one of the longest-established NMWs

New Zealand and Australia introduced national minimum wages in the nineteenth century[69], but by far the best-known example of national minimum wage legislation is from the United States.[70] This dates from before the Second World War at a time when people across the globe were facing the dire effects of the Great Depression. The US courts initially ruled that minimum wage laws were unconstitutional. The eventual passage of the Fair Labor Standards Act (FLSA) in 1938 was one of the crowning achievements of The New Deal,[71] a transformative legislative programme which ushered in a 40 year period in which inequality in the US declined and stabilised.[72]

The federal minimum wage "for covered nonexempt employees" has been set at $7.25 per hour since July 24, 2009.[73] This is 38 per cent of the median wage and "one of the rich world's lowest". [74] Many US states also have minimum wage laws. (See the map below). "In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages."[75] The federal rate covers far fewer people than it once did. In 1979, 7.9 per cent of workers earned at or below the federal minimum wage; in 2012 the figure was 2.8 per cent. In January 2014, 21 out the 50 US states had a minimum wage higher than the federal level.[76]

[69] Martin and Immervoll (2007).
[70] Kennan (1998:642). It has proved difficult to assemble a summary of the US experience of a national minimum wage because of all the many variations and their extremely detailed documentation. Sylvia Allegretto (2013), in a collection of papers commissioned by the US Department of Labour commemorating the 75th Anniversary of the Fair Labor Standards Act states that "The minimum wage is one of the most researched areas in labor economics with a vast body of literature that dates back nearly seventy years". The Research Unit is able to provide answers to any further questions that may arise from the account given here.
[71] Kennedy (1999). Note that the New Deal permitted "an organised system of racial cruelty". Its transformative content related to capitalism, not racism – which was concentrated in (but not limited to) the southern states. See Katznelson (2013: 14-18).
[72] Piketty, T. and Saez, E.(2003) The share of income of the "top 10 per cent" in the US fell from 50 per cent before the "great Crash" in 1927 to stabilize at 35 per cent between 1942 and 1982. Since then, inequality has risen, reaching its highest level (51 per cent) in 100 years in 2012. There is no suggestion this was all due to the minimum wage – the result had many causes, social and political as well as economic.
[73] US Department of Labor. [Internet] <http://www.dol.gov/dol/topic/wages/minimumwage.htm>.
[74] Economist (2013b); Economist (leader article) (2013c) – the date of calculation is 2012.
[75] US Department of Labor. [Internet] <http://www.dol.gov/dol/topic/wages/minimumwage.htm>.
[76] Economist (2013b). The highest local minimum wage noted was $15 an hour, after a municipal vote in a suburb of Seattle, where the airport is located.

Figure 1: USA: Some states have set minimum wages above the federal minimum.[77]



Note: Where there is no state minimum wage law, or where the state law is lower than the federal, the federal minimum wage rate applies.

3.1.2. Germany – the newest NMW

The most recent country to implement a NMW is Germany. Germany introduced an across-the-board hourly minimum of €8.50 ($11.33) from 1 January 2015. It was "one of the few big rich-world countries still without a national wage floor".[78] At 62 per cent of the median wage, this is high relative to most other countries' minimum wages[79].

According to a recent analysis: "The initial rate of €8.50 per hour was agreed by the governing parties during their coalition negotiations in October 2013. Future increases in the German national minimum wage will be agreed by a statutory minimum wage commission, consisting of employers and unions only, which will convene for the first time in 2016, with changes to be recommended by 30 June 2016. The statutory minimum wage rate in Germany will be reviewed every two years and any recommendations to change it must be adopted by the majority of the statutory minimum wage commission. It must also take account of wage agreements within the

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[77] Graphic from Economist (2013b) See current interactive graphic at US Department of Labor. [Internet]. <http://www.dol.gov/whd/minwage/america.htm>.
[78] Economist (leader article) (2013c).
[79] Ibid and see below: 3.3 Comparisons between minimum wage levels across countries over time.

previous two years; labour productivity; and the competitive context of various sectors and regions."[80]

3.1.3. United Kingdom – the best NMW system

The UK has the best method of setting the NMW, according to the sources relied upon for this paper.

The Low Pay Commission is an independent body made up of trade unionists, academics and business people that advises the government on the NMW.[81] Every February, it makes recommendations for the value of the NMW based on a careful review of evidence including economic analysis, submissions from stakeholders, research and a programme of visits. Its mandate is to advise on "the UK's pay floor – designed to protect as many low-paid workers as possible without hurting jobs or the economy."

Mr John Cridland, director-general at the Confederation of British Industry was quoted in 2015 as saying: "The national minimum wage has been one of the most successful policies of recent years thanks to the independence of the commission".[82]

"About 5 percent of Britain's workforce is paid at or very close to the minimum wage, and almost a third of workplaces use it as a guide for setting wages, especially in the retail and hospitality sectors."[83]

The Low Pay Commission published its 16th annual report in March 2015[84].

While the UK was a relative latecomer to the NMW instrument, the country was a world leader in the introduction of minimum wage laws, beginning with the Trade Boards Act in 1909[85]. The welfare state in Britain developed in the wake of the 1930's depression, World War 2 and the continued rationing after the war.

The welfare state after 1950 did not impose a national minimum wage. Instead, it provided poor families with support in the form of minimum benefit standards – for unemployment (the "dole"); child, disability and old-age benefits; food and housing subsidies; universal education and free health care, through the National Health Service.[86] Benefits have not always been unconditional. Time limitations, age limitations and 'workfare' requirements were imposed to deal with poor people who were branded as malingerers and "welfare scroungers"[87].

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[80] LPC (UK) (2015a:295).
[81] Low Pay Commission (UK). [Internet].
[82] Durham (2015).
[83] Durham (2015).
[84] LPC (UK) (2015a).
[85] Tawney (1915). According to Martin and Immervoll (2007), the UK has implemented a NMW before.
[86] Timmins (1995).
[87] Shildrick, T. (2012).

The national minimum wage in the UK was grafted onto an existing structure of comprehensive welfare support when it was introduced after 1998.

When the British government set up the independent Low Pay Commission, its aim was to have "NMW rates that helped as many low-paid workers as possible, while making sure that we do not damage their employment prospects". As the economy continues to recover, following the setbacks of the 2008 economic crisis, the Government's ambition is to increase the real value of the NMW.

In 2014, it asked the LPC to:

- monitor, evaluate and review the levels of each of the different NMW rates;
- make recommendations on the levels which should apply from October 2015;
- consider whether (as concluded in the previous 2014 Report), the UK is entering a new phase where real increases in the NMW can be afforded;
- review the conditions that need to be in place to allow the value of the minimum wage to increase in real terms;
- update previous advice on the future path of the NMW.

The LPC states: "Our recommendations are once again based on extensive examination of the evidence." This has included:

- meetings with employers and workers, including in low-paying sectors and small firms[88];
- a programme of commissioned external research;
- detailed in-house analysis of labour market data; and
- detailed in-house analysis of other economic data.

The recommendations are assembled by experts – "technocrats" – and conclusions are based on internal debates and evidence. The LPC does not set the wage levels by votes or because of lobbying. It does not use a mechanical formula to determine the NMW without reference to the wider economic context. The Government asked the LPC to take account of the state of the economy, and employment and unemployment levels, and relevant policy changes.[89]

The lengthy reports of the LPC explain the reasons for the Commissioners' conclusions and recommendations. They are written in accessible language, with clear summaries and references to other evidence sources. The annual report provides, as is explicitly intended, "a valuable wider resource on the UK labour market"[90], which can be used as a reference point, for example for wage bargaining or other economic decision making. In 2015, the conclusions and recommendations represented the unanimous views of all Commissioners.

[88] Oral and written submissions are accepted by the LWC.
[89] Summary from LWC (UK) (2015: vii-viii). This is a long, detailed report of 357 pages.
[90] LPC (UK) (2015a: viii).

Nine commissioners have been appointed in terms of the National Minimum Wage Act 1998. Three are trade union officials, three are business people, two are professors of economics and the Chairperson is a university-linked head of a non-governmental organisation (NGO). The commissioners are supported by a secretariat of seven people. Detailed account is given of the way in which they work in the LPC reports.

The UK Government considers the LPC recommendations every year in February. Since the minimum wage was introduced in 1999 there have been annual upratings[91].

The LPC reports that it has experienced "significant overseas interest in particular features of the National Minimum Wage including how the Low Pay Commission has achieved unanimity in its recommendations, and flexibility to respond to economic circumstances."[92] In 2014 alone, the Commission met with representatives from a number of other countries, including Germany, the Republic of Ireland, South Korea and New Zealand to discuss the operation of the NMW and to spread knowledge and best practice. Having seen the success of the UK system, other countries were interested to learn about how the UK had introduced and operated its minimum wage since 1999.

3.1.4. Sweden – no NMW, but low inequality

Sweden has the best history to illustrate the positive effects of 'wage solidarity' – the philosophy that underpins the principle of minimum wages and which underlies the much lower levels of inequality in all the Scandinavian countries.[93]

If a company is unable to pay a minimum wage – fairly and properly negotiated - it should not be allowed to continue in existence. Such company owners are effectively are kept afloat by the charity of their workers who collude in accepting lower wages, and undercut the wage standards than competing, profit-making companies have agreed to pay. The Swedish trade union federation (the LO) have explained:

"[Wage flexibility] reduces the losses of unprofitable firms and permits them to stay in business longer. They are subsidized by their employees accepting low wages. The solidarity wages policy [by contrast] forces them earlier to restructure or go out of business. This is a much more efficient way to move labour from unprofitable to profitable production. This means that labour market policy [which includes wage policy] is substituted for wage differentials as a prime mover of labour in the restructuring of business."[94]

[91] LPC (2015a:296).
[92] LPC (UK) (2015a:300).
[93] The low levels of inequality in Sweden, Norway and Finland compared with other countries are illustrated in Wilkinson and Pickett (2010: 20, 23).
[94] Young (1995) citing *Solidaristic incomes policy and industrial relations.* Mimeo, LO Sweden, 1990.

But Sweden has no NMW. Its system of minimum standards has relied on collective bargaining agreements to set wage floors, covering sectors and occupations which account for a very high proportion of the workforce.[95]

3.1.5. France – high NMW harms employment

In 2015, France had the highest minimum wage for the major economies in Europe at €9.61 ($12.81) per hour.[96] This level can be compared to the €8.50 recently adopted by Germany in January 2015, which is also regarded as being high – in both absolute and relative terms. Another feature of the French minimum wage is that it sets very high minimum wage standards for young people. This has been held to be one of the factors that explains the high rates of youth unemployment in France, some 26 per cent for 15- to 24-year-olds in 2013.[97]

3.1.6. Mexico – low, ineffective NMW

The NMW in Mexico is too miserly to have any impact on promoting development. The level in 2015 is less than $5 per day – about 62 US cents per hour. This compares with the rich annual salary of the head Mexico's National Minimum Wage Commission (Conasami) who earned $213,000 in 2014.[98]

The minimum wage “has lost more than two-thirds of its purchasing power in past decades and is inadequate to cover most basic needs.”[99] This flies in the face of Article 123 of Mexico's federal constitution which provides that "The general minimum wage must be sufficient to satisfy the normal material, social, and cultural needs of the head of a family and to provide for the compulsory education of his children."[100] 13 percent of the Mexican workforce earn the minimum according to the government statistics agency.[101]

Conasami sets a minimum wage that is 10 per cent higher in metropolitan compared to rural areas (where the cost of living is said to be lower).[102] While there are popular pressures to increase the minimum wage substantially, now that inflation has been controlled, this is made complex by a web of legislation that sets various fines and penalties in relation to the level of the minimum wage.

This is an aspect of minimum wage architecture that South Africa should not copy!

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[95] Martin and Immervoll (2007). This is the same approach used in Italy, Austria and other Scandinavian countries.
[96] WageIndicator Foundation. [Internet]. < http://www.wageindicator.org/main/salary/minimum-wage/france>. Luxembourg is higher at €11.10.
[97] Economist (leader article) (2013c).
[98] Economist (2014m).
[99] Harrup (2014)
[100] MGR (2014).
[101] Harrup (2014).
[102] WageIndicator Foundation. [Internet]. < http://www.wageindicator.org/main/salary/minimum-wage/mexico>.

3.1.7. Chile – high, ineffective NMW

Mkhize and Ngcobo[103] place emphasis in their review of international experiences of the NMW, on the case of Brazil. According to the analysis of the ILO and the Economic Commission for Latin America and the Caribbean (ECLAC), Brazil's "minimum wage policy tailored to the dynamics of the domestic market is considered to be one of the factors behind an upturn in the wage share of GDP" between 2002 and 2008 (the most recent expansionary economic cycle). This positive trend reversal in wages as a percentage of GDP was particularly noteworthy in a region which "has the most unequal distribution of income in the world."[104]

Chile is a second South American country that attracts analytical attention. This is because it has perhaps the highest relative minimum wage in the world at 67 per cent of the median income according to the OECD.[105]

In terms of currency, the Chilean minimum wage is much lower than minima in Europe and the US indicated above (except for Mexico!)

Table 1:Chile: national minimum wage in 2015 – indicators of rates in different currencies[106]

Category	Monthly minimum in Chilean pesos	Hourly minimum converted to US$ / Euros at 20-Mar-15	Percent of the full time wage (45 hours per week)	Rands per month (approximation)
(a) Age 18 - 65 years	225000	$ 1.80 / € 1.69	100%	R 4 321
(b) Age above 65 years or below 18 years	167968	$ 1.35 / € 1.26	75%	R 3 226
(c) "non-remunerated".	145139	$ 1.16 / € 1.09	65%	R 2 788

The minimum wage is proposed by the government for adoption by the Chilean Parliament. The Ministry of Labour and Social Welfare has recently announced that a "Technical/ Advisory Committee on Minimum Wages" will be created and that it will include representatives of workers and employers, as well as economists and academics. However, at present this will be an informal structure without statutory recognition.[107]

There is no formal requirement for the regular revision of the minimum wage, but the practice is for an annual adjustment in July. No formula or benchmark for setting the level of the minimum wage is provided in law, but the Chilean government has proposed that the new Advisory Committee

[103] Mkhize and Ngcobo (2015).
[104] ECLAC/ILO (2012).
[105] See 3.3 below
[106] Minimum wages from Directorate of Labour (Chile). [Internet]; exchange rates from bloomberg.com.
[107] WageIndicator Foundation. [Internet]. <
http://www.wageindicator.org/main/salary/minimum-wage/chile>.

on minimum wages to keep three key variables in mind. These are: the expected inflation rate for the next 12 months, productivity trends and a cyclical adjustment factor depending upon the level of unemployment in the economy.

Chile is described as a relatively advanced developing country, which has a high degree of administrative and bureaucratic capacity.[108] Academic studies of the Chilean minimum wage have however noted a significant level of non-compliance with the law[109]. The level of violation was found to be very different for urban and rural areas. 39 per cent of rural workers were paid below the minimum wage compared to 16 per cent of urban workers. The depth and severity of violation was higher for rural workers – and there were, in addition, significant variations in non-compliance between different regions. In a similar vein, an earlier study by ILO researchers found that the wage structure of enterprises in Chile "remained largely unchanged following the rise in the minimum wage".[110] One major objective of the minimum wage policy, the amelioration of living conditions of low-paid workers, was therefore found not to have been achieved. The ILO study draws attention to the necessity of carefully designing the minimum wage fixing machinery. Adjustments were based on economic forecasts that turned out to be unrealistic and this saw the NMW in Chile rising far above the average wage, and far above productivity trends in the economy.[111]

The Chilean minimum wage has been set at a high level in relative terms – both globally and against the medium wage in the Chilean economy. This has led to the minimum wage being less effective, because of non-compliance.

3.2. Architecture of the NMW

3.2.1. Setting the scope of the NMW

This subsection considers experiences of limiting and expanding the scope of who is covered by or excluded from the national minimum wage and measures to phase in improvements over time.

The simplest solution would be one rate and universal coverage. But this may not be a practical option for introducing a NMW. Many countries have begun with narrow coverage and some exemptions and have then worked towards the goals of universal coverage and a single rate that approaches the COSATU 1985 call for "a legally enforced national minimum living wage for all workers".

1. When the national minimum wage is introduced, governments may limit its scope by excluding certain sectors or providing exemptions. For example agricultural workers, domestic workers and young people were initially excluded from the US Fair Labor Standards Act

[108] Kanbur *et al* (2013).
[109] Kanbur *et al* (2013) and Wedenoja (2013).
[110] Infante *et al* (2003).
[111] Infante *et al* (2003); Marinakis (2006) and ECLAC/ILO (2012).

in 1938.[112]

2. At a future date, these excluded sectors may be brought within the scope of the minimum wage law. For example, in the USA, farm workers were not covered when the FLSA was passed in 1938 but amendments were made so they were covered from 1966.[113]

3. When the national minimum wage is introduced, it may be phased in – in some or all locations. For example, the initially proposed version of the US Fair Labor Standards Act in 1938, provided for a minimum wage of 40 cents per hour. But the legislators amended the bill to establish a minimum wage of 25 cents per hour for the first year following passage, thirty cents for the second year and 40 cents within a period of six years".[114]

4. The phasing in may be applied to new industries that are added to the coverage of the national minimum wage. For example, in the USA, when the minimum wage for previously covered workers was $1.15 an hour, the minimum for retail workers newly subject to the law was set at $1.00 an hour, with a plan to reach parity with the national standard over four years.[115]

5. Enterprises that are subject to the national minimum wage may be limited to those above a certain size or turnover. For example, in the USA, farms were only subject to the minimum wages "if their employment reached 500 or more man days of labor in the previous year's peak quarter"[116].

6. The coverage of the national minimum wage may be broadened by altering the firm size or turnover threshold over time. For example, in the USA the threshold for retail trade enterprises included only those with sales exceeding $1 million annually in 1965. Many more workers were brought under the protection of the national minimum wage by 1968, as the enterprise sales volume test was cut to $250,000 by 1969.[117]

7. Young people in certain jobs may be covered by a discounted minimum wage.[118] For example, in the USA, retail and service businesses (such as restaurants) "were allowed to employ fulltime

[112] Kennedy (1999).
[113] Coverage was phased in, with parity with non-farm workers only being reached in 1977. US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>.
[114] Katznelson (2013: 270 and 583 n.196).
[115] US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>. Period 1961 to 1965. The federal minimum standard was $1.25 in 1965.
[116] US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>. 1966.
[117] US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>.
[118] Also see the more comprehensive tables A3.3-5 summarizing how specific countries adjust their minimum wages for the youth, by age and for apprentices in LPC (UK) (2015a:297-99).

students at wages of no more than 15 percent below the minimum with proper certification from the Department of Labor."[119] The youth wage discount may be time limited, as it was in the US to the first 90 days of employment.[120] After that period, the normal minimum applies. In Australia, the NMW for young people is set at a fixed percentage of the full NMW for different ages. It rises from 36.8 per cent at age 15, by birthday steps to reach parity with the NMW from age 21.[121] A similar sliding scale applies to apprentices, starting at 55 per cent of the NMW in the first year to parity after four years. For trainees who are not apprentices, there is a wage scale related to the number of years of schooling completed.

3.2.2. Setting the level of the NMW

Some countries with a minimum wage outsource rate-setting to independent technocrats.[122]

For example, in the UK, the government decides on the rate, after considering recommendations made by the Low Pay Commission (LPC).[123] It doesn't need to get each increase past Parliament. "This is an approach we recommend for other countries." says *The Economist.* [124] A similar approach – relying on expert advice before setting or adjusting the NMW has been followed at least in Australia, and Ireland is in the process of establishing a 'Low Pay Commission' that is modelled on the UK.[125]

Other countries, such as Belgium, Spain, Japan and the Netherlands (and Germany from 2016 onwards) set the national minimum based on collective bargaining agreements.

In New Zealand, the Minister of Labour changes the rates after procedures have been followed under the Minimum Wages Act 1983.

In France, the minimum wage is automatically raised in line with inflation and is subject to further increase at any time, should the government so decide.

In the USA, the federal minimum wage is set intermittently by politicians, voting in Congress.[126]

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[119] US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>. 1961. There have also been "training discounts" of a similar size for young workers under 20 years (1989 to 1983).

[120] US Department of Labor. [Internet]. < http://www.dol.gov/whd/minwage/coverage.htm>. 1996.

[121] WageIndicator Foundation. [Internet]. <http://www.wageindicator.org/main/salary/minimum-wage/australia>.

[122] Economist (2013).

[123] Mkhize and Ngcobo (2015). The LPC is discussed in 3.1.3 above.

[124] Democracy in America (2014). *The Economist* opposed the introduction of the national minimum wage in Britain in 1998, because of economic theory that says minimum wages cause job losses. Now it has changed its mind: "Moderate minimum wages do more good than harm. They should be set by technocrats not politicians". Economist (2013c)

[125] LPC (UK) (2015a) Appendix 3: Minimum Wage Systems in other Countries. This is the source for the summary immediately below.

[126] Economist (2013b).

Benchmarks for the level of the NMW:

Cosatu draws attention in its 2015 *Updated briefing document on the national minimum wage (NMW)* to "two international benchmarks which are sometimes used to gauge the level at which the national minimum wage should be pitched. Namely a Minimum Living Level and the ratio of the national minimum wage to the average wage. While not cast in stone, these are useful benchmarks which should be considered."[127] Note that Cosatu is not putting forward these measures as mechanical ways of setting the National Minimum Wage. They are correctly held up as internationally recognised *reference points* for judging the level of the minimum wage and for tracing comparative trends over time[128].

Median vs Average

What is the "median" wage?

The wage earned by the "middle" person in a sample is called the ***median*** wage. He or she has a wage that is less than that earned by half of the sample and more than that earned by the other half.

What is the "average" wage?

The **average** wage is calculated by dividing the total of all wages earned by the sample by the number of people in the sample.

If all people earn the same wage, the median will be the same as the average.

If most people are low earners and only a few earn high wages, the average will be above the median (because the middle-ranked person will be a low wage earner).

If most people are high earners and only a few earn low wages, the average will be below the median (because the middle-ranked person will be a high wage earner).

Given the patterns of inequality in wages, the average wage (which includes the tip top earning 1 per cent) is distorted by being made higher than what most people will actually earn. The median is a better benchmark for wage distribution than the average, because it excludes very high and very low values.

The value of the NMW relative to the median wage is termed "the ***bite*** of the NMW" by the UK Low Pay Commission. It was measured at 45.7 per cent on the introduction of the NMW in April 1999 and rose to its highest ever level of 53.2 per cent in October 2014 (for employees aged 22 and over). The NMW has most impact on small firms and on low-paying sectors. Here the bite was 67.2 per cent for micro firms (those with fewer than 10 employees), and just under 80 per cent in the low-paying sectors as

[127] Cosatu (2015).

[128] As a similar example, see how the median wage is used as a benchmark in 3.3, below

a whole. The LPC commented that "Despite the increased level of the bite of the NMW, total employment has continued to grow in the economy as a whole and in the low-paying sectors with the year to September 2014."[129]

Below 50 per cent of the median wage seems a good starting point…

The influential *Economist* magazine opposed the introduction of the national minimum wage in Britain in 1999. But it later changed its view on the issue after a raft of convincing studies showed that there had been demonstrable benefits from the policy.[130] One of the reasons that is said to account for this success is that the level was not set too high. The lesson from this is that the level of the minimum wage should be set "pretty low—say, less than 50% of the median, with lower levels for less productive people such as the young and long-term unemployed."[131]

jobs are lost and the economy is harmed if the minimum is set too high…

The *Economist* is of the view therefore that the new minimum wage introduced in Germany in 2015 is too high – at 62 per cent of the median wage, it risks breaking the rule that the minimum wage should be set below 50 percent of this benchmark. This suggests "that jobs will be lost, especially in the less productive east of the country."[132]

The *Economist* points, in this regard, to the example of France, which has the rich world's highest wage floor, at more than 62 per cent of the median for adults "and a far bigger fraction of the typical wage for the young".[133] According to the *Economist*, "this helps explain why France also has shockingly high rates of youth unemployment: 26% for 15- to 24-year-olds".[134]

… but the minimum wage can also be set too low…

Minimum wages can be set too low to have any benefit at all. This seems to be the case in Mexico, where the minimum wage has declined sharply in real terms over two decades.

<u>Multiple inputs and reference points should be used to decide on the level of the NMW</u>

The Labour Research Service, in a study that combines international experiences with lessons from the history of the SA labour movement[135],

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[129] LPC (UK) (2015a: paras 8-9).
[130] See Bewley *et al* (2014) for references to these studies on the positive experience of the NMW in the UK.
[131] Economist (leader article) (2013c). In the UK the minimum wage was 47 per cent of the median in 2012.
[132] Economist (leader article) (2013c). Deutsche Bank warned that up to a million jobs could be at risk. (Pannett 2015).
[133] Economist (leader article) (2013c).
[134] Economist (leader article) (2013c).
[135] Young (1991:16).

suggests that the following factors will be useful for a "National Wage Board" to set the level of the NMW in South Africa:

1) the minimum basic wage needed to sustain a civilised life;[136]
2) current wage levels in the economy, including regional and industrial differentials;
3) the payability of companies; and
4) the effect of the National Minimum Wage on inflation, employment and other macro-economic indicators, and the part that wages can play in the country's national economic development plan.

The LRS states: "None of these alone would be sufficient to guide the National Wage Board to a sensible decision. Obviously, different parties present on the Board will have divergent interests. The Board's decisions will reflect the conciliation of these interests. Representation by worker and employer representatives, as well as government representation, ought to ensure that divergent interests are reconciled."

"Technocrats" may put forwards a proposed architecture and way of setting the level of the NMW, but their proposals need to be subject to stakeholder comment and even negotiation before they are adopted by government.

Relevant here is another debate which had prominence in SA a decade ago regarding a universal basic-income grant (BIG), as an alternative, or supplementary instrument for building a society that is fairer and less unequal.[137]

3.2.3. Enforcement of the NMW

Enforcement is obviously a critical concern if the NMW is to have its intended effect.

Compliant employers need to be assured that they will not be undercut by unscrupulous businesses flouting the law, and workers need to be assured that they will receive the promised wage protection, particularly those vulnerable to ill-treatment.[138]

In general, it is of great importance that the formal enforcement mechanisms of the state are supplemented by civil society organisations, including trade unions, who educate vulnerable workers about their rights (not only around wages) and promote their realisation.

In the USA, the U.S. Department of Labor's Wage and Hour Division (WHD) is responsible for administering and enforcing the federal minimum

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[136] The LRS recognises the methodological difficulties in applying scientific precision to this but suggests that an approximation will serve the purpose of including this consideration in determining the NMW.
[137] See Standing (2011) and the review in Bremer (2013).
[138] Direct quote from LPC (UK) (2015a:200)

wage.[139] Comprehensive enforcement information for the Fair Labor Standards Act (FLSA) is available online.[140]

In an interesting reflection on how the FLSA relates to wider campaigns for justice of behalf of immigrant, marginalised and low-paid workers, Hector Cordero-Guzman has outlined how civil society organisations called Worker Centers operate in networks to improve protection for low wage workers under the FLSA.[141] Despite the existence of the law and a modern enforcement capacity, studies have shown that enforcement remains particularly difficult is certain areas. For instance the rates of minimum wage violations vary by occupation and industry with apparel and textile manufacturing (43 per cent), personal and repair services (42 per cent), and private households (42 per cent) having the highest levels. In terms of occupations, the highest rates of minimum wage violations were among child care workers (66 per cent) followed by beauty, dry cleaning & general repair workers (50 per cent) and garment workers (43 per cent).

Trade unionism in the USA is extremely weak and the networks of worker centre's play a useful role by organizing and advocacy for low-wage workers in the most marginalized sectors of the labour market. "Workers that are educated about their rights, organized into collective action, and connected to community based and advocacy organizations offer the best defense against leakages at the bottom of the labor market and abuses that trickle up..." [142]

Even in the "developed" USA the enforcement of the protective legislation is a huge challenge.

In the UK, the Low Pay Commission reports annually on the enforcement of the NMW and conducts research to understand why certain companies choose not to comply with the minimum wage laws.[143]

A five-year National Minimum Wage Compliance Strategy was introduced in March 2010. This is delivered through a balance of civil and criminal action, combining reactive demand-led and more proactive work.

The NMW is unusual among UK individual employment rights in having a state body responsible for its enforcement.[144] This is the HMRC (Her Majesty's Revenue and Customs, the UK equivalent of the SA Revenue Service, SARS).

The key reporting mechanism is individual complaints to the Pay and Work Rights Helpline. All complaints are investigated, with a strong focus on recovering arrears for the individual worker. There is also a system for fast-tracking complaints from higher risk groups, which have been identified as

[139] US Department of Labor. [Internet]. <
http://www.dol.gov/wecanhelp/howtofilecomplaint.htm>.
[140] US Department of Labor. [Internet]. < http://www.dol.gov/whd/flsa/index.htm>.
[141] Cordero-Guzman, H. (2013)
[142] Ibid. pages 157-8.
[143] Croucher and White (2004).
[144] LPC (UK) (2015a:206).

apprentices, interns, and seafarers. Penalties have been increased to a fine equal to the amount of underpayment and, since October 2013, there has been an active programme to 'name and shame' offenders who owe more than 100 pounds (about R2000).[145] Up until January 2015, 92 offenders had been publicly named.

Alongside this largely reactive work, the strategy also provides for proactive targeted work, based on risk assessment and informed by recommendations from the LPC and others. This has led to interventions in high-risk sectors, such as social care and hotel cleaning. There is a continuing effort to educate employers and workers alike on the NMW and what it involves. As capitalism has changed its shape—with the increased casualisation of work, outsourcing and "zero hours contracts" (where workers are expected to be available on demand without any fixed working hours)—the challenges of implementing a measure such as a NMW take unexpected turns and require constant innovation and vigilance.

Government cannot succeed alone and the UK enforcement authorities rely on trade unions and activist organizations such as Kalayaan, a charity which works with migrant domestic workers in the UK, one of the most vulnerable categories of potential NMW beneficiaries.[146]

3.2.4. Reviewing and adjusting the NMW over time[147]

<u>Annual adjustments:</u>
In the UK, the minimum wage is adjusted annually by the government, based on recommendations made by the Low Pay Commission (LPC)[148] Smooth, regular and predictable increases in the minimum wage are easier for businesses to digest than the big jumps, after long intervals, that one sees in countries such as the US.[149]

<u>Intermittent adjustments</u>
In the US, the federal minimum wage has no current adjustment term. It was last set at $7.25 in 2009. It had lost 5.8% of its purchasing power by 2013, when President Obama called for a major increase in the federal minimum wage to $10.10.[150] This was still well below the highest ever minimum wage in real value terms, which was set in 1968. The Centre for Economic and Policy Research (CEPR), a think tank, estimated that the federal minimum wage would have reached $21.72 if it had kept up with productivity gains in the economy since 1968.[151]

<u>"Automatic" Inflation-linked adjustment</u>

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[145] Ibid. (p.208).
[146] Ibid. (p.224).
[147] Also see the more comprehensive table A3.2 summarizing how specific countries adjust their minimum wages in LPC (UK) (2015a:296).
[148] Mkhize and Ngcobo (2015). The LPC is discussed in 3.1.3 above.
[149] Democracy in America (2014).
[150] Economist (2013b). It is not clear what the target date was for this level. Earlier in 2013, Mr Obama had spoken of a $9 target for 2015. (Economist 2013a).
[151] Cited in Economist (2013b). The real effect is not as dire as suggested because of the off-setting effect of the earned-income tax credit, a federal subsidy for low-wage workers.

Some countries or jurisdictions provide for the level of the minimum wage to be adjusted to match changes in the cost of living. For example, this is the case in France.[152]

Eleven states and several cities in the USA index their local minimum wage rates to inflation. To cope with the political difficulty of getting agreement for increases to the federal minimum wage from Congress in the future, President Obama has proposed legislating for annual inflation-linked increases.[153] Neither the increase, nor the inflation adjustment, are likely to prove possible in the current political climate where Mr Obama faces knee-jerk opposition from the Republicans who command a majority in both houses of Congress. While there is precedent in the US for automatic inflation-linked adjustment of minimum wages, this in not in place at the federal level.

Additional Benefit of NMW review: a benchmark for collective bargaining
If the annual review of the possible adjustment of the NMW is done well, it can provide an authoritative benchmark that will influence wage setting across the economy in the year ahead.[154]

3.3. Comparisons between minimum wage levels across countries over time

Direct comparisons of minimum wage levels between countries in currency terms is not really meaningful as it is distorted by differences in purchasing power[155] and, over time, by differential rates of inflation.

One useful method of comparison, however, is to compare the minimum wage level with the average wage or, better, the "median" wage in the economy.[156]

The graphic below compares the minimum wages of four major developed countries:

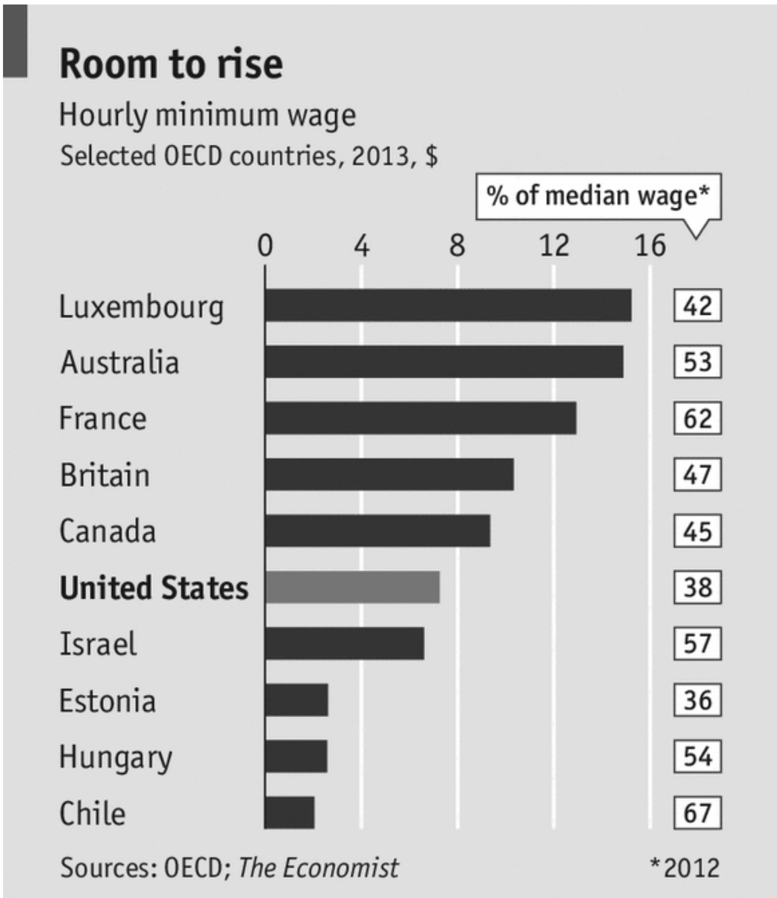
[152] WageIndicator Foundation. [Internet]. < http://www.wageindicator.org/main/salary/minimum-wage/france>.
[153] Economist (2013a).
[154] LPC (UK) (2015a).
[155] LPC (UK) (2015a:292) presents a comparison of selected minimum wages by country in 2014 in terms of purchasing power parity (PPP). The highest NMW is in France (£8.57) and the lowest in Portugal (£3.33) , with the UK at (£6.50) and the USA at (£5.63). Also see the PPP graphic in Pannett (2015).
[156] Given the levels of inequality in wages, the average wage (which includes the tip top earning 1 per cent) is distorted by being made higher than what most people will actually earn. A better measure of wage distribution is to track the wage earned by the "middle" person. He or she has a wage that is less than that earned by half of the citizens and more than that earned by the other half. This useful figure is called the median.

Figure 2: Comparison of minimum wage levels across countries and over time[157]

As *The Economist* commented in 2013: "America's minimum wage has long been low by international standards, equalling just 38% of the median wage in 2011, close to the lowest in the OECD. Congress changes it only occasionally, and in the interim inflation eats away its value. …Twenty states now have minimum wages above the federal rate, compared to 15 in 2010, according to the Economic Policy Institute, a liberal research group."[158]

[157] Economist (2013a).
[158] Economist (2013a).

Figure 3: Comparison of minimum wage levels across countries in 2012/13[159]



Britain $ 10.40 47% of median wage
European Union average (21 countries with minimum wage law) $ 6.00 47% of median wage[160]

The figures represented by the bar graph above are straight currency conversions into dollars. For a useful comparison, additional account needs to be taken of purchasing power. The figure to concentrate upon in the comparison above is shown in the white boxes. This indicates how the minimum wage related to the median wage in each country in 2012. (This is the "**bite**" of the minimum wage, in the terminology used earlier). Relative to the wages other workers were earning, therefore, the minimum wage standards were highest for Chile and France (67 per cent and 62 per cent of the respective median wage levels). They were the lowest, in the above sample, for Estonia and the US (36 per cent and 38 per cent.)

Similar information is represented in Figure 4, below, which compares minimum wages in some OECD countries in 1999 and 2013 in terms of their "bite":

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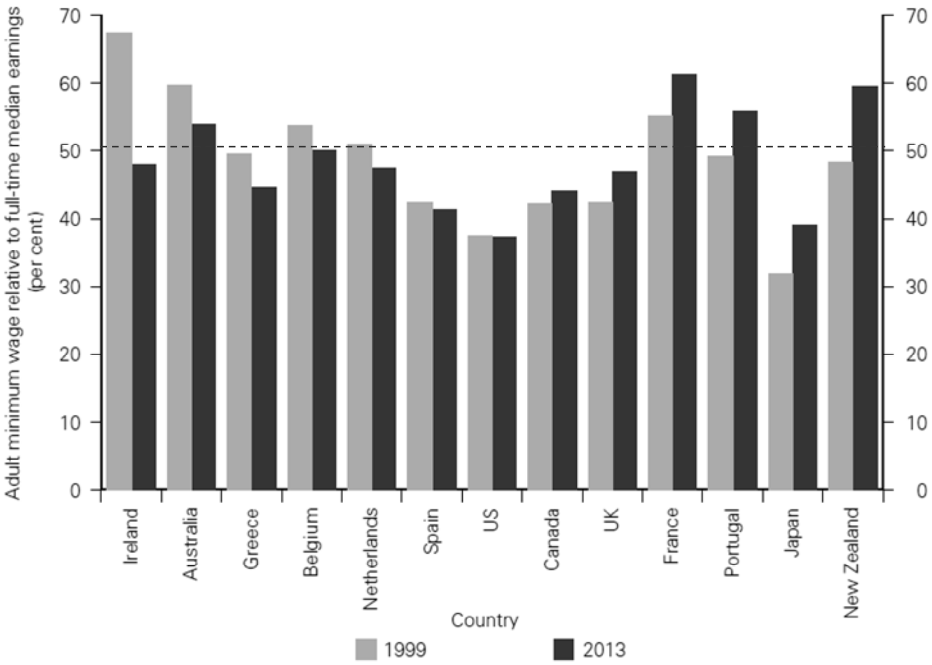
[159] Economist (2013b).
[160] Economist (2013c). The data is for 2012.

Figure 4: Adult Minimum Wages Relative to Full-Time Median Earnings, by Country, 1999 and 2013[161]



Graphic copied from LPC (UK) (2015a) Appendix 3: Minimum Wage Systems in Other Countries

Source: OECD estimates based on OECD minimum wage database and median earnings for full time workers, 1999 & 2013

Notes:
a. Average value of minimum wage in each year.
b. Figures for Ireland are from 2000 when its minimum wage was introduced.
c. Countries ranked according to the change in the bite of their minimum wage rates.

The dashed 50 per cent marker line has been added.

4. Conclusion and considerations for Parliament

This paper has considered architectural features of a national minimum wage by drawing on international experiences. The paper begs the question of whether there should be a national minimum wage, by focusing on how to implement the national minimum wage rather than asking whether it is indeed the right policy to pursue. This answer, however, cannot come primarily from international lessons. It has to be rooted in local debates and flow from policy decisions that South Africa must make for itself.

International evidence indicates that new national minimum wage legislation in SA, however well benchmarked in international good practice, cannot be effective if it stands alone as a simple addition to present labour

[161] Appendix 3 of LRC (UK) (2015a:295)

law. It will need to address, from the outset, the wider problems faced by "the growing number of workers who labour for persons who are not their employers, and who are not protected effectively or at all by labour legislation"[162]. This is part of the global phenomenon of the "fissured workplace"[163] and the rise of precarious part-time, and short-contract work, informal labour and self-employment even in the advanced economies.[164] These features of the 21st century work environment have proved a particular challenge in the enforcement of traditional national minimum wage legislation in other countries.[165] Research in the UK, for example, has described how these flexible employment practices are associated with a greater likelihood of non-compliance with the NMW.[166]

The conclusion needs to emphasise three points:

1. There are successful countries that do not have a national minimum wage. (The Scandinavian countries have no minimum wage and, in addition, have relatively low levels of inequality.);

2. Some countries that have a NMW (such as Mexico) have not used this instrument in a way that tackles unemployment, poverty or inequality;

3. Having a NMW cannot lead to success if it is the only, or even the main, instrument in place for addressing inequality. Many interventions are needed and they benefit from being carefully sequenced. The NMW may be introduced with better results at a different time from the present.[167]

What considerations are appropriate for Parliament to take on board even if this leads to a delay in legislating a new mechanism to introduce a NMW?

First, Parliament should not pass legislation unless it provides for a wage determining mechanism that is independent of government whim and which includes in its design and execution the perspectives of all the stakeholders. (The model of the UK Low Pay Commission stands out internationally as good practice).

Second, Parliament should not pass NMW legislation if the balance of forces is such that it is likely to lead to setting a NMW that is too high. If the particular role of the NMW in targeting low wage and vulnerable workers is not understood and accepted, this presents a danger that the NMW will be

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[162] Theron (2014).
[163] Kuttner (2014).
[164] Bremer 2013) and Standing (2010).
[165] See Chapter 5 of LPC (UK) (2015a).
[166] Bewley *et al (*2014).
[167] The legal academic and former trade union leader, Jan Theron, has convincingly argued that the daily failures of the SA labour relations system "cannot be overcome by simply amending existing legislation". The Labour Relations Act (LRA) "and its companion laws are premised on assumptions … that are no longer valid". (Theron 2014). One concludes that NMW legislation could be part of "a new paradigm for labour regulation", but it cannot succeed if it is simply grafted onto the present outdated, ineffective system of labour market regulation in SA.

set at a level that is too high—potentially harming the economy and destroying jobs

There is, of course, no guarantee that a future Parliament/administration will act in a way that respects the above two considerations, but the NMW will stand a stronger change of proving itself a useful tool of policy if it starts off "on the right foot". The international examples provide excellent guidelines on how to do this and be confident of positive results.

There is "academic evidence showing that modest increases in the minimum wage do not necessarily destroy jobs and may in fact decrease inequality."[168]

The international lesson is that the national minimum wage can be used, as President Zuma indicated in SONA 2015, as part of South Africa's weaponry to tackle the triple challenge of unemployment, poverty and inequality.

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2. Report of the South African Parliamentary Delegation to the 22nd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and the 12th Session of the Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol (COP22/CMP12) as well as other bodies under the UNFCCC, with a particular emphasis on key features of the formal negotiations under various negotiating bodies; The Inter-Parliamentary Union (IPU) meeting on the occasion of COP22/CMP12, held on 13th November 2016 in Marrakech, Morocco; and other Parliamentary engagements in the course of the United Nations Climate Summit, Dated 18 May 2017.

The Portfolio Committee on Environmental Affairs having considered the Report of the South African Parliamentary Delegation to the 22nd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and to the 12th Session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP22/CMP12) as well as other bodies under the UNFCCC, with a particular emphasis on; Key features of the formal negotiations under various negotiations bodies, The Inter-Parliamentary Union (IPU) meeting on the occasion of COP22/CMP12, held On 13th November 2016 in Marrakech, Morocco; and other parliamentary engagements in the course of the United Nations Climate Summit, dated 18 May 2017, report as follows:

1. INTRODUCTION

This South African parliamentary delegation report *first* provides an overview of the 22nd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), namely COP22; the 12th Session of the Conference of Parties serving as the Meeting of Parties to the Kyoto Protocol (CMP12); first Session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 1); and the 45th sessions of the Subsidiary Body for Implementation (SBI 45) and the Subsidiary Body for Scientific and Technological Advice (SBSTA 45), as well as the second part of the first Session of the Ad Hoc Working Group on the Paris Agreement (APA 1-2), held in Bab Ighli, Marrakech, Morocco from 7th to18th November 2016. This first part of the report captures all the different components of climate change negotiations that the South African delegation headed by the Minister of Environmental Affairs, Honourable Edna Molewa participated in.

Secondly, the report captures all the various parliamentary functions, key events and bilateral engagements where the South African legislators played an important role. For example, in keeping with the past practice, the parliamentary meeting on the occasion of the UNFCCC in Marrakech, Morocco, was organised jointly by the Inter-Parliamentary Union (IPU) and the Moroccan Parliament. As on past occasions, the Meeting was intended for parliamentarians who would be present in Marrakech for the COP22/CMP12 session as members of official national delegations or in any other capacity, such as observers representing civil society organisations. The IPU event was convened on 13th November 2016 at the Palmeraie Palace Conference Centre in Marrakech. This was the only official parliamentary activity held in conjunction with the United Nations (UN) Climate Conference, and indeed was a great and unique opportunity for the organisers to bring legislators from many countries and other parliamentary organisations together to discuss the role that legislators have in ratifying the Paris Agreement and in overseeing the implementation of the Agreement.

The working modality adopted at the IPU event required all agenda items to be dealt with in plenary. The programme of the Meeting typically included a series of interactive panels and keynote presentations with the participation of leading international experts and officials from the United Nations and beyond. The format of the Meeting was largely interactive, and every effort was made to avoid reading formal statements. Instead, delegates were invited to ask questions and participate in the debate by making brief statements and suggestions. No formal list of speakers was drawn up in advance and the order of interventions and questions was decided by the chairperson. It was obvious from the presentations and discussions that followed that there is a global convergence in the understanding of the challenges of climate change and the solutions thereto, as shown both in the opening remarks and the interventions as well as the questions that followed.

1.1 South African Delegation

The following list constitutes the parliamentary delegation that attended the IPU event held on the occasion of COP22/CMP12 in Marrakech, Morocco, all other parliamentary engagements and side events pertinent to strengthen parliamentary law-making and oversight functions in respect to executive action:

Hon Mr Cedric T Frolick (MP), African National Congress (ANC): Leader of Delegation;
Hon Mr Philemon M Mapulane (MP), ANC;
Hon Mr Olifile J Sefako (MP), ANC;

Hon Ms Machwene R Semenya (MP), ANC;

Hon Ms Hilda Nyambi (MP), ANC;

Hon Mr Zondi S Makhubele (MP), ANC;

Hon Mr Mlungisi Johnson (MP), ANC;

Hon Ms Johni Edwards (MP), DA;

Hon Mr Thomas Z Hadebe (MP), DA;
Ms Phelekwa Mfuyo, Logistical support (House Chairperson);

Ms Tyhileka Madubela, Secretarial Support; and

Dr Scotney Watts, Content Support.

It suffices to state that the Chairperson of the Portfolio Committee on Environmental Affairs, Hon Mr Mapulane was requested by the Minister of Environmental Affairs, Hon Edna Molewa to represent her where she could not attend due to competing demands. Hon Mr Makhubele attended a "High Level Breakfast Meeting 'on the' Climate Justice Day" at the invitation of the *Mary Robinson Foundation*. Climate justice links human rights and development to achieve an anthropocentric approach, safeguarding the rights of the most vulnerable people and sharing the burdens and benefits of climate change and its impacts equitably and fairly. The *Climate Justice Day* sought to institutionalise this thinking in multilateral processes underway. In addition, all legislators were deployed to man the South African Flag at the main plenaries, where heads of country delegations were delivering their respective national positions.

1. SALIENT FEATURES OF THE FORMAL NEGOTIATIONS

The Marrakech Climate Change Conference was significant as it launched the first session of Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA 1) in addition to the other five bodies, namely: COP22, CMP12, SBI 45, SBSTA 45 and APA 1-2. The CMA 1 launch took place following the ratification of the Paris Agreement by more than 55 Parties, representing over 55 per cent of total global emissions, thus triggering its entry into force on 4th November 2016. It is noteworthy that South Africa participated in the sessions with three main objectives: ensuring inclusiveness in the decision-making process; furthering discussions on the modalities, procedures and guidelines of the Paris Agreement; and promoting South Africa's contribution on climate change. These three objectives have largely been achieved through the various phases of the conferences.

Regarding the negotiating modalities on the relevant guidelines of the Paris Agreement, including the decision-making process, after the CMA 1, South Africa considered it important to ensure the inclusiveness through participating in their discussions. This would enable all Parties to have the ownership of the relevant guidelines of the Paris Agreement, regardless of whether they are Parties to the Agreement. Conversely, during the discussions on the relevant guidelines of the Paris Agreement, developing countries argued that there should be different treatment between developed and developing countries in implementing the Paris Agreement, and developed countries were against these arguments. South Africa emphasised, with other developing countries, that the guidelines should promote all countries' efforts on climate change and should not be used to renegotiate the Paris Agreement. South Africa also stressed that concrete work plans are needed to further the technical discussions in a timely manner toward adopting the relevant guidelines.

It is important to note that negotiations in Marrakech mainly focused on matters relating to the entry into force and the implementation of the Paris Agreement, including under the COP, CMP, CMA, APA, SBI and SBSTA. During the first week, work was concentrated under the APA, SBI and SBSTA, which closed on Monday, 14th November and Tuesday, 15th November. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the high-level Segment was opened on Tuesday, 15th November 2016. National statements for the high-level segment were heard during the joint high-level segment of the COP, CMP and CMA from Tuesday, 15th November until the morning of Thursday, 17th November 2016. The high-level segment concluded in the afternoon of Thursday, 17th November 2016 with statements by inter-governmental and non-governmental organisations.

Although the Marrakech conference under the COP and CMP considered and adopted a number of decisions forwarded by the SBSTA and SBI, the overall focus of the Conference was centred on advancing negotiations on the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 1) in an attempt to adopt a set of decisions that would pave the way forward for the implementation of the Paris Agreement.

CMA 1 decision set 2018 as the completion of the current work programme under the Conference of Parties (COP) and Ad Hoc Working group on the Paris Agreement (APA) and to the transfer to the Conference of the Parties and Meeting of Parties to the Paris Agreement (CMA) in 2018. Furthermore, the Conference agreed to continue the discussion on the controversial topic of possible additional matters relating to the implementation of the Paris Agreement, the so-called "homeless/orphan" items. These are issues that were not specifically mandated to any subsidiary body under the UNFCCC with the exception of the items on education, training and public awareness as well as common timeframes for nationally determined contributions. These two "orphan items" were allocated by the COP22 President to the Subsidiary Body for Implementation after consultations by Parties during the closing plenary of the COP.

The Conference successfully demonstrated to the world that the implementation of the Paris Agreement is underway and the constructive spirit of multilateral cooperation on climate change continues. As part of the Africa Group, as well as a leader of BASIC (Brazil, South Africa, India & China) countries for the Marrakesh Climate Change Conference, South Africa is satisfied with the outcome of the Marrakesh climate talks, which recognised the urgency of addressing climate change through the successful implementation of the Paris Agreement, and the extension of the mandate of the Kyoto Protocol's Adaptation Fund, which may serve the Paris Agreement. The Conference reached agreement on an ambitious work programme and timeline for technical work for operationalisation of the Paris Agreement.

Thus, South Africa is preparing itself to fully implement the Paris Agreement and the Marrakech outcomes, having ratified the Paris Agreement on 1st November 2016. At a national level, efforts are underway to further develop South Africa's policy and regulatory framework and to strengthen the institutions and capacity required to implement the Paris Agreement. Regarding the promotion of South Africa's contribution on climate change, Minister Molewa signed a bilateral cooperation with German Minister of Environment. The Ministers agreed that the GIZ will be the main delivery unit to support climate change activities in South Africa. The Ministers further agreed that there is a need for effective, coordinated support to developing countries, insofar as the Paris Agreement is concerned.

2. IPU EVENT ON THE OCCASION OF COP22/CMP12

2.1 Opening Session

Hon Mr Hakim Benchamach (MP), President of the House of Councilors of the Kingdom of Morocco opened the IPU meeting at the Palmeraie Palace Conference Centre in Marrakech. He welcomed the delegates, thanked them for their willingness to attend the event in the context of the ongoing challenge of climate change and outlined the programme of the day. This was followed by Mr Salaheddine Mezouar, the Chairperson of COP22, who called on parliamentarians to have a shared understanding of the need for finance and technological transfer in the context of climate change challenges faced and experienced by the African Continent. He drew attention to the particular threats of climate change that induce migration, underscoring the need for legislators to build climate change information-sharing with key stakeholders and among parliamentarians into climate change law. He stressed the urgency for the global community to save the planet by undertaking such actions that result in a better world for all, taking into account the fact that the present generation provides a shadow (a secure environment) for the future generations from the comfort of which they can plan their future.

Salaheddine Mezouar, the Foreign Minister of Morocco and the President of COP22/CMP12 stressed that after facilitating early entry into force of the Paris Agreement, the second pillar of Morocco's vision for COP22/CMP12 is to encourage parties to implement and strengthen their National Determined Contributions (NDCs). He stressed that Morocco wanted to set the example as the country "has revised its greenhouse gas emissions reduction goal from 32 percent to 42 percent by 2030." He added that the final pillar of Morocco's vision is to mobilise non-state actors with the goal of institutionalising their actions under the Global Climate Action Agenda. Foreign Minister Mezouar affirmed that "COP22 will be a COP of action with a special focus on the important contributions of civil-society. The Moroccan Presidency will work together with civil society during the Marrakesh climate change conference and chart a common agenda under the Presidency".

Hon Mr Saber Chowdhury, President of the IPU welcomed all the delegates and expressed his profound gratitude to the Moroccan hosts of COP22/CMP12, but notably the Moroccan Parliament in the case of the IPU event. He talked about the particular vulnerability of the African Continent in the context of the 2°C, as it is already a warm Continent. He reflected on the representation, law-making, budget allocation and oversight roles of legislators and the need for them to use the multifaceted role of legislators to advance climate change agenda in their respective countries. Hon Chowdhury questioned whether legislators are representing the voices of the people well, as the whole COP/CMP12 is about people and their aspiration for sustainable development. He urged legislators to take practical actions in dealing with the challenges of climate change at different levels, being conscious about the impact of climate change on children, youth and women, as the first respondents in the fight against climate change. He drew sharp focus on the health implications of the climate phenomenon.

Hon Mr Chowdhury indicated that legislators face the challenge of taking effective discussions into integrating science and policy, and if they could resolve the “how” question, achieving the objectives of the Paris Agreement and Sustainable Development Goals (SDGs) would be a reality. Furthermore, he noted that the need for the current generation to work for future generations is more than we could ever imagine, especially if we were ever aware that our children would ask us one day about what we had done in our lifetime, as legislators to secure their future.

2.2 Briefing session by Ms Patricia Espinosa, Executive Secretary of the UNFCCC

This briefing session was moderated by Mr Martin Chungong, Secretary-General of the Inter-Parliamentary Union where the *Special Guest,* Ms Patricia Espinosa, Executive Secretary of the UNFCCC briefed the legislators about the status of climate change negotiations in the post-Paris era, which indeed was a new era, with new opportunities. The Executive Secretary reflected on her exposure to climate change when Mexico hosted COP16 in Cancun and was chaired by her. She indicated that she worked very closely with the Mexican Parliament and had since then seen the value of collaborative work between policy executioners and legislators. Secretary Espinosa stressed that this year's climate change COP was truly exceptionally, considering the rapid pace of ratification, as 107 countries had ratified the Agreement on the night of 12th November 2016. She indicated that this explicitly showed the significance of parliamentarians in implementing the Paris Agreement. She further indicated that the Paris Agreement and the Sustainable Development Goals (SDGs) place much emphasis on parliamentarians to act, for example, the Nationally Determined Contributions (NDCs) that governments undertake should be translated into actions, policies and investment opportunities where legislators are expected to play a pivotal role in the process. Legislators are also called upon to provide relevant frameworks for climate change adaptation; and capacity-building (at various levels) can also be facilitated by legislators. Parliamentarians further should ensure that all sectoral policies reflect international goals that governments undertook to implement, notably the SDGs, which are good for sustainable development, society, prosperity, women and children.

In responding to questions about the implications of the election of the new United States President for the Paris Agreement and the expectation for legislators in the context of the Agreement, Secretary Espinosa stated that the Paris Agreement had entered into force, and that it reflects a strong, heavy weight of legitimacy. She indicated that the United Nations stands ready to work with all governments, including the incoming US Administration. On the role of legislators, she noted that decisions of Parties guide the participation of legislators in certain international forums, including the COP22, indicating that certain Parties include legislators as part of their national delegations as well as part of their negotiating teams, whereas other Parties' legislators attend as part of civil society organisations. She encouraged legislators to resolve this matter with their national governments. On support to developing countries, Ms Espinosa indicated that the Paris Agreement has mechanisms for supporting countries directly affected by climate change in term of finances and capacity-building, underscoring the fact that we are still far from the desired financial target. As a result, there is an urgent need for climate change adaptation policy initiatives that create opportunities for investment. She urged legislators to learn from the host country's massive investment in renewable energy.

She further reported that the Green Climate Fund had raised US$10 billion, but there were concerns that not many projects could be funded, as the projects submitted for funding go through rigorous scrutiny. Finally, Secretary Espinosa pointed out that donor countries had presented the roadmap for meeting the US$100 billion/annum by 2020.

2.3 From Ratification to Implementation: Turning Action Plans into Achievement

This was an interactive panel discussion, m*oderated by* Mr Mohamed T El-Farnawany, Director, Strategic Management and Executive Direction, IRENA. The panellists were Ms Alina Averchenkova, Co-Head Policy, Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science; and Hon Bärbel Höhn, Member of Parliament, Germany. Legislators heard that governments were reconsidering their energy choices after the Paris Agreement. In outlining *Germany Experiences and Climate Policies*, Hon Bärbel Höhn stated that 10 years ago German parliamentarians made a decision to have ambitious emissions reduction target of 40 per cent by 2020. Germany needed binding targets, but transport and coal-fired power generation plants posed to be huge obstacles. However, renewable energy sources have been increasing ever since Germany started the renewable energy programme about 15 years ago. Consequently, 30 per cent of energy in Germany comes from renewables, which has a huge social investment component, as renewable energy production in Germany is decentralised in that consumers are also producers. Germany is phasing out coal from its energy mix. Hon Bärbel Höhn stressed that the global community needs to do more in terms of renewable energy to challenge the incoming US President Donald Trump sufficiently enough to change his mind and remain in the Paris Agreement.
On the other hand, Dr Alina Averchenkova, Co-Head of Climate Policy at the Grantham Research Institute on Climate Change and the Environment, London School of Economics, presented the findings of the global climate legislation data and the analysis of the legislative gap that needed to be bridged to implement the NDCs to the Paris Agreement, as well as what the global community had achieved a year after the Paris Agreement. The Climate Legislation Study covered over 850 national laws and policies directly related to climate change mitigation and adaptation. Launched in 2010 covering only 16 countries, the Study currently covers 99 jurisdictions, which, taken together, produce 93 per cent of global emissions and are home to 90 per cent of the world's forests. The database included 46 of the world's top 50 emitters. The results are encouraging, although current commitments made by top emitters were not consistent with the international goal of maintaining global warming of not more than 2°C. Among the G20 countries, Germany, United Kingdom, France and the European Union Bloc were consistent with the Paris Agreement. Notwithstanding, there is a need for the UK to up its emissions reduction target. The Legislative Study further reveals that two-thirds of the countries covered by the study would need legislative amendment to bring alignment with the Paris Agreement commitment, such as the NDCs.

In discussing the findings of the Study, it became apparent that domestic climate legislation should have a mechanism for monitoring, verification and reporting progress. An Italian legislator indicated that Italy and the EU should do more in terms of renewable energy, especially now that 40 per cent of their energy comes from renewable sources, stressing “Let us dance under the brain.” Japan considered the entering into force of the Paris Agreement truly historical, and that the Japanese Government had made certain strategic gains in implementing renewable energy initiatives. The Government had also drawn up a plan for combating climate change upon the adoption of the Paris Agreement, emphasising the need for all role players in the domestic sector, including consumers to commit to reduce greenhouse gases. A South Korean legislator unequivocally remarked that parliaments must show strong leadership on climate change; they must forget their political affiliations/parties when it comes to showing the necessary leadership for mobilising the entire society. There must be a strong parliamentary leadership on a low-carbon society.

Madagascar noted the fundamental role of legislators in implementing the Paris Agreement and highlighted its negotiating position to defend those vulnerable to the threats of climate change. Lord John Prescott (UK) affirmed that Trump could build a wall to keep Mexicans away, but he could not build a wall to keep away environmental threats, such as climate change. He encouraged legislators to spearhead establishing bilateral relations between developed and developing countries, which are affected by climate change in order for those developed countries to assist their developing country counterparts to respond appropriately to the challenges of climate change. Lord Prescott further remarked on the difficulties of calculating contributions to the Green Climate Fund. A legislator from Chad highlighted the concerns of the Lake Chad Basin communities affected by the receding Lake Chad that is hardly the true reflection of what it was in the 1960s. The Lake has shrunk to nearly a 20^{th} or more of its original size, due both to *climatic changes* and to high demands for agricultural water. The changes in the lake have contributed to local lack of water, crop failures, livestock deaths, collapsed fisheries, soil salinity and increasing poverty throughout the region.

Thailand had set a target to reduce greenhouse gas emissions by 20 per cent by 2030. there is a policy to encourage reforestation and participation of local communities, in this regard. Hungary reported on its ratification of the Paris Agreement in May 2016, asserted the need to maintain the current political momentum in ratifying and implementing the Paris Agreement, and underscored Hungary’s National Climate Change Strategy as well as the National Decarbonisation Strategy. Hungary noted the growing population and hence the increased need for energy, necessitating the need for cooperative action among nations in implementing the Paris Agreement, especially in assisting those countries in the dry northernmost part of Africa, suffering the severe impacts of desertification. Ecuador indicated working with other developing countries in developing a code for climate change, highlighting the need for the use of incentive programmes for nature/environment. An Israeli legislator emphasised the necessity for legislators to nudge their respective executive branches of government to implement more serious actions or programmes on climate change, considering the leadership role legislators play in their communities and countries. Legislators have an important role to play in changing the way how local communities see and respond to climate change.

Senegal reported on the opening of the second Solar Power Plant by the country's president. Emirates noted its important role in the region, being the first to invest in renewable energy and affirmed that its government was doubling efforts in renewable energy, being proud members of ARENA, and having effectively supported renewable energy initiatives in other countries. Emirates called upon all parliamentarians to implement the Paris Agreement and to set up incentive mechanisms to spur green investment and green economy. He appealed to corporations to streamline capacity-building and innovation to do things better in the face global climate change. A Pakistani legislator accentuated the fact that Pakistan is one of the most affected countries by climate change, highlighting especially the challenges of water security that befall Pakistan, as climate change is fast reducing the size of glaciers from the Himalayas. He underscored the need for developed countries to assist developing countries financially and technologically, as poor countries such as Pakistan never caused the current climate "mess" that we are contending with, considering the high costs of renewable energy technology.

Legislators further highlighted the necessity to amend existing laws, which are unresponsive to climate change. There was a further suggestion to consider the occupational aspects of climate change, whereas a delegate asked whether society had the ability to change the current economic system in the face of climate change. In responding to foregoing applicable comments, Hon Bärbel Höhn of Germany indicated that Germany's renewable energy programme was an initiative of legislators, and that renewable energy generation creates sustainable and more jobs than coalmining. Renewable energy technology is a peaceful technology – nations cannot fight over photovoltaic (solar energy) and wind energy, whereas there were wars fought over fossil fuels. Besides, renewable energy technology is no longer expensive, as we had paid the price, as a pioneer nation to subsidise it for late comers. Renewable energy offers hope, energy security and independence.

2.4 Crossroads Between Climate Change and Conflict and Migration: Current and Emerging Challenges

This session was moderated by Mr Martin Chungong, the Secretary-General of the Inter- Parliamentary Union, and entailed a special presentation by the keynote speaker, Professor Jacqueline McGlade, Chief Scientist of the United Nations Environment Programme on *Migration and Displacement.* Prof McGlade noted the genuine commitment by Parties to reduce global climate warming well below the 2°C mark, presenting further that 25 million to *one* billion people would experience environmental migration and displacement by 2050. She indicated, as an example, that 90 per cent of wastewater, which is untreated, flows directly into rivers, imposing a serious water security challenge on riverine communities as well as heightening the propensity of conflicts. This induces migration and displacement, as people move to safer areas. In fact, people may decide to migrate in any of the following cases: loss of housing due to river or sea flooding or mudslides; loss of living resources, such as water, energy and food supply or employment affected by climate change; and loss of social and cultural resources (e.g., loss of cultural properties, neighbourhood or community networks), particularly in the case of a devastating flood. Rising average sea level, salt water intrusion in aquifers; increase or decrease in water availability; and extreme weather events, such as droughts, heat waves, violent storms and floods drive migration and displacement. Prof McGlade presented human migration as potentially influenced by environmental factors, including climate change. Consequently, she considered nature-based solutions responsible for making people to stay in their communities.

In response to Prof McGlade's intervention, a legislator from the Democratic Republic of the Congo (DRC) raised concerns about low financial commitments by developed countries to fund climate change projects in developing countries. He called on international community to fund mega-dams for hydropower in the Congo Basin. A UK parliamentarian commented that Africa's investment in renewable energy had surpassed the investment in the North. The legislator raised concern about ensuring that climate change funds are used for the purposes intended, accentuating the need for legislators to ensure that this happens in their respective countries even if such climate-related funds are disbursed to state agencies. Another African legislator lamented the fact that the Pan-African Parliament is not assisting its members (national legislatures/parliaments) to play the kind of role needed in ensuring the implementation of the Paris Agreement.

Prof McGlade concluded by noting that there had to be a broad participation by river basin countries in the construction of hydropower infrastructure, such as dams. Similarly, there had to be a great scientific consensus on building dams for hydropower purposes, for example, how is precipitation going to increase or decrease over the years and what are the implications for infrastructural investments? She also remarked that there were opportunities for private finances to fund climate change adaptation, and probably the negotiations underway would map out the entry points for private funding.

2.5 Social Impacts of Climate Change: How to Effectively Deal with Gender and Other Inequalities?

This was an interactive panel discussion moderated by Mr Saber Chowdhury, President of the Inter-Parliamentary Union, and comprised the following panellists: Dr Andrew Norton, Director, International Institute for Environment and Development; Dr Flavia Bustreo, Assistant Director-General of Family, Women's and Children's Health at the World Health Organisation; and Ms Nouzha Skalli, Former Member of Parliament and Former Moroccan Minister of Social Development, Family and Solidarity. Dr Norton affirmed that climate change is an issue of social and environmental justice, for example, it is only the 10-per cent of the global population that contribute approximately 45 per cent of the overall global emissions of greenhouse gases. In the same, climate change vulnerability is dictated upon by the social attributes of an individual or a community. Recognising the great climate change injustice is the good starting point for tackling the challenges of climate change. In fact, climate change cannot be adequately addressed without justice, considering its strain on human health. Dr Bustreo equally highlighted the impact of climate change on human health, emphasising that the impact bears strongly on people's vulnerability.

Dr Bustreo indicated that climate change changes the biology of the reproductive cycle of vectors, for example, the burden of malaria on people. Climate change also threatens food security, water and air quality, weighing heavily on the young and the elderly. Incidents of indoor air pollution and the consequences for women and children are indeed dire. She maintained that legislators could influence climate change funding in a manner that favours adaptation in the health sector. Finally, Ms Skalli's input briefly dwelt on how the Paris Agreement has highlighted the need for gender equity to be featured in climate management, specifically highlighting Morocco's renewable energy programme. Accordingly, renewable energy would constitute 42 per cent of the county's energy mix by 2020, which is indeed a noble objective that Ms Skalli attributed to Morocco's progressive leadership on climate change. She suggested the creation of a parliamentary network for climate change and sustainable development.

In commenting on the inputs of the three panellists, Nigeria raised its concerns about the difficulties in accessing international climate funding. Another delegate would like gender parity to be considered in selecting the governing board of current international climate financing institutions (e.g., Green Climate Fund where 20 per cent of the board members were women). Bolivia would like a platform to be created for climate change to incorporate the concerns of indigenous people/communities. Cameroon wondered why the impacts of climate change on humans were being slowly attended to, whereas the plight of gorillas was hastily addressed. "What have we got to say to the suffering and dying people?" Dr Norton responded by stating that all stakeholders, including legislators must pursue environmental and climate justice to rectify these anomalies.

2.6 Adoption of the draft outcome document

This was a closing session where the IPU President, Mr Saber Chowdhury moderated the presentation of the *Draft Outcome Document* by the Moroccan rapporteur, Hon Ahmed Touizi,
MP. The *Draft Outcome Document* was duly adopted. The South African parliamentary delegation could not have played any meaningful role in scrutinising the document, as such scrutiny and subsequent views that might arise could contradict the views that might have been raised by members of the South African Parliament who attended the 135th IPU Assembly and were accorded an opportunity to discuss the preliminary *Draft Outcome Document* during the session of the IPU Standing Committee on Sustainable Development, Finance and Trade in Geneva on 25th October 2016. Besides, IPU members were invited to examine the preliminary draft and provide comments and observations on its form and content by 1st November 2016

at the latest. It suffices to mention that none of the South African members of Parliament that attended 135th IPU Assembly was part of the parliamentary delegation to Marrakech.

3. PARLIAMENTARY PERSPECTIVE ON INTEGRATING THE PARIS AGREEMENT AND NDC INTO SUSTAINABLE DEVELOPMENT

Hon Cedric Frolick, the South African House Chairperson for the National Assembly and the Vice President of GLOBE International for the Africa Region, was invited to this Nigerian side event as a panellist in the African Pavilion. The Nigerian programme director welcomed the Nigerian Minister of Environment, Amina Mohammed, legislators from Nigeria, Uganda and South Africa. He presented Nigeria's emissions reduction target of 20 per cent by 2020 and 40 per cent by 2030 with and without conditions attached. A Nigerian panellist invited the legislators to reflect deeply on their multifaceted roles, asking what they could not possibly do, considering the breadth of their mandate. He indicated that legislators could practically do all that which needed to be done, underlining the need for greater responsiveness by legislators toward climate change. He further emphasised a regional approach to formulating climate change policy, highlighting the work Nigeria was doing to confront the challenges of climate change with other west African countries.

On his part, Hon Frolick outlined the critical role of legislators in operationalising and overseeing the implementation of the Paris Agreement. He encouraged legislators to ratify the Paris Agreement, if they had not already done so in their respective parliaments; formulate a proactive climate change legislation for implementing the Agreement; and the need to cost and finance such a domestic climate law. He underscored the important role that legislators could play in mobilising private climate finance by passing innovative laws that provide favourable risk-return ratio to spur private investment in climate change mitigation and adaptation, and to ensure that every bit of the local and international funds for climate change are used solely for climate mitigation and adaptation projects. Similarly, he stressed the need for legislators to ensure a coordinated approach to climate change oversight and for them to participate in raising climate change awareness in their respective constituencies.

4. NORDIC PARLIAMENTARY WORKSHOP

The Nordic Parliament held a parliamentary workshop on 16th November 2016 titled "*Turning the Paris Agreement into Legislative Action*", where Hon Mr Cedric Frolick (MP) and Hon Mr Barry Gardiner (MP), Shadow Minister for Energy and Climate Change, served as panellists in addition to other two panellists. The Workshop reminded legislators and other attendees that implementing the Paris Agreement is a bottom up process, and the Chairperson of the Standing Committee on Energy and the Environment, Mr Ola Elvestuen affirmed that Norway is committed to the implementation of the Paris Agreement, as it adopted a *White Paper on Norway's Energy Policy* in June 2016. Norway's energy requirements are met wholly (100 per cent) from renewable energy sources. The country had set targets for the next 13 years and the Norwegian Parliament was putting the agenda for transitioning. It is noteworthy that the Norwegian Parliament had chosen not to enact a climate-specific law of its own, but rather to work with what was already there, i.e., the EU law on climate change**.**

Hon Mr Frolick highlighted the South African Parliament's position in the context of a development state. He indicated that the concept of an Activist Parliament that South Africa pursues meant that Parliament should complement the work of the executive branch of government, offering alternatives to ensure and safeguard government effectiveness in responding optimally to societal challenges. He noted the slow process of law-making on the African Continent in response to the Paris Agreement, but affirmed that those African countries that had ratified the Agreement, including South Africa, were well on the way in formulating applicable climate law. He reiterated that the non-legislative Pan-African Parliament (PAP) might be the only reputable organisation to drive the legislative process on the African Continent, particularly for those countries that had not done much. Hon Mr Frolick indicated that there is an unwritten expectation on PAP to take this leadership role in the context of Agenda 2063, which concurs with the key elements of the Paris Agreement.

Hon Mr Barry Gardiner (MP) featured the UK's climate legislation that was put in place in 2008, and the Act makes it the duty of the Secretary of State to ensure that the net UK carbon account for all six Kyoto Protocol greenhouse gases for the year 2050 is at least 80 per cent lower than the 1990 baseline, toward avoiding dangerous climate change. The Act further places duty on the Secretary of State to set for each succeeding period of five years beginning with the period 2008-2012 ("budgetary periods") an amount for the net UK carbon account (the "carbon budget"), and to ensure that the net UK carbon account for a budgetary period does not exceed the carbon budget. The Act also created the Committee on Climate Change, a new independent, expert body to advise Government on the level of carbon budgets and where cost effective savings could be made. The Committee submits annual reports to Parliament on the UK's progress towards targets and budgets to which the Government must respond, thereby ensuring transparency and accountability on an annual basis.

On adaptation, Hon Gardiner indicated that the Government must report at least every five years on the risks to the UK of climate change, and publish a programme setting out how these impacts would be addressed. The Act also introduces powers for the Government to require public bodies and statutory undertakers to carry out their own risk assessment and make plans to address those risks. The Law further set an Adaptation Sub-Committee of the Committee on Climate Change, in order to provide advice to and scrutiny of the Government's adaptation work. Hon Gardiner indicated that the passing of the UK's Climate Change Act was an important political process in that it rallied all political parties to support the Act. The Climate Change Act was a good safeguard, but legislators and stakeholders must drive the process.

He further indicated that legislators and other stakeholders were pushing for a net zero goal, meaning the total amount of energy used in the UK on an annual basis should be roughly equal to the amount of renewable energy created by the UK. Asked about whether the UK would retain its emissions reduction proportion earmarked for it under the EU or whether it would reduce its level of ambition on exiting the EU, in which case other EU countries would have to do more than they were doing, Hon Gardiner indicated that the UK would not drop the ball. Asked about the challenge of coal in the South African energy mix, Hon Frolick indicated that there is a plan to progressively wean South Africa off excessive coal dependence over time. As we decrease coal, we upscale renewable energy over time. This is South Africa's overall energy policy position.

5. AFRICA DAY

African Heads of State and Government marked Africa Day in the Africa Pavilion on 16th November 2016, with focused and strategic discussions on the ratification and roll out of the implementation of the Paris Agreement and the key continental initiatives to support member states' efforts. However, the parliamentary segment hosted by the President of the Pan-African Parliament (PAP), Hon Roger Nkodo Dang was convened in the afternoon, and was attended by PAP members and other legislators from the Continent, including South Africa. The meeting highlighted and supported calls for engagement and involvement of other crucial stakeholders such as the civil society and the non-governmental organisations in talks and negotiations around climate change as well as the implementation of relevant outcomes. This parliamentary meeting discussed in great depth, the climate change negotiations post-Paris, transition from ratification to implementation, current and emerging challenges relating to climate change, conflict and migration as well as social impacts of climate change. Members of Parliament were urged to work on legislative frameworks that would enable and pave way for achievement of the goals set out in the Paris Agreement. Hon Dang stressed that "we need to be clear that there is political will in this matter." The African parliamentary event was also attended by certain members of the African Group of Negotiators (AGN) on Climate.

The advocacy role of legislators to mobilise support to ratify the Paris Agreement featured prominently in the discussions at the parliamentary meeting. It also became clear that the Paris Agreement quickly entered into force because of the quick legislative response of legislators in the various countries that had ratified the treaty, and this could be attributed to the fact that legislators were involved in the process of negotiating the Paris Agreement and hence they saw the need to move speedily on the Agreement. It was obvious that legislators had a bigger role to play than they could ever imagine in ensuring the effective implementation of climate change action at various levels. Members of Parliament (MPs) were also called upon to ensure maintaining of parity between mitigation and adaptation, notably at the national level; they should ensure that this happens at the budgetary level.

In presenting the anatomy of the Paris Agreement and Africa's negotiating position at the legislative meeting on the Africa Day at the African Pavilion, Yaw Osafo indicated that MPs should ask "What is the climate warming in Africa, if the global warming target is 2°0C?" He encouraged the legislators to consider the rate of warming on the African Continent, urging them to facilitate their respective governments not to fight climate change based on the global goal, but rather based on Africa's own goal of 1.5°C. "The global goal would lead us into a serious problem, as Africa is already a warm continent". When asked to make a brief intervention by the President of PAP, Hon Frolick called upon all African legislators to commence a legislative programme for implementing the Paris Agreement and to ensure climate change adaptation focus in the process.

6. MEETING WITH THE NORDIC PARLIAMNTARIANS

The Danish Chairperson of the Nordic Parliament welcomed the South African parliamentary delegation, noting that they consider South Africa a strategic partner for exchanging ideas. Hon Frolick indicated that South African legislators had grown accustomed to meeting with Nordic legislators on the side-lines of COP meetings. He introduced the South African MPs and their respective portfolios, and further reflected on the challenges of climate change and the growing need for energy as well as the need to obtain an optimal energy mix in meeting the challenge. He indicated that South Africa was moving towards the formulation of a climate change law. Conversely, the Chairperson of the Nordic Parliament noted that South Africa was more advanced in the implementation of the Paris Agreement, as what they had introduced to the Nordic Parliament was hardly a semblance of a climate change legislation. Hon Frolick further reflected on the engagement at the African Pavilion that took place earlier under the auspices of PAP, pointing out that PAP might be the only legitimate organisation to nudge the process of climate change law-making forward on the African Continent, particularly for those countries that had not done much in respect to the Paris Agreement.

Hon Thomas Hadebe asked the Nordic legislators to share their experiences with nuclear energy with South Africa, as the country was considering the *nuclear new build*. The Nordic Chairperson stated that Denmark had no experience with nuclear energy, but Sweden does as Sweden currently gets about 40 per cent of its electricity from *nine* nuclear reactors, but four of its older reactors are due to close by the end of this decade. However, he stated that off-grid renewable energy, or stand-alone systems can be more cost-effective than connecting to the grid in remote locations, such as rural parts of South Africa. For many people, powering their homes or small businesses using a small renewable energy system that is not connected to the electricity grid (a stand-alone system) makes economic sense and appeals to their environmental values. The Nordic parliamentarians stressed the public opinion against nuclear energy in Europe on the basis of cost and threat to the environment, human life and property, following the Daiichi Nuclear Plant disaster in Fukushima in March 2011, that shook the overconfidence in the possibility of making nuclear energy safe.

7. MEETING WITH THE EUROPEAN PARLIAMENT

The Chairperson of the Committee on the Environment, Public Health and Food Safety, Hon Giovanni La Via (Italy) opened the meeting by welcoming the South African parliamentary delegation. He asked the South African legislators about their views on climate change negotiations underway in Marrakech. Hon Frolick responded by reviewing the position and status of South African legislators at the COP22 UN Climate Summit after the IPU event, and affirmed South Africa's confidence in the climate change negotiations underway, stressing the legislators' keen interest in the negotiations taking place under climate change adaptation. Hon Mr Frolick also touched on the work underway to release South Africa's most recent *Integrated Resource Plan* that outlines the nation's energy mix as per the media statement of the Minister in the Presidency, Hon Jeff Radebe. He affirmed that South Africa was not looking for handouts from developed countries, but rather genuine partnerships that could assist it in resolving its climate change-related challenges.

The EU Chairperson of the Committee outlined the EU's commitment to reduce greenhouse gas emissions and emphasised the need for developed countries to support developing countries, but the EU still believed that all countries should do more irrespective of their developmental status. Hon Gerben-Jan Gerbrandy (Netherlands) thanked South Africa profoundly and acknowledged the excellent hosting of the CITES COP17 by South Africa. He indicated that EU legislators also faced the challenge of securing long-term finance from the EU Government, while the Chairperson of the Committee asked whether South African legislators felt that the EU was doing enough in terms of sharing legislative experience. Hon Frolick responded by reflecting on the Climate Legislation Study, asking how such important findings got filtered down to the people that needed them the most — those in developing countries. He was concerned about what happens between, say, GLOBE summits, affirming the need to share lessons learnt with each other, especially between developed and developing countries. On the other hand, Hon Mr Philemon Mapulane stated that for a developing country like South Africa to come up with appropriate climate change interventions, there was a need for flows of climate change financing from developed to developing countries. He expressed South Africa's frustrations with what African Group of Negotiators were saying that they were not making a good progress on adaptation and climate change financing.

Hon Mr Frolick further outlined South Africa's progress on climate change by drawing attention to the National Development Plan (NDP), which is the country's development blueprint, with a clear focus on climate adaptation and mitigation. He also drew attention to *Operation Phakisa*, which would play a very significant role in lessening South Africa's vulnerability to climate change, particularly in terms of poverty relief. Finally, Hon Mr Lulu Johnson highlighted South Africa's water security challenge, and asked the EU legislators how they had dealt with the issue of seawater desalination. Hon Julie Girling (UK) responded by using an example of a small community of about 30 000 people who derived their domestic water from a tidal desalination plant, but there was no major-scale desalination project in the EU to offset water security challenge of the magnitude that South Africa faces.

8. CONCLUSION

The IPU meeting on the occasion of COP22/CMP12 allowed a thorough exchange between legislators and global leaders who have a mutual interest in sustaining the planet and creating prosperity for all. It is clear after the IPU event that legislators have a crucial role to play in implementation of the Paris Agreement, advocating for global poverty eradication through climate change mitigation initiatives, and liaising with local and global leaders to create the world we wish to see in moving forward. The outcomes document and its resolutions certainly sent a strong political message to legislators worldwide. It was obvious from the discussions that ensued at IPU that a curtain is steadily being drawn on fossil fuels, seeing the increasing proportion of renewable energy in countries' energy mixes, even those in developing countries.

8.1 Recommendations

- While South Africa has produced some innovative policies, action on climate change is a cross-cutting issue that requires a framework *Act of Parliament* to drive it forward, considering that such an *Act* would oblige all key stakeholders both in government and in the private sector to take account of climate change in what they do.

- **Need for a proactive climate change legislation:** There is an ample evidence worldwide that countries, which have proactively formulated laws to deal with certain issues are generally considered leaders in those matters that they legislated on. This would also strengthen the hands of South African negotiators at multilateral forums, as there is a general awareness of them having legal positions at the national level on such matters.

  - **Costing and financing of domestic climate law:** *legislative Acts* and policy initiatives most often produce costs and benefits for society as a whole, and hence the need to have a sound analysis of new *legislative Acts* and *measures* to determine whether benefits typically coincide with the reasons why they were formulated. It is therefore imperative that Parliament should ensure that the cost of a climate change law is estimated and budgeted for, to ensure effective implementation. It must ensure that targets contained in the law are worked into deliverable programmes for government departments with precise targets to ensure effective oversight of government departments and entities in terms of budget for those programmes, timeframes and obvious results on the ground. Relevant parliamentary committees need to be scientific in their thinking and work, precise and deliberate in deepening the culture of accountability and transparency in the nation.

- o **Exercising leadership in mobilising private climate finance:** legislators have a critical role to play in mobilising private climate finance by passing innovative laws that provide favourable risk-return ratio to spur private investment in climate change mitigation and adaptation.

- **Climate change awareness:** Legislators have a crucial role to play in shaping people's perception of climate change and in building the political will needed to tackle it. They can help inform people by supporting public information campaigns and by reporting on the issue through personal statements and communications. Legislators can also encourage their respective parliaments and relevant committees to share findings and reports with the public, and push for greater openness and direct consultation with citizens and key stakeholders. Strong and consistent communication on climate change is indeed crucial for citizens to see and accept the need for urgent action. For unless a critical number of constituents are reached and awakened to the need for climate action, climate change would remain fundamentally a government problem, rather than every citizen's.

  - o Legislators should talk about climate change in their constituencies and distribute fliers/pamphlets on climate change in locally relevant languages.

- **Need for a coordinated approach to climate change oversight:** the crosscutting impact of climate change requires mainstreaming of climate change across a range of sectors and departments, which in turn requires considerable coordination to ensure effective oversight of climate change implementation. There is a need to do things in an unorthodox manner, for example, the parliamentary Portfolio Committee on Environmental Affairs monitors the Department of Environmental Affairs, which is the Department responsible for climate change, but it should also consider monitoring the relevant budget lines and climate activities housed in other departments. It is in this respect that we appreciate this kind of parliamentary engagement that is aimed at getting all parliamentary committees whose law-making and oversight responsibilities affect our climate together under the same roof to discuss climate change and related matters.

- Legislators must be involved in meetings and forums that would yield important outcomes, which should be ratified by Parliament to ensure their legislative support.

- There is a need to coordinate all environmentally-related parliamentary participation on international forums, notably the Inter-Parliamentary Union (IPU) and GLOBE to ensure that South African legislators speak with one voice on these and any bother related international platforms.

Report to be adopted.

3. Report of the Portfolio Committee on Sport and Recreation on Budget Vote 40: Sport and Recreation South Africa, 16 May 2017

The Portfolio Committee on Sport and Recreation, having considered the Annual Performance Plan of the Department of Sport and Recreation South Africa for 2017-18, the Strategic Plan of the South African Institute for Drug-Free Sport for 2017-22, and the Annual Performance Plan of Boxing South Africa for 2017-18, reports as follows:

1. Introduction

Sport and Recreation South Africa (SRSA) has been assigned the powers and functions, as the custodian of sport and recreation nationally, to develop and implement national policies and programmes regarding sport and recreation. The Minister of Sport and Recreation, in terms of the National Sport and Recreation Act, Act 110 of 1998, has the legislative powers to oversee the development and management of sport and recreation in South Africa. The key implementers are the provinces and municipalities as well as the South African Sports Confederation and Olympic Committee (SASCOC), and national federations.

Two public entities, namely Boxing South Africa, established in terms of the South African Boxing Act, Act 11 of 2001, and the South African Institute for Drug-Free Sport, established in terms of the South African Institute for Drug-Free Sport Act, Act 10 of 1997, receive their budget *via* the Budget Vote 40: Sport and Recreation SA allocation.

In terms of the Annual Performance Plan of the Department of Sport and Recreation for the 2017-18 financial year, the Operational Plan and Strategic Plan of the South African Institute for Drug-Free Sport for 2017-22, and the Annual Performance Plan of Boxing South Africa for the 2017-18 financial year, the 2017-18 budgets of the SRSA, SAIDS and BSA indicate consideration of these entities' contribution to giving effect to the National Development Plan (NDP), in terms of which sport contributes to Outcome 14 in promoting wellness and social cohesion. The work of the department is informed by the National Sport and Recreation Plan as policy to ensure that it gives effect to the NDP goals. Government's programme of action is captured in the Medium-Term Strategic Framework, in which these priorities are outlined. The MTSF serves as Government strategic plan to guide the policies and strategic outcomes of all government departments and entities. The intervention that the department has undertaken to promote social cohesion within the MTSF includes:

- Promoting participation in sport and recreation
- Advocating transformation in sport and recreation
- Developing talented athletes by providing them with maximum opportunities to reach their full potential
- Supporting high performance athletes to achieve success in international sport.

The National Sport and Recreation Plan (NSRP), which was approved by Cabinet on 3 May 2012, details three core pillars of implementation: An active nation; a winning nation; and an enabling environment.

SRSA had made technical adjustments to its Strategic Plan 2015-2020 to improve the indicators and targets and to adhere more strictly to the SMART principle of indicator development. No policy shifts have been made, and the 2015-2020 Strategic Plan will not be tabled again.

The SRSA delivers its mandate in a dynamic environment of inter- and intra-governmental cooperation and service delivery. This is critical to the department's delivery of services, as its programmes link to activities of departments such as Health, Basic Education, Cooperative Governance and Traditional Affairs, and Arts and Culture, and at a critical level is its reliance on delivery agents such as provincial departments responsible for sport. Whilst SRSA transfers conditional grant funding to the delivery agents for implementation of the NSRP, they also have their own provincial priorities.

The challenge experienced by provinces in sourcing performance data from their district offices caused by factors such as distance, technology and failure to report against set targets, impacts on the ability of SRSA to report to National Treasury and the Department of Performance Monitoring and Evaluation. A needs analysis and setting of minimum standards for equipment and apparel became necessary after a number of provinces had failed to conduct needs analyses for equipment and apparel requirements, and there were complaints that substandard equipment and apparel had been provided to beneficiaries.

As efficient and effective organisation the SRSA's compensation of employees budget has been reduced by R1,2 million in 2017-18, R1,8 million in 2018-19 and R1,9 million in 2019-20. There have also been such reductions in the goods and services budget of R7,2 million in 2017-18, R7,6 million in 2018-19 and R8,1 million 2019-20 as part of Cabinet's decision to lower the national aggregate expenditure ceiling. These reductions will be absorbed by implementing cost-saving measures in expenditure on items such as advertising, computer services, contractors, travel and subsistence, and venues and facilities.

2. Overview of 2017-18 Annual Performance Plan

2.1. Sport and Recreation SA (SRSA)

The 2017-18 Annual Performance Plan (APP) of Sport and Recreation SA outlines the policy priorities that the SRSA intends to implement in line with the National Sport and Recreation Plan (NSRP) and in pursuit of broader goals contained in the National Development Plan (NDP).

In 2016 South Africa was elected as chairperson of the Intergovernmental Committee for Physical Education and Sport (CIGEPS) for four years, and will play a leading role in the development of policy documents for the July 2017 Sixth International Conference of Ministers and Senior Officials Responsible for Physical Education and Sport (MINEPS VI), in Kazan, Russia, to finalise sports policies that will contribute towards achieving the 2030 Sustainable Development Goals of the United Nations (UN). Other projects include the UNESCO Conference of Parties to the International Convention against Doping in Sport; the African Union Sports Council (AUSC) Sport Development Region Five, and the World Anti-Doping Agency (WADA). The South African pilot programme for UNESCO's

Quality Physical Education Programme commences in 2017, and SA will continue participating in the UN Sport for Development and Peace International Working Group (SDP IWG).

The 2017 Medium Term Expenditure Framework (MTEF) baseline allocation includes a budget reduction of R4.8 million reprioritised from compensation of employees, which resulted in a R106.104 million allocation for 2017-18. The envisaged conclusion of the organisational review process will reduce the SRSA vacancy rate to approximately 10%, in line with the Department of Public Service and Administration directive. The planned process of populating the new organisational structure on the payroll system will enable the organisation to reduce its vacancies by almost 4%. This will be addressed in 2017-18 by changing the scheduling of the corresponding performance target to the first quarter, and measured as a strategic intervention until satisfactory improvements are seen.

In the 2017-18 financial year the department intends to allocate R689.1 million to the Active Nation programme, and a projected R2.2 billion, or 64.6 per cent of the SRSA's total allocation for the MTEF period, will be expended through the Active Nation programme of which the primary mandate is to provide opportunities for mass participation in sport and recreation. Over the medium term the SRSA plans to encourage participation in sport and recreation at various levels, facilitate transformation in sport and recreation, support talented and high-performance athletes towards excelling, and achieving success in the international sporting arena.

2.1.1. Priority implementations by SRSA to promote social cohesion were revised in 2016, and may be revised in 2017

2.1.1.1 Promote participation in sport and recreation

Number of people actively participating in organised sport and active recreation events; Number of people actively participating in sport and recreation promotion campaigns and events per year; Number of sport and recreation promotional campaigns and events implemented per year; and

Number of schools, hubs and clubs provided with equipment and/or attire as per the established norms and standards per year.

2.1.1.2 Advocate transformation in sport and recreation

Number of sport and recreation bodies receiving financial and non-financial support in an effort to assist them in meeting their transformation targets.

2.1.1.3 Develop talented athletes by providing them with opportunities to excel

Number of athletes supported by the sports academies and Number of participants in national school sport championships per year.

2.1.1.4 Support high performance athletes to achieve success in international sport

Number of athletes supported through the scientific support programme.

2.2. Boxing SA

In terms of the South African Boxing Act, Act 11 of 2001, Boxing South Africa is required to administer professional boxing, recognise amateur boxing, create and ensure synergy between professional and amateur boxing, and promote engagement and interaction between associations of boxers, managers, promoters and trainers.

The main focus of Boxing SA programmes is improving governance and administration, boxing development and boxing promotion. Boxing SA's 2015-2020 Strategic Plan has not changed, but some changes have been made to the APP strategic objectives and indicators. "Number of Board resolutions implemented" under the Governance programme was removed and "Performance Management and Development" was added as new indicator. Under Boxing Development one indicator, "Number of tournaments sanctioned by BSA", was removed. Under Boxing Promotion two indicators were added: "Boxing Awards" was included under Flagship Programmes, and "Boxing Information Provision" was included as a new strategic objective to improve archiving of boxers' performance and other information.

The 2017-18 BSA budget allocation from SRSA is R11,5 million, and Boxing SA needs to raise the remaining R2,6 required for its annual budget through fees payable to BSA in terms of the Boxing Act (Sanctioning, Licensing Fees, Penalties & Sponsorships).

Boxing SA intends to prioritise licensing, improve criteria for ratings, strengthen systems to improve turnaround time and implementation of sanctioning, and strengthen its working relationship with SAIDS as well as implementation of the doping mandate. The broadcasting of boxing and practicalities around implementation of the agreement with SABC have been flagged as priority.

2.3. SAIDS

SAIDS is an independent corporate body established in terms of the South African Institute for Drug-Free Sport Act, Act 14 of 1997, and is responsible for providing leadership in the development of a national strategy concerning doping in sport, ensuring the adoption of a centralised doping control programme, which may subject any athlete to testing, with or without advance notice, both in and out of competition; ensuring that national sports federations and other sports organisations adopt and implement anti-doping policies and rules which conform with the World Anti-Doping Code and the requirements of the anti-doping policy and rules of the Institute; and to ensure, as far as reasonably possible, the establishment and maintenance of a WADA-accredited laboratory in the Republic.

Policy Framework

National Sports and Recreation Plan (NSRP), UNESCO Convention Against Doping In Sport and the World Anti-Doping Code, administered by the World Anti-Doping Agency (WADA) who ensures compliance with the standards and guidelines of the Code. Noncompliance with the Code can result in South African being excluded from participating in international competitions such as the Olympic Games, and World Cup tournaments.

3. Strategic priorities and measurable objectives of the Department of Sport and Recreation

3.1. Overview of strategic goals

The department did not table a new strategic plan, as they are in the fourth year of implementing the 2015-2020 Strategic Plan. Minor technical adjustments were made to the Strategic Plan with a view to improving the indicators and targets, and in some instances to adhere more strictly to the SMART principle of indicator development. The revisions were tabled as an annexure to the 2016-17 and 2017-18 Annual Performance Plans in order to ensure strategic alignment. Further minor adjustments were made in 2017.

The goal statement for Strategic Goal number two, which refers to the Mass Participation and Sport Development Grant, has been changed as follows: "80% of recognised National Federations (NFs) meeting transformation targets by 2020" has been adjusted to "Foster transformation within the sport and recreation sector such that selected national federations achieve their transformation commitments by 2020". This will translate into a more accurate setting of the strategic objective, which has been adjusted to “Transformation of South African Sport adequately addressed”.

3.1.1. Revisions to Strategic Objectives, the Strategic Objective Statement and the 5 Year Strategic Plan target

Objective statements have been revised for the following strategic objectives: Strategic leadership, management and support services delivered, Active recreation programmes implemented (target revised), Sport participation opportunities provided to communities (target revised), School sport programmes supported (target revised), Provincial sport development programmes supported, Scientific support services coordinated for athletes, Government responsibility towards anti-doping supported, Major events supported, Sport tourism to South Africa promoted, Achievements in the sport and recreation sector acknowledged, Access to sport and recreation facilities optimised (target revised) and Technical and management support provided.

The objective statement for strategic objective "Strategic leadership, management and support services delivered": Percentage compliance with prescribed regulations and directives, was revised to "To maintain the percentage compliance with prescribed regulations and directives at 100% through to 2020".

The objective statement for strategic objective "Active recreation programmes implemented" was changed from "Facilitate the delivery of at least 25 active recreation campaigns or programmes with a specific focus on designated groups as a contribution to improving the overall wellbeing of the nation" to "To facilitate the delivery of active recreation campaigns or programmes with a specific focus on designated groups as a contribution to improving the overall wellbeing of the nation, social cohesion and nation building through to 2020" for 2017, with a 2017 target of "A lower than 10% deviation for participants' demographic in terms of the provincial norm" revised from the 2016 target "Five-year target reduced from 25 events to 18 events due to budget cuts".

The objective statement for strategic objective "Sport participation opportunities provided to communities" has been revised from "Inspire lifelong physical activity by providing at least 10 structured sport promotion programmes to community members" to "To inspire lifelong physical activity by providing structured sport promotion programmes to community members through to 2020", with a revised target for 2017 of "2 Governance structures formally constituted" in lieu of the 2016 target "10 Sport & Recreation promotional campaigns and events".

The objective statement for strategic objective " School sport programmes supported" has been revised from " Increase learners' access to sport at schools by supporting 8 National School Sport Championships for learners" to "To increase learners' access to sport at schools by supporting National School Sport Championships for learners through to 2020", with the target revised from counting events to maintaining the School Sport Framework.

The objective statement for strategic objective "Access to sport and recreation facilities optimised" was revised from "Optimise access to sport and recreation facilities by conducting a comprehensive facilities audit in all 9 provinces and use the data to finalise a facilities plan" to "To optimise access to sport and recreation facilities by conducting a comprehensive facilities audit in 3 provinces by 2020 and to use the data to update a facilities plan", with the target for 2017 revised to a facilities count in lieu of the 2016 target: "Optimise access to sport and recreation facilities by conducting a comprehensive facilities audit in three provinces by 2020 and to use the data to update a facilities plan".

SRSA had indicated in the 2016-17 financial year that the number of events would be reduced owing to budget constraints.

4. Key Projects for the 2017-18 financial year

Key projects in the 2016-17 financial year	Key projects in the 2017-18 financial year
Ministerial Advisory Committee on Recreation	
Single governance framework for Recreation	Single governance framework for Recreation
Grant Framework & Annual Evaluation Report	Grant Framework & Annual Evaluation Report
Active recreation policy	
School sport policy	
Sport in schools	Sport in schools
Community sport/hubs/clubs/ Ministerial Outreach	Minister's Outreach
Rural Sport Improvement Programme	Rural Sport Development Programme
loveLife	loveLife
Club Development	
	Equipment for schools and clubs
National Sport Volunteer Corps Programme	
National Youth Camp	National Youth Camp
Big Walk	Big Walk
Annual National Recreation Day	Annual National Recreation Day
Indigenous Games Festival	Indigenous Games Festival
Andrew Mlangeni Golf Development Day	
UNITE campaign	UNITE campaign - Nelson Mandela Sports and Culture Day

Nelson Mandela Sports and Culture Day	
National School Sport Championships	National School Sport Championships
	Mass Participation and Sports Development
Cancelled events: 2016-17	Included for 2017-18 financial year
Move for Health	Move for Health Day
Golden Games	Golden Games

Table 1 - Key Projects for the 2017-18 financial year compared to 2016-17 financial year

5. Budget Summary

Summary of SRSA budget from 2017 Estimates of National Expenditure for the 2017-18 to 2019-20 medium-term expenditure framework period:

Budget summary		**2017-18**				**2018-19**	**2019-20**
R million		**Total**	**Current payments**	**Transfers and subsidies**	**Payments for capital assets**	**Total**	**Total**
MTEF allocation							
Administration		136.9	134.5	0.1	2.2	143.9	152.7
Active Nation		689.1	62.8	626.3	–	727.8	768.6
Winning Nation		76.9	37.7	39.2	–	81.2	85.7
Sport Support		150.7	20.1	130.5	–	159.0	168.1
Sport Infrastructure Support		13.1	13.1	–	–	13.7	15.7
Total expenditure estimates		**1,066.6**	**268.3**	**796.1**	**2.2**	**1,125.6**	**1,190.9**

Table 2 - SRSA budget per programme for the 2017-18 to 2019-20 medium-term expenditure framework period

Programme	**Budget**		**Nominal Increase / Decrease in 2017-18**	**Real Increase / Decrease in 2017-18**	**Nominal Percent change in 2017-18**	**Real Percent change in 2017-18**
R million	**2016-17**	**2017-18**				
Programme 1: Administration	R 130,9	R 136,9	R 6,0	- R 2,1	4,58%	-1,62%
Programme 2: Active Nation	R 663,3	R 689,1	R 25,7	- R 15,1	3,88%	-2,28%
Programme 3: Winning Nation	R 67,2	R 76,9	R 9,8	R 5,2	14,53%	7,74%
Programme 4: Sport Support	R 149,0	R 150,7	R 1,7	- R 7,2	1,14%	-4,86%

Programme	**Budget**		**Nominal Increase / Decrease in 2017-18**	**Real Increase / Decrease in 2017-18**	**Nominal Percent change in 2017-18**	**Real Percent change in 2017-18**
R million	**2016-17**	**2017-18**				
Programme 5: Sport Infrastructure Support	R 16,3	R 13,1	-R 3,2	- R 4,0	-19,82 %	-24,57 %
Total	**R 1 026,6**	**R 1 066,6**	**R 40,0**	**-R 23,2**	**3,89%**	**-2,26%**

Table 3 - SRSA budget comparison per programme for the 2016-17 and 2017-18 financial years

- Budget tables in this report were obtained from the National Treasury (2017) Estimates of National Expenditure, National Treasury, Pretoria.

6. 2017-18 SRSA budget analysis per programme

The department has a budget of R1066.564 million to expend through five programmes in the 2017-18 financial year.

6.1. Programme 1: Administration

Programme 1: Administration received R136,9 million for the 2017-18 financial year. Subprogrammes in Programme 1: Administration are Ministry, Management, Strategic support, Corporate Services, Office of the Chief Financial Officer, and Office Accommodation.

6.1.1. Management sub-programme

The sub-programme Management, which houses the Director-General, provides strategic guidance, interpreting the direction set by the Minister, oversees the performance of the Department, and works closely with the provincial governments and SASCOC to ensure alignment in terms of strategic planning and monitoring.

In the 2017-18 financial year the SRSA will continue attending to mainstreaming of the focus groups of the Government (persons with disability, senior citizens, youth and women) by tracking their participation in SRSA-organised events. A succinct Women and Sport policy will be formulated for the sector in close collaboration with the SASCOC Woman's Commission.

Programme	Budget		Nominal Increase /Decrease in 2017-18	Real Increase / Decrease in 2017-18	Nominal Percent change in 2017-18	Real Percent change in 2017-18
R million	**2016-17**	**2017-18**				
Ministry	R 23,2	R 25,2	R 2,0	R 0,5	8,49 %	2,06 %
Management	R 14,3	R 19,9	R 5,6	R 4,4	38,83 %	30,60 %
Strategic Support	R 7,0	R 7,3	R 0,4	- R 0,1	5,32 %	-0,93 %
Corporate Services	R 47,5	R 44,8	- R 2,6	- R 5,3	-5,51 %	-11,11 %
Office of the Chief Financial Officer	R 22,6	R 21,0	- R 1,6	- R 2,9	-7,14 %	-12,64 %
Office Accommodation	R 16,3	R 18,7	R 2,3	R 1,2	14,19 %	7,42 %
TOTAL	R 130,9	R 136,9	R 6,0	- R 2,1	4,58 %	-1,62 %

Table 4 - Programme 1: Administration expenditure trends and estimates by subprogramme

6.2. Programme 2: Active Nation

6.2.1. Planned initiatives for Programme 2: Active Nation (Purpose: Support the provision of mass participation opportunities in sport and recreation)

6.2.1.1. Active Recreation sub-programme

SRSA will honour legendary South Africans in the struggle against apartheid as a core initiative of the UNITE campaign and engage in a community outreach on 18 July 2017 as part of the 67 Minutes for Nelson Mandela, and SRSA will assist the provincial departments to ensure success of the 2017 National Youth Camp, aimed at teaching young people leadership, life skills and national pride in a rural and outdoor environment. Each province will host 250 youth at the 2017 National Youth Camp from 1 to 6 October 2017.

The World Move for Health Day, aimed at generating public awareness of the benefits of physical activity in the prevention of noncommunicable diseases, will be celebrated in 2017 (10 May) in collaboration with the Department of Health, in terms of a reviewed implementation plan.

The Golden Games will be hosted in October 2017 in partnership with the Department of Social Development (DSD) in terms of a revised implementation plan. The focus of this active recreation festival for older persons will shift to the hub, district and provincial levels of participation, with national competitions every four years.

The Big Walk, encouraging participation in physical activity, is scheduled for 1 October 2017. Provincial departments will be encouraged to conduct similar walks around their cities on the same day. Participation numbers have increased from 5000 in 2015-16 to 20 000 in 2016-17 and an expected 25 000 persons in 2017.

Cabinet declared an Annual National Recreation Day for the first Friday of October each year. The 2017 National Recreation Day campaign will be expanded to corporate South Africa, tertiary institutions and communities in order for a broader scope of South African citizens to participate in physical activities for fun and leisure. Provincial departments of Sport and Recreation will also put together programmes and awareness campaigns targeting all stakeholders at provincial level. The 2017 event will be hosted on Friday 6 October, and it is expected to include 10 000 participants, almost double the number achieved in 2016-17 (5 121).

6.2.1.2. Community Sport

Sports participation opportunities will be provided in 2017-18 through the Community Sport sub-programme. Implementation partner loveLife will use the National Youth Camp and the National School Sport Championship for project implementation targeting young persons.

The club development pilot programme in KwaZulu-Natal and Limpopo is funded through the Mass Participation and Sport Development Grant. The pilot is expected to conclude in 2017-18 at a conference where the two provinces will share best practice, possibly linked to South African Sport and Recreation Conference (SASReCon). Norms and standards for developing and sustaining sport clubs will be agreed upon and with special emphasis on national federations taking ownership of community clubs and affiliation of community clubs in order for them to participate in the mainstream leagues and competitions of the respective codes.

The Indigenous Games Festival has been scheduled for the period 24-29 September 2017 as part of the heritage celebrations in South Africa, and R15 million has been reprioritised from the MTEF allocations for this purpose. Engagements will continue to formally constitute indigenous games federations and to establish a league system to encourage broad participation. Indigenous games federations have been constituted at provincial level, and the focus in 2017-18 will be to encourage the formation of national structures so that the activities can be accessed in a more formal way. 1 300 participants are expected at the 2017 event.

In terms of rural development the sub-programme will support a Rural Sport Development Programme under the guidance of the National House of Traditional Leaders with a view to reviving sport, and identify talent in the rural areas and create a platform for growth and exit for the athletes with potential and talent. The programme will commence with netball, rugby, football and athletics, and two traditional councils per province will form part of the initial programme in terms of which the winning provincial teams will participate at the annual national championships for the first three years until they are well established. The July 2017 event is expected to cater for 1 836 participants.

Ministerial Outreaches are aimed at enhancing the capacity of sport and recreation clubs by providing sports equipment and attire for struggling clubs and schools and multi-sport facilities. At least 2 000 participants are expected to attend the 2017 outreach events.

6.2.1.3. School Sport

The School Sport sub-programme implements the department's deliverables in maximising access to sport, recreation and physical activity in every school. The programme remains the flagship programme, and the focus is on school leagues. The National School Sport Championships will be hosted in three seasons - autumn, winter and summer - to align with the seasons of the sports codes. The memorandum of agreement (MOA) between SRSA and DBE will be reviewed in 2017-18.

6.2.1.4. Provincial Sport Support and Coordination

The Provincial Sport Support and Coordination sub-programme will manage the transfer of the Mass Participation and Sport Development Conditional Grant in 2017-18. Compliance by the provinces has been poor generally, therefore the penalty schedule which was implemented in 2016-17 will be applied in 2017-18 as well, and regular management engagements between senior managers at SRSA and at provincial level will continue in order to identify and mitigate barriers to implementation.

6.2.2. Programme 2: Active Nation budget for 2017-18

The projected costs for Active Recreation amount to R1.1 million in 2017-18, and R1.2 million in 2019-20. The intention of Active Recreation is to improve the health and wellbeing of the nation by providing mass participation opportunities in various formats.

The budget allocated to Active Recreation subprogramme is R67.4 million, most of which is a transfer to loveLife of R40.4 million in 2017-18, and R27.0 million (voted funds) for community sport events. The programme hosts the Indigenous Games. It is envisaged that loveLife will use the annual youth camp and the National School Sport Championship as platforms for its youth projects in 2017.

SRSA supports school sport leagues in partnership with the Department of Basic Education. A projected 2 500 schools, hubs and clubs will receive equipment and attire, and SRSA will coordinate the training of educators in code-specific coaching and other technical skills. School sport aims to integrate the 16 priority sport codes and indigenous games such as morabaraba and jukskei into the school sport system. School sport leagues form the foundation of the annual National School Sport Championships for which R30.8 million has been allocated in the 2017-18 financial year, and R33.7 million in 2019-20 - an increase of 5% over the MTEF period.

R585 million, 85% of the Active Nation budget allocation, is transferred in the form of the Mass Participation Sport Development grant, which is managed by the Provincial Sport Support and Coordination sub-programme.

Subprogramme	**Audited outcome**			**Adjusted appro-priation**	**Av growth rate (%)**	**Av Expen diture- Total (%)**	**Medium-term expenditure estimate**		**Av growth rate (%)**	**Av Expen diture- Total (%)**	
R million	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14 - 2016-17**		**2017-18**	**2018-19**	**2019-20**	**2016-17 - 2019-20**	
Programme Management: Active Nation	1.7	2.8	4.8	2.6	15.8%	0.5%	3.8	4.2	4.4	20%	0.5%
Active Recreation	1.0	–	–	–	-100.0%	–	1.1	1.2	1.3	–	0.1%
Community Sport	97.6	80.0	100.8	76.0	-8.0%	13.9%	67.5	72.1	76.2	0.1%	10.2 %
School Sport	8.9	16.3	13.3	29.1	48.5%	2.7%	30.8	31.9	33.7	5.0%	4.4%
Provincial Sport Support and Coordination	497.6	525.6	533.2	555.7	3.8%	82.9%	585.8	618.4	653.0	5.5%	84.7 %
Total	**606.7**	**624.8**	**652.2**	**663.3**	**3%**	**100%**	**689.1**	**727.8**	**768.6**	**5%**	**100%**
Change to 2016 Budget estimate				14.6			6.3	6.6	6.8		

Table 5 - Programme 2: Active Nation expenditure trends and estimates by subprogramme

6.3. Programme 3: Winning Nation

6.3.1. Planned initiatives for programme 3: Winning Nation (Purpose: Support the development of elite athletes)

6.3.1.1. Scientific Support sub-programme

The main focus of the Scientific Support sub-programme is to nurture developing talent through management and coordination of athlete support programmes and the programme provides a range of services of a scientific nature to developing and elite athletes. The sub-programme is responsible for development, implementation, monitoring and evaluation of policies and procedures, thus playing a coordinating role to ensure that athletes are able to benefit from holistic support services at various levels of sport development. Holistic support services to athletes include medical, psychological, education**,** capacity building, financial, anti-doping and infrastructure aspects.

Ministerial Sports Bursary

The Ministerial Sports Bursary, awarded to learners from grade 8 until they complete their high school education, is included under athlete support programmes. Recipients are identified through the school sport programme and placed in sport focus schools, thus giving them opportunities to learn and improve sport-specific skills. At least 60 athletes will be supported in 2017-18, providing identified candidates achieve the set performance criteria. The scientific support sub-programme and the relevant province and sport focus school work collaboratively to develop talented athletes who are placed in such a sport focus school.

Bridge to access Operation Excellence Programme (OPEX)

Scientific support will be provided to 40 emerging athletes and 40 elite athletes. The 40 emerging athletes are supported with a view to ensuring a "reservoir and pipeline" for future high-performance athletes and to create a bridge to access the Operation Excellence Programme (OPEX). Together with these 40 emerging athletes, 40 elite athletes, which include Olympic and Paralympic athletes, are supported by SASCOC through the OPEX programme.

Sport academies

In 2017-18 SRSA, in consultation with municipalities and the sport sector, will work towards ensuring that district academies are optimally resourced and functional. SRSA aims to expand the reach of the district academies to where they currently do not exist, as they are a crucial conduit to accessing the provincial academies of sport - a third layer of the academy system.

Sport academies serve as a catalyst for development and the nurturing of talent, and delivery methodology is informed by the South African Sport Academy Strategic Framework and Policy Guideline. Sport focus schools serve as incubator for talent identification and development, and the number of sport focus schools is expected to increase to 54 during 2017-18.

Sport focus schools, supported through the Mass Participation and Sport Development conditional grant, serve as feeders to the district academies of sport, which form the second layer of the sports academy system. District academies are an integral part of sport development, as their scope is directly linked with community sport and the school sport programme, and they play a key role in talent identification, selection and development, facilitate access to communities' sport facilities and specific scientific and medical support.

National academies are responsible for athlete and team preparation, and the national sport academy system, at the centre of high performance sport, has three components: The National Training and Olympic Preparatory Centre; the Lesotho Highlands High Altitude Training Centre; and the International Acclimatisation Centre based in Gemona. In consultation with SASCOC the SRSA will facilitate and oversee the establishment the National Training and Olympic Preparatory Centre (NTC), based in Bloemfontein, at R15 million annually for 25 years.

Transfer payments

The transfer payment to SASCOC will be administered, and implementation monitored, through the Scientific Support sub-programme, which will facilitate the signing of the service level agreement between SASCOC and SRSA and ensure SASCOC's compliance with the quarterly reporting requirement. The SRSA will support SASCOC to deliver Team South Africa to the 2017 World Games in Poland, the 2017 Commonwealth Youth Games in Bahamas and 2018 Winter Olympic and Paralympic Games in Pyeongchang. The sub-programme will also assist in preparing athletes for the 2018 Commonwealth Games in Australia.

Operation Victory Lap, initiated in partnership with the South African National Defence Force (SANDF), will continue in 2017-18. The SANDF, the South African Police Service (SAPS) and the Department of Correctional Services (DSC) have been approached to support talented athletes at their infrastructure.

South African Institute for Drug-Free Sport (SAIDS): The transfer payment to SAIDS will also be effected through the Scientific Support sub-programme. Particular attention will be given to ensure that SAIDS delivers on its responsibility towards the World Anti-Doping Agency (WADA) and to coordinate the responsibility of SAIDS towards the Central Drug Authority (CDA). SRSA is a member of the CDA, and the Minister for Sport and Recreation serves on the Inter-Ministerial Committee (IMC) on Substance Abuse. In terms of the National Drug Master Plan (NDMP) 2013-2017 SRSA is expected to deliver on outcome three, "Recreational facilities and diversion programmes that prevent vulnerable population from becoming substance dependents". Initiatives in this regard will be activated through Programmes 2 (Active Nation) and 5 (Sport Infrastructure Support).

In 2016 the South African Doping Control Laboratory (SADoCoL) received accreditation from WADA to conduct blood sample analyses. SRSA will collaborate with the University of the Free State to ensure that WADA approves the SADoCoL application for full accreditation, which will allow the laboratory to conduct urine sample analysis.

South African Sport and Recreation Conference (SASReCon)

SRSA hosts the South African Sport and Recreation Conference (SASReCon) once every quadrennial, in the year following the Olympic Games. SASReCon 2017 is scheduled for October 2017 and will be hosted in partnership with the North West University. SASReCon, an international event, is South Africa's primary sport and recreation conference. The main aim of SASReCON is to provide a platform and forum for South Africa's sport and recreation sector to present and share ideas and results of recent programmes or projects.

The evaluation standard in terms of MPAT will receive renewed attention during 2017-18, and the Guidelines for Planning of New Implementation Programmes will be implemented.

6.3.1.2. Major Events Support sub-programme

The Major Events Support sub-programme will provide institutional and intra-governmental support to events approved in line with the Bidding and Hosting of International Sport and Recreational Events Regulations. SRSA will provide comprehensive support to approximately four major events, and approval or endorsement to other events.

Selected national and international sporting events, exhibitions or conferences will be used to showcase South Africa as a sports tourism destination.

6.3.1.3. Recognition Systems sub-programme

The Recognition Systems sub-programme will provide opportunities to acknowledge sporting achievements.

The Sports Awards event has been scheduled for 12 November 2017. The Andrew Mlangeni Green Jacket Programme was created to recognise men and women who have excelled in sport as player or official, and Ministerial Outstanding Sports Performance Accolades Programme for deserving teams and individuals who achieve at the highest levels of international sport is awarded when applicable.

The executive committee of the AUSC Region Five decided that South Africa will host a Regional Sports Awards event, also in the 2017-18 financial year, to honour regional achievements. Engagements will continue in 2017-18 to promote a National Sports Hall of Fame.

6.3.2. Programme 3: Winning Nation budget for 2017-18

The Scientific Support sub-programme receives R44.0 million in 2017-18, increasing by 2.8% to R47.4 million by 2019-20. R22.9 million of the allocated R44.0 million will be transferred to SAIDS in 2017-18. Scientific Support sub-programme is responsible for managing the Ministerial Bursary Scheme and support to athletes and coaches through a sport science programme in partnership with selected sport schools and high performance centres.

The Recognition Systems sub-programme responsible for implementing the Sports Awards, the Ministerial Outstanding Sports Performance Accolades event, the Andrew Mlangeni Green Jacket Programme and the Honouring of Women in Sport Awards, receives R18.8 million in 2017-18 and R20.9 million by 2019-20.

Subprogramme	**Audited outcome**			**Adjusted appropri-ation**	**Av growth rate (%)**	**Av Expen-diture/ Total (%)**	**Medium-term expenditure estimate**			**Av growth rate (%)**	**Av Expen-diture/ Total (%)**
R million	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14 - 2016-17**		**2017-18**	**2018-19**	**2019-20**	**2016-17 - 2019-20**	
Programme Management: Winning Nation	–	–	–	–	–	–	2.3	2.4	2.6	–	2.3%
Scientific Support	51.7	40.4	33.9	43.7	-5.5%	38.7%	44.0	44.9	47.4	2.8%	57.9%
Major Events Support	157.8	18.1	8.7	0.6	-84.4%	42.3%	11.8	14.0	14.8	190.4%	13.2%
Recognition Systems	21.9	24.7	13.9	22.9	1.5%	19.0%	18.8	19.9	21.0	-2.9%	26.6%
Total	**231.4**	**83.1**	**56.5**	**67.2**	**-33.8%**	**100.0%**	**76.9**	**81.2**	**85.7**	**8.5%**	**100.0%**
Change to 2016 Budget estimate				(24.0)			(16.6)	(17.6)	(18.6)		

Table 6 - Programme 3: Winning Nation expenditure trends and estimates by subprogramme

6.4. Programme 4: Sport Support

6.4.1. Planned initiatives for programme 4: Sport Support (Purpose: Develop and support an integrated support system to enhance the delivery of sport and recreation)

6.4.1.1. Sport and Recreation Service Providers

Sport and Recreation Service Providers subprogramme will continue funding qualifying national federations according to the Recognised Sport Bodies Grant Framework. Funding will be provided across two tiers: Guaranteed funding, for administration, and conditional funding, performance. SRSA will assist national federations to submit the required documents to ensure that targeted federations will receive financial support early in the financial year. SRSA and SASCOC will ensure that good governance prevails in all national federations.

To ensure that the transformation audits result in tangible programmes SRSA will develop sustainable mechanisms in terms of the recommendations of the Eminent Persons Group (EPG), such as revision of the funding framework to provide for financial rewards and punitive measures.

SRSA, in consultation with SASCOC, will prioritise federations and ensure that such federations are capacitated to deliver their programmes optimally to realise the active and winning nation vision. The volleyball federation has been selected to receive intensive support in the 2017-18 financial year.

The Sport and Recreation Service Providers subprogramme is also responsible for providing financial and institutional support to Boxing South Africa (BSA), and efforts will be made in 2017 to assist BSA to obtain an unqualified audit opinion. Support will continue for broadcasting of live professional boxing by the public broadcaster, SABC, and SRSA intends to assist amateur boxing federation SANABO to implement an Open Boxing League in the 2017-18 financial year.

Through partnership with the Sports Trust SRSA is able to fast-track the attainment of strategic goal one: Citizens' access sport and recreation activities. Considerable resources, effort and focus are dedicated to community outreach programmes, and providing equipment, attire and specific support to athletes identified by SRSA. The Sports Trust programme delivers specialised multi-purpose sport courts and other infrastructure projects in schools and communities.

Support will also be provided to SCORE to sustain coaching programmes for the sport and recreation sector.

6.4.1.2. International Relations

The International Relations sub-programme will continue to build and strengthen international bilateral relationships to support sport and recreation development in South Africa by executing exchange programmes with international partners, including Jamaica, India, Russia and Cuba. SRSA has signed agreements with Jamaica, India and Russia and is implementing programmes of action in this regard. It is envisaged that an agreement with Cuba will be finalised and implemented in the 2017-18 financial year. SRSA will continue to strengthen bilateral sports ties on the African continent with countries that are emerging from conflict, to enable their sports sector to be self-sustainable.

The sub-programme will support SRSA to fulfil its responsibilities in international fora such as UNESCO, the UN Sport for Development and Peace International Working Group (SDP IWG), IADA and WADA. The International Relations sub-programme will continue to ensure that South Africa is well represented in identified multilateral engagements. In the 2017-18 financial year South Africa will continue to play an active role in the African Union Sports Council (AUSC) Region Five. South Africa is also represented on the executive committee, the Council of Ministers Meeting, the Sports Development Commission, the Finance and Marketing Commission, the Women and Sport Commission and the Commission for People with Disability.

South Africa is represented on the Association of National Olympic Committees of Africa (ANOCA) and on the Confederation of Southern African National Olympic Committees (COSANOC). The Commonwealth Advisory Body on Sport (CABOS) and other Commonwealth initiatives will also be supported. Furthermore, strategic partnerships with IBSA (India, Brazil, and South Africa) and BRICS countries (Brazil, Russia, India, China and South Africa) will be strengthened through participation in joint projects.

6.4.2. Programme 4: Sport Support budget for 2017-18

The spending focus for the Sport and Recreation Service Providers sub-programme is financial and non-financial support to 60 recognised sport and recreation bodies at of R140.7 million in 2017-18, escalating to R156.4 million by 2019-20. R11.5 million of this amount will be paid to Boxing South Africa and R118.9 million to sport federations, which accounts for almost 86% of the Sport Support programme expenditure in 2017-18.

For the 2017-18 financial year R5.2 million is allocated to the International Relations sub-programme which manages participation in strategic multilateral fora. The allocation is expected to increase to R6.0 million by 2019-20.

Subprogramme	**Audited outcome**			**Adjusted appropri -ation**	**Average growth rate (%)**	**Average: Expen-diture/ Total (%)**	**Medium-term expenditure estimate**			**Average growth rate (%)**	**Average: Expen-diture/ Total (%)**
R million	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14 - 2016-17**		**2017-18**	**2018-19**	**2019-20**	**2016-17 - 2019-20**	
Programme Management: Sport Support	3.4	3.3	3.3	3.5	1.1%	2.4%	4.7	5.2	5.6	17.0 %	3.0%
International Relations	3.4	10.8	5.3	6.8	26.6%	4.6%	5.2	5.7	6.1	-3.9%	3.8%
Sport and Recreation Service Providers	109.0	134.7	145.4	138.6	8.3%	93.0%	140.8	148.1	156.4	4.1%	93.2%
Total	**115.8**	**148.9**	**153.9**	**149.0**	**8.8%**	**100.0%**	**150.7**	**159.0**	**168.1**	**4.1%**	**100.0%**
Change to 2016 Budget estimate				11.4			5.8	6.0	6.3		

Table 7 - Programme 4: Sport Support expenditure trends and estimates by subprogramme

6.5. Programme 5: Infrastructure Support

6.5.1. Planned initiatives for programme 5: Sport Infrastructure Support (Purpose: Regulate and manage the provision of sport and recreation facilities)

6.5.1.1. Sport and Recreation Facility Planning

The Sport and Recreation Facility Planning sub-directorate lobbies for, facilitates and coordinates the provision of sport and recreation facilities by municipalities and other relevant institutions. In the 2017-18 financial year SRSA will determine allocations totalling R300 million of Municipal Infrastructure Grant (MIG) funds outside the formula, which can only be spent on projects identified by SRSA. The procurement of services relating to the R300 million will be conducted by SRSA in close cooperation with the Department of Cooperative Governance (DCOG). The sub-programme must also lobby that municipalities submit plans for spending 33% of the P-component on sport and recreation infrastructure projects. SRSA must ensure that a facility classification framework is in place and updated for application by the provinces. The sub-programme works closely with DCOG, the South African Local Government Association (SALGA) and municipalities to maximise the use of the portion of MIG earmarked for building sport facilities. The absence of an accurate audit of sport and recreational facilities is regarded as a stumbling block.

An accurate facility audit and classification would strategically inform the building and maintenance of facilities. In the 2016-17 financial year provinces conducted a simple count of facilities. One province will conduct an audit in the 2017-18 financial year, with SRSA in a coordinating, advisory role.

6.5.1.2. Sport and Recreation Facility Management

The Sport and Recreation Facility Management sub-programme will continue to provide technical assistance to local authorities and other relevant stakeholders for constructing and managing sport facilities to ensure compliance with national standards, and continue to ascertain how the 2010 FIFA World Cup stadia are being maintained and used, and will produce an annual status report.

The Andrew Mlangeni community golf course development programme will receive attention again in 2017, to develop golf courses particularly in previously disadvantaged communities. In the current financial year the sub-programme will engage with the relevant municipalities on rehabilitating and promoting access to the Soweto and the Mabopane golf courses.

The Sport and Recreation Facility Planning sub-programme will continue to appeal for the delivery of community gyms and children's play parks by municipalities. Provision of ten community gyms has been prioritised for the financial year.

6.5.2. Programme 5: Sport Infrastructure Support budget for 2017-18

The Sport Infrastructure Support programme has an allocation of R13.0 million for the 2017-18 financial year. 59% is expended through the Sport and Recreation Facility Management sub-programme, which provides technical assistance to local authorities and other stakeholders for constructing and managing sport facilities. R4.9 million is budgeted for contractors in 2017-18, increasing to R5.1 million by 2019-20.

The Sport and Recreation Facility Planning sub-programme aims to ensure that facilities for sport and recreation are delivered according to established norms and standards at a cost of R2.9 million in 2017-18.

Subprogramme	**Audited outcome**			**Adjusted appropri-ation**	**Av growth rate (%)**	**Av: Expen-diture/ Total (%)**	**Medium-term expenditure estimate**			**Av growth rate (%)**	**Av: Expen-diture/ Total (%)**
R million	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2013-14 - 2016-17**		**2017-18**	**2018-19**	**2019-20**	**2016-17 - 2019-20**	
Programme Management: Infrastructure Support	–	–	–	2.2	–	7.6%	2.3	2.4	2.6	5.5%	16.1%
Sport and Recreation Facility Management	1.9	2.7	0.7	11.4	81.2%	58.5%	7.8	7.9	9.5	-5.9%	62.1%

Sport and Recreation Facility Planning	2.7	2.2	2.1	2.7	0.5%	33.9%	3.0	3.4	3.7	10.6%	21.8%
Total	**4.6**	**4.9**	**2.8**	**16.3**	**52.6%**	**100.0%**	**13.1**	**13.7**	**15.7**	**-1.2%**	**100.0%**
Change to 2016 Budget estimate				–			(2.5)	(3.0)	(2.1)		

Table 8 - Programme 5: Sport Infrastructure Support expenditure trends and estimates by subprogramme

7. Entities' Budget Analysis

7.1. Boxing SA

In terms of the Boxing Act the safety of boxers must be ensured, and the relationships between boxers, managers, promoters, trainers and officials and BSA effectively and efficiently administered and governed in the best interests of boxing and its stakeholders as a whole.

7.1.1. Programme 1: Governance and Administration

In the 2017-18 financial year Boxing South Africa will mainly focus on boxing development and improving administrative capacity as outlined in the BSA strategic plan. The BSA Strategic Plan 2015- 2020 document had not changed, but amendments were made to the BSA 2017-18 Annual Performance Plan document.

BSA recognised the importance of strengthening and capacitating its administrative base to ensure good governance, and identified the need for training and development of its workforce and licensees. The execution of the Human Resources Implementation Plan in the 2017-18 financial year will include creating adequate tools of trade and enabling environment through effective and efficient provisioning services.

Boxing South Africa had appointed a new chief executive officer, chief financial officer as well as chief operations officer (Director: Operations) in 2016. The term of office of the BSA board will end after the first term of the 2017-18 financial year.

Boxing South Africa received an unqualified audit opinion for the 2015-16 financial year, and has focused on implementing an audit action plan to address matters pointed out by the Auditor-General of South Africa to improve its organisational governance.

Boxing SA and SABC have commenced discussions around a bilateral agreement on boxing development, which is expected to be finalised in the 2017-18 financial year for discussion with stakeholders.

Challenges reported by Boxing SA:

a) Compliance with the Boxing Act and its regulations remains the biggest challenge facing boxing and prospects of its development;

b) Boxing broadcasting by SABC and the pay channel, and adherence to agreements on matters related to such broadcasting;

c) Disputes by promoters' associations on compliance with sanction levies regulation;

d) Inadequate resources to establish boxing committees at provincial level or appoint provincial managers in all provinces;

e) Unaligned financial assistance for boxing activities by most municipalities do not respond to BSA priority areas,

f) The small pool of female boxers in most weight divisions resulted in repeat fights against the same opponents.

Legal environment

BSA has identified the necessity to strengthen its legal literacy and capacity as regulator in light of the more complex professional and commercial aspects of the industry and the sport sector, in terms of: Contracts, Duty of care, Intellectual Property, Anti-doping, Dispute resolution, and Administrative justice.

Revenue

BSA's projected expenses amount to R14,193 million in the 2017-18 financial year, and its only long-term revenue base is the annual allocation from Budget Vote 40: Sport and Recreation South Africa. Boxing South Africa needs to increase its resource base and strengthen its capacity to respond to its legislative mandate and programmatic requirements.

BSA has been allocated R 11,595 million from Budget Vote 40 in the 2017-18 financial year, and projects income of R2,47 million from licensing and sanctioning levies, penalties and interest from investment revenue. BSA has been allocated R20.2 million over the medium term period for compensation of employees, which translates into an average of R6.7 million per annum. With these funds BSA will be able to recruit competent staff. The allocation for goods and services increased to R8.8 million.

The annual allocation is not sufficient to execute BSA's full mandate, and BSA is looking at alternative ways to access financial resources through commercialising, partnerships, sponsorships, programme syndication and more aggressive debt collection of levies. BSA has stated that its revenue generation strategy has to be aggressively driven in the 2017-18 financial year to enable the organisation to offer additional programmes. Boxing SA regards revenue generation as a matter of concern in view of the large amount of outstanding sanction levies owed to it, and resistance to paying sanction levies in terms of legislation. BSA intends to deal with the dispute on sanction levies, and to finalise the legal position on sanction levies in the 2017-18 financial year.

7.1.2. Programme 2: Boxing Development

Purpose: To ensure compliance with the key aspects of the Boxing Act and regulations and to enforce their application where noncompliance is observed.

Programme 2: Boxing Development will drive compliance with licensing of practitioners, sanctioning of BSA events, rating of boxers as well as coordination of training programmes to enable licensees to meet the requirements of the regulations.

BSA recognises the gravity of the compliance problem which can be observed in the profile and financial status of boxers owing to lack of control over the factors that determine their income, the state of boxing gyms countrywide, and the general image and reputation of the sport. BSA also recognises the need for turning the situation around, and stated that enforcement of compliance with the Boxing Act and its regulations will be the cornerstone of the sport. Programme 2: Boxing Development will accordingly feature the key activities in terms of BSA regulatory requirements.

BSA intends to focus on three aspects with regard to licensing, sanctioning and ratings: Licensing, sanctioning and ratings, Licensees training and development and Regulations compliance.

Licensing, sanctioning and ratings sub-programme accommodates activities and expenditure relating to potential licensing of boxers, promoters, managers and trainers. Rating of boxers and sanctioning of all boxing events is under the jurisdiction of BSA. Licensees' training and development entails awareness creation and education of licensees about compliance requirements.

The Regulations compliance and enforcement sub-programme will drive the activities of ensuring compliance by role-players to the rules and regulations nationally.

The responsibility placed on SRSA and BSA in terms of the Boxing Act is grave. It is becoming increasingly apparent that this mandate is critically underfunded, and they have not been given the financial and legislative tools to implement the mandate expected of them. The risk to boxers' lives is not limited to the duration of a boxing match, and support to BSA and SRSA needs to be prioritised.

7.1.3. Programme 3: Boxing Promotion

The purpose of Programme 3: Boxing Promotion is to promote and market boxing to improve its public profile, increase its brand value as well as coordinate premium BSA events across the country. Programme 3 comprises sub-programmes: Marketing and branding, Communication, Stakeholder mobilisation and lobbying, Events Coordination and Revenue generation.

SRSA will no longer be part of the 2016-17 financial year partnership between BSA, SABC and SRSA to increase demand for boxing in communities, which had translated into 1,3 million viewers, therefore the Communication sub-programme has developed a media campaign to communicate BSA programmes nationwide on a sustained basis.

7.2. South African Institute for Drug-free Sport (SAIDS)

For the 2017-18 financial year SAIDS will be allocated R22,9 million to implement its programmes. New funding from the National Lottery is R 5 million, and carried over grants from National Lottery amount to R 2.7 million. The budget for the entity for the 2017-18 financial year will be R27.8 million. The funds will be spent within the three main pillars of support, namely Administration, Deterrence and Education, which will be measured through the implementation of 9 key performance areas.
60 per cent of the allocated budget of R22.9 million will be applied for Testing, 30 per cent for Administration and Compliance, 8 per cent for Education and 2 per cent for International obligations and development.

Strategic outcome oriented goals are: Doping control, Results Management and Investigations, Anti-doping Education and Research and International Relations and Compliance, and the operational areas Doping, Control, Results Management, Education and Research, Finance, Governance, and International Relations will be linked to goals.

7.2.1. Programme 1: Doping Control, Results management and Investigations

Resource consideration

SAIDS is wholly reliant on its Government grant to discharge its mandate. Expansion of the requirement of the World Anti-doping Code and the UNESCO Convention Against Doping in 2008 has placed additional obligations on anti-doping agencies tasked with implementing the Code and the Convention, and therefore Treasury increased the grant.
In 2016 the accreditation of the SA doping Control Laboratory in Bloemfontein was suspended, preventing it from analysing any doping

control samples, which escalated costs because samples had to be couriered overseas for analysis. R1,5 million in annual revenue from international sports federations and African sports entities dried up, and the cost of compliance has become onerous. SAIDS has to develop financial and performance processes to pass compliance on international regulations (Code, Anti-doping Standards and Guidelines, UNESCO Convention), national legislation (PFMA, Treasury Guidelines), quality assurance (ISO 9001) and risk (Internal Audit). SAIDS reports that a 2016 assessment indicated it is 40% underfunded for meeting all its performance indicators; with the laboratory suspension the underfunding increased to 48%.

7.2.2. Programme 2: Education, Research and Outreach

SAIDS provides anti-doping education to differentiated target audiences, implementing a comprehensive national education and research programme for the purpose of preventing, detecting and deterring the use of prohibited substances and methods.

Resource consideration

Anti-doping education constitutes 8% of budget expenditure. During the past 5 years ad-hoc National Lottery grants were used to fund anti-doping education, however, the Lottery grant cycle ended in 2016. At present the higher demand for education services resulting from the expansion of semi-professional sport codes and more competitive school competitions cannot be sustained without ad-hoc funding.

7.2.3. Programme 3: International Relations and compliance

In terms of this programme SAIDS ensures compliance with applicable legislation governing public entities and manages and administers SAIDS operations as a pioneer and mentor in Africa through sharing programmes and expertise with African colleagues, thus building the anti-doping capacity of the African continent by increasing the profile of SAIDS through participating in international forums and policy positions.

Resource consideration

SAIDS spends less than 50% of the Treasury grant on salaries and 10% exclusively on compliance activities. The growing cost of compliance is one of largest cost drivers in the administration section of the SAIDS budget.

8. Observations

8.1. Department of Sport and Recreation

a) The SRSA is managed well, and had implemented recommendations by the committee in past financial years. It has received a clean audit report for three consecutive financial years, and there have been vast improvements since Boxing SA filled the positions for chief executive officer and chief financial officer. SAIDS has improved compliance and it is likely that they will get a clean audit report, because the problem regarding procurement processes has been resolved;

b) The committee anticipates that the department's high prioritisation of programmes within South Africa will result in stronger focus on strengthening partnerships and cross-sectoral support for the work of entities SAIDS and BSA;

c) The committee has found that provision of sport and recreation infrastructure through the Municipal Infrastructure Grant is not being prioritised, especially in smaller municipalities, where citizens consequently have limited access to facilities and programmes. As a result of poor MIG spending by municipalities the committee has motivated for transferring the Sport and Recreation portion of the MIG to the SRSA;

d) The committee is concerned about progress with the special facilities projects for which R300 million in MIG funds were allocated outside of the formula;

e) The committee has identified the need for clarifying the financial responsibilities of SRSA and the Department of Basic Education in terms of school sport;

f) It is of concern that only two provinces utilise their funding for school sport. It has been found that "articulation of the national strategy and the school sport roll-out plan is not implemented consistently across provinces", therefore the committee welcomes the intended 2017-18 review of the implementation of the school sport strategy and structures implementing the programme, from local to national level, as well as the statement of intent to improve collaboration between SRSA and DBE, especially at provincial, district and local level;

g) The committee recognises the importance of funding for The Sports Trust in order to implement SRSA's annual delivery targets which include multipurpose courts, equipment, and sport kit;

h) In the interest of developing sports tourism, the sport movement would benefit from promoting regional games (games where one could have more games of a local origin), networking with the African Union and discussing how to get such games off the ground;

i) The committee is of the view that skilling citizens to utilise sport as an alternative way of earning a living will enable unemployed persons to provide for their families;

j) A sports desk in every municipality is an essential component of the sport and recreation structure and machinery. In some municipalities it resorts under the special programmes unit (SPU);

k) The committee has identified the need for prioritising disability in municipalities;

l) The low percentage of female participation, and reports that some girls do not know that they have the option and opportunity to participate in sport, emphasise the urgency of addressing the gender aspect throughout in delivery of programmes in terms of the NSRP;

m) The committee has found that federations' compliance with Eminent Persons Group transformation requirements have real impact at grassroots level, and, since the majority of citizens with low income, from low-income households, and in rural areas still struggle to gain access to sport and recreation opportunities and facilities, the committee supports the addition of two federations to the EPG's transformation barometer in the 2017-18 financial year.

8.2. SASCOC

a) Collection, validity and digital availability of biometric data to track progress of athletes and prevent age fraud have been noted as a concern;

b) SASCOC's transparency and accountability to stakeholders must be maintained;

c) Sponsorship remains crucial for augmenting SASCOC's budget, and the committee noted concern about funding to enable SASCOC to execute all aspects of its mandate, including providing attire for teams competing internationally, and about funding *via* the National Lottery.

8.3. SAIDS

a) Legislative provision is necessary to enable random testing in schools;

b) In the 2016-17 financial year SAIDS was underfunded by 38 per cent, and the entity is dependent on *ad hoc* funding from the National Lottery to meet its obligations. SAIDS motivated for revision of its funding model in view of the increased financial burden of adhering to doping testing and monitoring requirements in terms of the WADA Code;

c) Financially and operationally it is important to ensure the success, and sustainability of the accreditation, of the independent SA Doping Control Laboratory at the University of Free State in Bloemfontein, which is Africa’s only accredited lab. Providing the requisite equipment and skilled staff for the laboratory to meet the latest international criteria will require a substantial amount of money, largely because of the cost of the kind and number of machines needed to process samples.

8.4. Boxing SA

a) Alignment of funding for all aspects of the mandate of Boxing SA in terms of the principal Act must be prioritised;

b) It is essential that BSA enforce compliance in terms of the Act, and that bidding for broadcasting of boxing matches remain competitive;

c) The committee is concerned about the number of titles lost outside the boxing ring because boxers miss the opportunity to defend their titles, compliance with the promoter-boxer contracts which are submitted to BSA in which the number of fights for a boxer per annum is stipulated, and consideration for the interests of boxers and promoters;
d) The number of recent deaths of boxers is a stern reminder of the vital responsibility resting on BSA to ensure compliance with regulations in terms of medical examinations and brain scans for boxers of a certain age, compliance with using only BSA certified competition gloves, compliance with requirements to submit pre-fight proof of hospital notification and stand-by medical staff, including neurologists;
e) Revenue generation for BSA remains crucial, and the committee is concerned about aspects of the agreement on SABC broadcasts of boxing matches.

9. Recommendations

The Portfolio Committee on Sport and Recreation recommends that the Minister of Sport and Recreation -

a) Encourage innovation by the National Lottery Commission with a view to generating additional revenue;
b) Encourage implementation of the resolutions agreed to at the Boxing Indaba;
c) Ensure that SRSA, SAIDS and Boxing SA, adequately implement the recommendations of AGSA in order to address the challenges related to governance;
d) Emphasise the urgency of tabling outstanding legislation, and of expediting the drafting of regulations and legislation in the 2017-18 financial year;
e) Continue policy dialogue for urgent implementation of physical education in schools, with emphasis on the real impact which placing physical education at schools under life orientation in the

f) basic education curriculum and failure to offer physical education to learners have on the future of sport in the country, millennium development goals, and National Sport and Recreation Plan outcomes;

g) Emphasise the responsibility of the SRSA to include gender and disability in programmes and budgets, and to educate, canvass and inform stakeholders and participants accordingly;

h) Ensure regular and systematic support to the national federations that struggle to produce documents in order to receive timeous SRSA funding transfers;

i) Encourage public debate on the nation's sport and recreation transformation;

j) Emphasise the urgent need for funding National Sport and Recreation Plan mandates.

The Portfolio Committee on Sport and Recreation recommends that the House agree to the Strategic Plan of the South African Institute for Drug-Free Sport for 2017-22, the Annual Performance Plan of Boxing South Africa for 2017-18 and Annual Performance Plan of the Department of Sport and Recreation South Africa for 2017-18, referred to it, as well as Budget Vote 40: Sport and Recreation South Africa.

Report to be considered.

4. Report of the Portfolio Committee on Economic Development on Budget Vote 25 and Annual Performance Plans of the Economic Development Department and its entities for the 2015-16/2019-20 Medium Term Expenditure Framework period, dated 23 May 2017.

The Portfolio Committee on Economic Development, having considered Budget Vote 25, the Strategic Plans (2015/16 – 2019/20) and the Annual Performance Plans (2017/18) of the Economic Development Department and its entities, reports as follows:

1. INTRODUCTION

The Portfolio Committee on Economic Development (the Committee) analysed the Strategic Plans, Annual Performance Plans (APPs) and the budgets of the Department and its four (4) entities on 03 and 09 May 2017. Government has the responsibility to ensure responsible spending, given the limited nature of public funds.

It is important for budget plans to be linked to strategic plans so as to ensure that key objectives and priorities are budgeted for and achieved. Thus, the purpose of the engagements was to assess and analyse the Strategic Plans, APPs and budgets of the Department with a view of ensuring that there is alignment of reporting between the Strategic Plans, APPs and budgets. The Annual Performance Plan, the third of a standing five-year strategic plan, sets annual targets and aims to enhance implementation and accountability.

These important annual engagements take place in the context of a particularly challenging economic period for most parts of the world, but especially for South Africa. The global community continues to strive for improved economic conditions to benefit the majority of the world, both in developed and developing economies. The ratings downgrades of the country by two of the world's ratings agencies put South Africa in a unique economic position for the first time since the advent of democracy. It implores the country to rethink the way of doing things as it seeks to march on towards full economic recovery, and thus avoiding a situation whereby the efforts to eradicate poverty, inequality and unemployment are derailed. Great efforts in the implementation of sound economic policies will be central going forward, and the Committee exercises its oversight role with this context in mind.

Our government has over time developed tools and instruments to tackle the challenges faced. These include the National Development Plan (NDP), the New Growth Path (NGP) (led by the Economic Development Department), the National Industrial Policy Framework and many others linked to them, all with a view of securing a better future for our land. These must be pursued by all so as to achieve a common goal of bettering the lives of our people, and more so the conveyance of a better South Africa for inheritance to future generations. The long term vision must always guide us in our individual and collective efforts for improved conditions.

The Economic Development Department has a crucial role to play in the economic activities of the country, especially the interpretation and implementation of the objectives of the instruments mentioned above. It has the responsibility to coordinate the formulation of cross sector policy programmes that will seek to improve the social capital of marginalised groups. It oversees the public financing institutions that fully participate in the new growth path and development. The policies led by the Department must also play a role in the creation of employment as per the call of the NDP, ensure a higher rate of investment, and the coordination of a more efficient and competitive infrastructure, amongst the many responsibilities. Similarly, together with partners in government and the private sector, it must ensure the development of a prosperous and balanced regional economy in Southern Africa and the continent, based on the principles of equity and mutual benefit.

The Committee will continue to play its role of ensuring vigorous oversight, and will give legislative support to the Department where necessary. This report outlines the nature of the engagements that took place on 03 and 09 May 2017, on the diverse issues affecting our economy, and the possible solutions that will be explored by the Department for the remainder of the Medium Term Expenditure Framework (MTEF).

The following entities report to the EDD:

- Development Finance Institution – Industrial Development Corporation (IDC)
- Economic Regulatory Bodies – Competition Commission, Competition Tribunal; and International Trade Administration Commission of South Africa (ITAC).

THE ECONOMIC DEVELOPMENT DEPARTMENT

2. BACKGROUND

The core mandate of the Department are to identify priorities for job creation, inclusive growth and industrialisation. Further to support the alignment of the state around implementation, oversee and provide strategic direction to development finance institutions, as well as the provision of strategic direction on competition policy and trade administrative matters through oversight of regulatory bodies.

The Department of Economic Development is responsible for monitoring and implementation of the action plans on the various job drivers in the New Growth Path (NGP). EDD is a key Department for the following outcomes of the Medium Term Strategic Framework;

- Outcome 4: Decent Employment through Inclusive Growth.
- Outcome 5: A skilled and capable workforce to support an inclusive growth path
- Outcome 6: An efficient, competitive and responsive economic infrastructure network
- Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all

The Department provides technical support to the Presidential Infrastructure Coordinating Commission (PICC), whose Secretariat is chaired by the Minister of Economic Development. The Department plays an important role in the implementation of the Nine Point Plan of the State of the Nation Address. The priority areas of the plan are as follows:

- o Resolving the energy challenges
- o Revitalising the agriculture and agro-processing value chain
- o Advancing beneficiation and adding value to mineral wealth
- o More effective implementation of IPAP
- o Encouraging private sector investment
- o Moderating workplace conflict
- o Unlocking potential of SMMEs, co-operatives, township and rural enterprises
- o Cross cutting areas to reform, boost and diversify the economy, such as the water and sanitation infrastructure
- o Growing the ocean economy and tourism

The Department administers the following legislation:

- Industrial Development Corporation Act (Act No. 22 of 1940);
- Competition Act (Act No. 89 of 1998);
- Competition Amendment Act section16 (2008) section 16 as promulgated on 1 April 2013;
- International Trade Administration Act (Act No 71 of 2002); and
- Infrastructure Development Act (Act No. 23 of 2014).

The following policy frameworks, programmes and policy pronouncements guide the Annual Performance Plan (APP) of the Department:

- State of the Nation Address (SONA) annually;
- National Development Plan;
- New Growth Path;
- National Infrastructure Plan;
- Industrial Policy Action Plan;
- Delivery Agreement on Outcome 4: Decent Employment through inclusive economic growth;
- Delivery Agreement on Outcome 5: Skilled and capable workforce to support inclusive growth;

- Delivery Agreement on Outcome 6: Efficient, competitive and responsive infrastructure;
- Delivery Agreement on Outcome 7: Vibrant, equitable, sustainable rural communities;
- Framework for South Africa's response to the international economic crisis.
- Finance and fiscal policy framework;
- Public Finance Management Act No. 1 of 1999;
- Municipal Finance Management Act No. 56 of 2003 and related by-laws

The Department facilitated the signing of and monitors the implementation of the following Social Accords:

- Basic Education Accord;
- National Skills Accord;
- Local Procurement Accord;
- Green Economy Accord
- Youth Employment Accord and;
- October 2012 Social Accord.

3. 2014 – 2019 STATEGIC PLAN OF THE ECONOMIC DEVELOPMENT DEPARTMENT

The Strategic Plan sets out the objectives of the Department for the duration of the current administration.

The Department has identified six strategic objectives which have been integrated into three programmes. The Department's Strategic Objectives are the following;

PROGRAMMES	STRATEGIC OBJECTIVES
Programme 1: Administration	• **Strategic Objective 1:** Provide strategic guidance to the Department; and technical and administrative support to the Ministry to achieve the rest of the Department's strategic objectives.
Programme 2: Growth Path & Social Dialogue	• **Strategic Objective 2:** Co-ordinate jobs drivers and the implementation of the National Growth Path economic strategy in support of the National Development Plan.
	• **Strategic Objective 3:** Facilitate Social Dialogue and implementation of Social Accords.
Programme 3: Investment, Competition & Trade	• **Strategic Objective 4:** Coordinate infrastructure Development and strengthen its positive impact on the economy and citizens.
	• **Strategic Objective 5:** Promote Investment, industrial financing and entrepreneurship for jobs and inclusive growth.
	• **Strategic Objective 6:** Promote competition, trade and economic regulation in support of job creation and social inclusion.

POLICY PRIORITIES FOR 2017/18

The 2017 State of the Nation Address' (SONA's) main economic theme was radical economic transformation for opening up the economy and giving black people opportunities to participate effectively in the country's economy.

The ultimate goal of the envisaged economic transformation is a competitive and inclusive economy. This goal ties in well with the Department of Economic Development's mandate of promoting the creation of decent employment and inclusive growth, in particular through the work of the competition authorities.

In the 2017 Budget Review, National Treasury noted that barriers to inclusive growth and broad-based transformation should be broken through the de-concentration of the highly concentrated industries and those dominated by a few, accelerating the inclusion of millions of black South Africans into jobs and businesses, and returning to a path of rising per capita incomes for all. According to National Treasury these obstacles can be overcome through the National Development Plan goals of;

- Improving education and skills development, starting with a more effective basic education and early childhood development sector.
- Strengthening competition laws to address skewed ownership and control, which is a barrier to business entry and the expansion of key markets that are essential for job creation.
- Increasing private-sector participation in sectors dominated by public enterprises, and ensuring that effective regulatory authorities curb the power of monopolies.
- Providing support and incentives for labour-intensive sectors, including agriculture, agro-processing and tourism.
- Overcoming the spatial fragmentation of South Africa's cities, so that people have easier access to jobs and infrastructure.

4.1 Amendments to Legislation

During discussions with the International Trade Administration Commission (ITAC), the Competition Commission and the Department on their 2016/17 APPs, there were indications of possible amendments to their respective legislation.

- ITAC reported that it will make submissions to the Department on the possible changes to the International Trade Administration (ITA) Act No. 71 of 2002.
- Amendments to the Competition Act No. 89 of 1998.

In addition, ITAC was still waiting on the Department to fill the Deputy Commissioner's post which has been vacant for years (+/- 4 years).

4.2 NEF to be incorporated into IDC to guarantee funding for black entrepreneurs

The Ministers of Trade and Industry and of Economic Development announced that the National Empowerment Fund (NEF) will become a wholly-owned subsidiary of the Industrial Development Corporation (IDC) to help meet the considerable demand for funding by Black entrepreneurs.
In response the Department of Trade and Industry and EDD will appoint a technical team to expedite the finalisation of the process. The Minister of Trade and Industry will continue to provide legislative and policy guidance to the NEF.

4. THE BUDGET OF THE DEPARTMENT AND ITS ANNUAL PERFORMANCE PLAN FOR 2017/18

The Department implements the aspirations of the National Development Plan, New Growth Path, Nine Point Plan, key focus areas and its objectives using three programmes namely Administration, Growth Path and Social Dialogue; and Investment Competition and Trade. See Table below.
Table: Linking programmes with performance goals and budget

PROGRAMMES	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR & PRODUCTS/OUTPUTS
Programme 1: Administration ***Budget : R80.7 m***	• **Strategic Objective 1:** Provide strategic guidance to the Department and Ministry.	2 KPIs (2 Products/)
Programme 2: Growth Path & Social Dialogue ***Budget: R35.6 m***	• **Strategic Objective 2:** Co-ordinate jobs drivers and the implementation of the National Growth Path.	3 KPIs (18 Products)
	• **Strategic Objective 3:** Facilitate Social Dialogue and implementation of Social Accords.	3 KPIs (7 Products)
Programme 3: Investment, Competition &	• **Strategic Objective 4:** Coordinate infrastructure Development and strengthen its positive impact on the economy and	6KPIs (114 Products)

Trade	citizens.	
Budget: R681 m	• **Strategic Objective 5:** Promote Investment, industrial financing and entrepreneurship for jobs and inclusive growth.	4KPIs (13 products)
	• **Strategic Objective 6:** Promote competition, trade and economic regulation in support of job creation and social inclusion.	4KPIs (13 products)
Total		**23 KPIs (180 products/outputs)**

5.1 DEPARTMENTAL BUDGET

The Department is expected to implement its plan and achieve its goals using funds that have been appropriated by National Treasury. According to National Treasury, for the 2017/18 financial year, the national budget is R1.56 trillion. Of that amount, the Department has been allocated R797.3 million or 0.05 per cent of the national budget. This is an increase of R131.3 million compared to the 2016/17 departmental budget of R666 million.
The increase is reflected in the budget growth of the Growth Path and Social Dialogue; and Investment Competition and Trade programmes. Between the 2015/16 and the current financial year, the Growth Path and Social Dialogue Programme's budget increased by R4.6 million or by 14 per cent nominally, from R31 million in 2016/17 to R35.6 million in the current financial year. According to National Treasury, the increase will finance the implementation of the Youth Employment Accord.

The Investment Competition and Trade programme saw the largest budget increase of R134.1 million or 24.5 per cent in nominal terms. According to Treasury, the increase in the budget is due to the following:

- Additional funding of R150.4 million to the Competition Commission for capacity building,
- R45 million for the Industrial Development Corporation for the Presidential Infrastructure Coordinating Commission's technical unit and technical project management team,

- R95 million for the establishment of the Steel Development Fund.

The amount allocated to the Administration programme however decreased by R7.4 million compared to the 2016/17 appropriation. This is in part due to reductions in the Department's goods and services, mainly in the travel and subsistence and the compensation of employees' budgets.

Table: Budget Allocation by Programme

Programme	**Budget**				**Nominal Rand change**	**Real Rand change**	**Nominal % change**	**Real % change**
R million	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2016/17-2017/18**		**2016/17-2017/18**	
Programme 1: Administration	88,1	80,7	79,4	84,6	- 7,4	- 12,2	-8,40 per cent	-13,83 per cent
Programme 2: Growth Path and Social Dialogue	31,0	35,6	39,6	42,4	4,6	2,5	14,84 per cent	8,03 per cent
Programme 3: Investment Competition and Trade	546,9	681,0	725,8	777,2	134,1	93,7	24,52 per cent	17,14 per cent
TOTAL	**666,0**	**797,3**	**844,8**	**904,2**	**131,3**	**84,0**	**19,71 per cent**	**12,62 per cent**

Source: Economic Development Department

In drafting the 2017/18 Annual Performance Plan, the Department took the following into consideration;

- The Department sought to improve the quality of some of its products and avoid work aimed simply at meeting targets rather than changing the lives of South Africans.
- The Department's Key Performance Indicators used terms such as "initiatives" and "engagements" to describe outputs. This made it difficult for the Auditor General to assess whether the activity had taken place.

- The APP is presented within an unpredictable economic environment which requires some flexibility in the crafting of Key Performance Indicators.

To address the abovementioned concerns, in the current financial year's Annual Performance Plan, the Department is seeking effective ways to improve its performance. As a result, the Department has prioritised the following;

a) Making SMART use of resources to attain maximum value for money
b) Enhancing coordination and partnerships in the State including EDD drawing on resources across the public sector to help achieve its goals (e.g. MOU with Wits and UJ)
c) Improving partnerships with the business community and organised labour
d) Having a strong focus on economic transformation through our work and our KPIs

5. KEY PERFORMANCE AREAS FOR 2017/18

The following are the Key Performance Areas on which the budget for 2017/18 will be spent.

Key Performance Indicators	Output
➢ 1: Audit Opinion obtained in respect of the previous financial year	Unqualified Audit Opinion
➢ 2: Governance & Accountability (G &A) Monitoring Performance Assessment Tool (MPAT) level to be obtained	Level two obtained for G&A by MPAT
➢ 3: Number of analytical and public policy advocacy reports on socio-economic development and the NGP produced	4 Reports
➢ 4: Number of reports on NGP jobs drivers and coordination structures	4 Reports
➢ 5: Number of reports on the implementation of the Green Economy Accord	2 Reports
➢ 6: Number of reports on black women and youth with access to employment and entrepreneurship opportunities	3 Reports
➢ 7: Number of reports on support provided to provinces	10 Reports

➢ 8: Number of reports on social dialogue interventions to save and create jobs and reports on implementation of Social Accords	2 Reports
➢ 9: Number of quarterly Cabinet-level progress reports of infrastructure Strategic Integrated Projects (SIPs)	64 Reports
➢ 10: Number of infrastructure projects evaluated, unblocked, fast tracked or facilitated or project assessments completed	8 Action minutes
➢ 11: Number of Cabinet and PICC strategic decisions on infrastructure implemented	4 Action minutes
➢ 12: Number of PICC meetings held and facilitated	30 Records of meetings
➢ 13: Number of Coordination actions to drive implementation of SIP 5 of the National Infrastructure Plan	4 Records of Co-ordination actions
➢ 14: Number of reports on initiatives to increase localisation in the infrastructure and industrialisation programmes, including through the PPPFA, and local supplier development	4 Reports
➢ 15: Number of investment initiatives facilitated, fast-tracked and/ or unblocked	14 Action minutes
➢ 16: Number of reports produced on funding allocations on township enterprises by DFIs and government departments	3 Reports
➢ 17: Number of reports on the level and impact of industrial finance by DFIs and departments	4 Reports
➢ 18: Number of Ministerial or departmental oversight engagements with the IDC held	4 Records of engagement
➢ 19: Number of economic development opportunities identified through infrastructure projects	1 Action minute
➢ 20: Number of strategic initiatives to enhance the capacity, performance and outcomes of economic regulators held	2 Action minutes
➢ 21: Number of reports on initiatives on mergers & acquisitions, market inquiries or abuse of dominance	4 Reports
➢ 22: Number of initiatives to ensure trade authorities and policies support industrialisation and employment	2 Action minutes
➢ 23:Number of Ministerial/ departmental oversight engagements with trade and competition authorities held	5 Records of engagements

6. COMMITTEE OBSERVATIONS

Key issues and observations raised by the committee during its deliberations:

During its deliberations, the committee raised questions relating to the following;

- *The Department undertaking additional work given its human resource capacity constraints:*
  The number of KPIs has increased from 164 in 2015/16 to 170 in 2016/17 reaching 183 in the current financial year and about 100 reports need to be produced by the end of the financial year. Meanwhile, the number of funded posts filled, have been decreasing gradually from 140 in 2015/16, to 129 in 2016/17 down to an estimated 127 in 2017/18. The Department reported that EDD will be capacitated through Memoranda of Understanding with universities, establishing Ministerial Expert Panels and other innovative ways of involving experts who wish to positively contribute to national interests.

- *Strategies to be implemented to counter the negative impact of the ratings agency downgrades on the core work of the Department:*
  Since the tabling of the 2016/17 Annual Performance Plan South Africa has been downgraded by a number of ratings agencies to non-investment grade. The Department stated that the downgrades will negatively affect the economy. The Department added that there is a need to map a road back to investment grade.

- *Delays in amending the International Trade Administration (ITA) Act No.71 of 2002.*
  Despite the ever-changing economic and global trade environment, the ITA Act, has never been amended. Plans have been underway to start the process of amending the legislation however nothing concrete has come before Parliament as yet. The Department stated that

amending certain parts of the ITA Act has implications for other Southern African Customs Union (SACU) member countries. ITAC was not ready to come forward with the amendments in previous years but expects to be able to do so in the current financial year.

- *Furnishing the Committee with more information on the amendments to the Competition law.*
  The Competition Commission alluded to a need to amend the Competition Act No. 89 of 1998 to make it possible to implement the criminalisation clauses of the Competition Amendment Act No.1 of 2009. The Department reported that there were no technical changes to be made per se, but an announcement was imminent in this regard.

- *Whether the Steel Development Fund is intended to facilitate the entry of new players or to strengthen the existing capacity in the Steel industry.*
  For the current financial year, Cabinet approved R95 million for the Steel Development Fund. The aim of the Fund is boost the competitiveness of foundries and steel fabricators. The Industrial Development Corporation will be responsible for administering the Fund. The Department reported that the Fund was intended to do both, to facilitate the entry of new players or to strengthen the existing capacity. More detail will be shared in the Department's Budget Vote speech.

- *Clarity on the Broad Based Black Economic Empowerment (B-BBEE) Facilitator Status granted to the IDC.*
  The B-BBEE Facilitator Status was granted to the IDC by the Department of Trade and Industry. The aim is to promote economic empowerment as part of IDC's mandate. The Department added that the facilitator status recognises the IDC as B-BBEE compliant. Because the IDC is a state owned entity, the status further deems it to be a B-BBEE company equivalent for procurement purposes.

- *Impact and progress made since 2009 in developing the rural and remote areas of the country.*

  In 2009, the Department of Rural Development and Land Reform (DRDLR) was introduced as a champion for rural transformation. EDD reported that from its vantage point, government has not fully achieved its goals for economic development in a number of rural areas, particularly the ex-homelands areas. The Department has found that the challenges in terms of urbanisation and spatial development require a better planning framework for the country and it is proving to be a lot more complex than initially anticipated.

7. RECOMMENDATIONS

The Department should;

1. Provide quarterly updates to the Committee, on progress in respect of the following staff related matters;
   - 1.1. The filling of all posts in which staff are in acting positions, in particular that of the Accounting Officer. The Committee notes that the last fully-appointed Director-General of the Department left before the 2015/16 financial year.
   - 1.2. The implementation of the MOUs and Ministerial Expert Panels and other strategies for acquiring the requisite skills for the Department.
   - 1.3. The reviewing of organisational structure
   - 1.4. Drafting of the Employee Retention Strategy
2. Ensure that the post of ITAC's Deputy Chief Commissioner is filled without further delay and the Department report to the Committee on progress in its Third Quarter Performance Report.
3. Work with other entities to speed up the process of mapping of the road back to investment grade.
4. Brief the Committee on the steps taken and timeframes for drafting of the amendments to the ITA Act.
5. Provide the Committee with quarterly updates on the Steel Development Fund and on the developments in the competitiveness of the Steel industry in general.

6. Ensure that the process to incorporate the National Empowerment Fund into the IDC is such that it broadens the organisation's capacity and reach, so as to empower emerging, especially black, entrepreneurs.
7. Report on the effectiveness of the B-BBEE status on the IDC's operations annually.
8. Report on progress made in addressing spatial development and urbanisation challenges in the country.
9. Report on a quarterly basis, on the impact of the efforts to ensure alignment and integration of economic priorities at all spheres of government, particularly at provincial and municipal levels.

PART B: THE ENTITIES

1. INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

Established in 1940, the IDC has been instrumental in implementing the country's industrial policy, establishing some of the industries that are today cornerstones of South Africa's manufacturing sector. Over its 75 years of existence, the IDC has driven growth by building partnerships, providing funding and other forms of support to companies and ensuring their long-term sustainability.

The Corporation reports that its priorities are aligned with government's priorities of job creation, reducing inequalities and contributing to economic transformation. For the 2016/17 financial year, the IDC began the implementation of an internal restructuring initiative called Project Evolve. The IDC reports that the restructuring process, under new business heads, has grouped industries into related sectors. The aim is to ensure that the IDC is more effective in funding those sectors that will have the most beneficial effects on the economy.

In terms of Project Evolve priority industries have been classified into the following;

- Value Chains – Metals, Chemicals and pharmaceuticals, Agro-processing and Agriculture
- New Industries – Forward looking and innovation sectors,
- Special high Impact sectors – Entertainment and clothing and textiles
- High Impact Sectors – sectors which contribute to development goals
- Industrial Infrastructure – utilities sector i.e. electricity, water and telecommunications and logistics.

1.1 IDC 2016/17-2020/21 CORPORATE PLAN

The IDC has 5 new key focus areas, namely;

1. Response to current operating environment:

- Providing support to companies in distress
- Supporting sectors with immediate impact on job creation
- Sector specific interventions for sectors significantly affected by operating environment

2. Project Evolve implementation

- Value chains/priority sectors strategies & key initiatives/projects
- Development Impact

3. Financial sustainability

- Improve collections, manage impairments, more appropriate pricing, strengthen planning, optimise portfolio, more optimal products, and increased leveraging of outside funds

4. Subsidiaries management

- More proactive engagements, monitoring and reporting, deploying IDC resources and services, formal management performance reviews

5. Organisational culture and capabilities
- Build the appropriate internal environment and more focussed development of human capital

6. Governance and regulatory matters.
- Further improve governance by implementation of conflict of interest policies, strengthening fraud and corruption prevention strategies, risk management, and increased transparency

The IDC's main target is to approve R100 billion in loans over the next five years.

The IDC reports that it had anticipated the ratings downgrades and had in place strategies to respond. In planning the strategy and although the negatives are acknowledged, the corporation sees some opportunities (positives) that could arise out of the situation, that is:

1. Price performance of listed shares could improve as a result of weaker rand and commodity prices.

2. Export focused business partners are likely to benefit from a weaker exchange rate.

3. There could also be investment opportunities for import replacement

Table: IDC Strategy Pillars

Increasing Industrial Development Impact	**Ensuring Long-Term Sustainability**	
	Financial Capital	**Human, Social, Natural and Manufactured Capital**
• Priority sector strategies where the IDC plays a proactive role • Strengthen IDC's development objectives and strategies • Identify and develop new industries that can	• Plan investment return and risk profile to ensure sufficient growth to replace existing cash generators • Structure investments to	**Human resources** • Ensure appropriately skilled and capacitated human resources • Entrench a culture of performance and development **Stakeholders** • Improve customer service • Build partnerships with other

be drivers for growth and employment in the future • Increasing the level of empowerment, black industrialists and transformation through our investments • Support infrastructure projects that unlock industrial development • Align the IDC with the NDP, NGP, IPAP, APAP and NIP sector development objectives • Increase the number of projects under development and in implementation • Provide industrial finance to achieve sector development objectives • Increase regional industrial integration by developing value chains • Ensure that SMME's through our subsidiaries are supported effectively and efficiently	increase direct equity returns • Manage risks through appropriate investments, pricing and management of the portfolio • Implement measures to manage concentration risk in the IDC portfolio	financiers to leverage off different strengths and mandates. • Increase engagements with sector players to identify opportunities • Develop black industrialists • Strengthen IDC expertise to contribute to policy • Build strong communities around IDC funded projects **Natural environment** • Improve IDC's and industry's environmental sustainability **Utilisation of resources** • Improve efficiency through continuous improvement of systems

1.2 BUDGET AND FORECASTS

1.2.1 Key Financial Implications (IDC Mini-Group)

R million	**Baseline**	**Target**
Cash flows	**2017/18 to 2021/22**	
Advances (R'm)	96 605	122 838
External funds raised (R'm)	57 686	61 886
of which foreign borrowings	6 186	6 186
Proceeds from sale of shares	16 100	29 459
Balance sheet	**end-2021/22**	
Financing at market values (R'm)	173 718	184 223
Borrowings (R'm)	63 646	67 846
Debt/equity (%)	59%	59%
Impairments as % of portfolio at cost	18.2%	18.7%
Impairments as % of portfolio a market values	13.4%	13.7%
Income statement	**Five years from 2017/18 to 2021/22**	
Dividend income	19 341	19 330
Interest and fee income	30 773	33 523
Borrowing costs	16 089	17 897
Impairments and bad debt write-offs	19 015	24 447
Net operating income before capita realisations	5 960	3 083

Net approvals increased by 26% year-on-year to a record level of R14.5 billion in 2015/16, as well disbursements by 4.6% year-on-year to R11.4 billion. The Industrial Development Corporation reported a profit amounting to R223 million in 2016. It was significantly low in comparison to the previous financial years'. IDC's profits dropped by 87% from R1.65 billion in 2014/15 to R223 million in 2015/16. The Steel producer Scaw Metals, which is 74% owned by the IDC, recorded losses of R1.1 billion, while the agrochemicals group Foskor, which is 59% owned by the IDC posted a R568 million loss.

The impairment charge of R3.6 billion to the income statement for the year ended 31 March 2016 was double the figure for 2015. The impairment ratio as a percentage of IDC's book at market value increased significantly from 8.8% to 10.1%.

1.2.2 Disbursement Targets vs. Borrowings

1. COMMITTEE OBSERVATIONS

Borrowing sources	**Budgeted Borrowings for FY 2016/17**	**Actual Borrowings (01 April 2016 to 31 January 2017)**	**Budgeted Borrowings for FY 2017/18**
(R' millions)			
Domestic borrowings	**8 775**	**8 062**	**6 578**
Public bonds	2 900	722	2 000
Bank loans	3 875	6 340	2 578
Private placements bonds	2 000	1 000	2 000
Foreign borrowings	**4 098**	**2 558**	**4 385**
DFI's/ Multilateral agencies	1 142	280	2 310
Bank loans and other	2 956	2 278	2 075
Total borrowings	**12 873**	**10 620**	**10 963**

The following were observations and/or concerns made by the Committee:

1. The lack of progress made on issues of localisation – including the
2. lack of requisite skills, willingness and preparedness of industries;
3. Transparency in the selection processes will be of importance to the Black Industrialist Programme, as will the need for wider geographical inclusiveness.
4. Ensuring sustainable job creation in negotiated deals with foreign investors;
5. The provision of equitable funding and support to all provinces.

2. RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

The Corporation's investment strategy puts more emphasis on local procurement of renewable energy and automotive materials, amongst others, so that the MTSF target of 75 per cent local procurement be reached by 2019. Equally, the strategy must ensure that local jobs are promoted so as to achieve the National Development Plan's goals on creation. Attention must be given to the BAIC project in Port Elizabeth in both these cases.

1. A monitoring strategy is developed to ensure that the Black Industrialists Programme is inclusive enough to reduce income inequalities in the country.
2. The corporation increases investments in tourism infrastructure to support and increase the impact of the country's tourism industry.
3. The IDC's debt to equity ratio is maintained at a sustainable level, taking its development mandate into account;
4. The Corporation increases its presence and funding support in the various provinces, as well strengthen its business support unit to cover these areas. Emphasis is made on increased presence and support in rural provinces, particularly the Free State and North West provinces.

3. THE COMPETITION COMMISSION

The Competition Commission was established in terms of the Competition Act No. 89 of 1998, as an investigative and enforcement agency. It is vested with powers to investigate and control restrictive business practices, abuse of dominance and mergers in order to achieve equity and efficiency in the South African Economy.

The Competition Commission consists of the Commissioner and one or more Deputy Commissioners, appointed by the Minister of Economic Development. The Commissioner, is the Chief Executive Officer of the Competition Commission and is responsible for the general administration of the Commission and for carrying out any function assigned to it in terms of the Act. The Commissioner is appointed for a five-year term and is accountable to the Minister of Economic Development and Parliament. The Deputy Commissioner, assists the Commissioner in carrying out the functions of the Commission. The Commission is made up of seven divisions, namely:

- Enforcement & Exemptions
- Mergers & Acquisitions
- Advocacy and Stakeholder Relations
- Legal Services
- Policy & Research
- Corporate Services
- Cartels

4.1 STRATEGIC GOALS

The Commission has three strategic goals for the 2015-2020 period. These are;

- **Effective enforcement and merger control**
  - Efficient and effective merger regulation.
  - Competitive markets through action against cartels and abuse of dominance.
  - Improved public interest outcomes in markets (relating to jobs, industrialisation, exports, development of black-owned businesses and SMMEs.
  - Increased competition compliance.
  - Improved understanding of market dynamics in priority sectors.

- **Strategic Collaboration and Advocacy**
  - Improved co-ordination on the application of economic policy and competition policy.

- o Recognition of developmental perspectives in domestic and international competition law discourse.
- o Improved compliance and awareness.

- **High-performance Agency**
- o Improved organisational efficiency.
- o Accountably managed resources.
- o Highly motivated and productive people.

4.2 Alignment to Government Outcomes

The Commission's strategic response to Government's policies and planning outcomes during the period 2015-2020 includes the following:

- Considering socio-economic outcomes in case analysis, particularly in cases which have a large impact on the price of goods, public access to resources and market entry for small firms and historically disadvantaged individuals;
- Designing conditions and remedies which address employment, market concentration and other socio-economic challenges, and monitoring compliance thereof;
- Expanding the opportunities for South African participation in world markets, in line with the promotion of economic growth through the use of enforcement, exemptions and merger instruments;
- Continued advocacy and enforcement in regulated sectors to drive competitive conduct;
- The Commission's selection of its priority sectors to include those with high-growth and jobs potential;
- Considering the linkages between trade policy and competition policy in its work. This includes ensuring alignment of the Commission's priority sectors to IPAP-designated sectors and pursuing Market Inquires in economically-strategic sectors;
- Collaborations and partnerships to be pursued with other state actors on economic policy;
- Continued advocacy and training work with municipalities, trade unions and the general public, particularly on bid-rigging and competition awareness.

4.3 ANNUAL PLANS FOR 2017/18

Key features of the 2017/18 APP are reported as follows:

1. Consolidation of decision to improve efficiencies internally:
   - Cradle-to-grave principle in case management;
   - Investments in ICT for an integrated IT and Knowledge Management system.
2. Phasing in of new Organisational Structure within costs:
   - Creation of Advocacy division;
   - New capacity for Market Inquiries;
   - Strategic remodelling of the "Screening Unit";
   - Increasing overall capacity in terms of seniority in order to reduce outsourcing.
   - Implementation of Criminalization provisions:
   - Focus on capacity-building internally, and collaborating with other entities.

The annual review of priority sectors was undertaken, and the following remain prioritised for enforcement and advocacy for 2017/18:

- Food & Agro Processing- entire value chain (production, processing, distribution and retail).
- Intermediate Industrial Input Products- inputs into strategic manufacturing products such as steel, chemicals and fertilizers.
- Construction & Infrastructure- includes construction products & services and transport & logistics (movement of goods & products).
- Healthcare- entire value chain, including services and pharmaceutical market.
- Energy- includes markets related to Electricity, Renewables, LPG (industrial and domestic usage), Nuclear and Fuel.
- Banking & Financial Services- entire sector, including industries such as Insurance and Retail & Corporate banking activities.
- Information & Communication Technology- includes telecoms services and products, including markets related to inter-connection.

Enforcement and Advocacy

Cartel Investigations

- The Commission will continue to intensify its cartel enforcement and will build on successes from the past financial year.
- 14 Cartel initiations are planned for 2017/18.
- The Commission aims to complete at least 75% of the cases under investigation within 12 months.
- Over 60 cartel cases are on the current Tribunal litigation roll, all at various stages of the process.

Abuse of Dominance Investigations

- The Commission will build on successes achieved in 2016/17 in Abuse of Dominance.
- The Commission aims to complete 65% of investigations within 24 months.
- There are several on-going abuse of dominance investigations in priority sectors.
- Furthermore, 3 new cases in priority sectors will be initiated during 2017/18.

Merger Investigations

- The volume of mergers notified has been on the increase in the past 4 years but efficiency targets upheld.
- The Commission aims to have at least 75% of merger decisions upheld before the courts.

New Market Inquiries

- **Public Transport**
  - The Commission is launching a market inquiry into Public Transport during 2017/18.

– Terms of Reference will be issued for public comments in June/July.

- **Retail Sector**
  - The inquiry is currently underway and due for completion in the financial year.
  - Stakeholder activations have been undertaken in townships in Cape Town, Durban and Johannesburg. The first set of Public Hearings is due to take place during the year.

Previous Market Inquiries

- **Private Healthcare**
  - Currently underway with the Inquiry due for completion by end of the year.

- **Liquid Petroleum Gas**
  - Handed over a final report to the Minister of EDD, who has since tabled it to Parliament.
  - The Commission will follow up to ensure that recommendations are implemented.

4.4 BUDGET

The Mergers & Acquisitions, Enforcement & Exemptions, Cartels, Legal Services and Policy & Research are the core programmes directly involved with the implementation of the Competition Act. Nonetheless, support activities such as Administration spend more than 80% of their resources offering support to the core activities. The following table summarises the projected expenditure per division.

Revenue	2016/17	2017/18	2018/19
R' 000	Forecast	Forecast	Forecast
Merger fees	55,331	75,331	55,331
Interest	8,000	6,000	4,000
Other income	778	840	900
Grant	221,583	258,354	281,788
Total Revenue	**285,692**	**340,525**	**342,019**

Source: Competition Commission Annual Performance Plan

The financial resources have been allocated to ensure that the Commission could focus on the identified strategic areas. As is customary, financial revisions are done during the financial year, and any adjustments are effected accordingly.

4. COMMITTEE OBSERVATIONS

The following were observations and/or concerns made by the Committee:

1. The need to review the organisational structure of the Commission;
2. The need to ensure transformation in the field of competition law;
3. Sustainability of the costly nature of market inquiries.

5. RECOMMENDATIONS

Following the deliberations, the Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. The review of the organisational structure at the Commission is supported and prioritised as the work of the organisation increases;
2. The Commission utilises the allocated funds to speed up the training and up skilling of existing personnel, the recruitment of requisite skills, so that the need for outsourcing is phased

out eventually. The Commission must report on progress in this regard, by-annually.

3. Cost containment measures are in place when undertaking market inquiries so that they remain sustainable and beneficial to the South African economy.

4. The Commission collaborates with other regulators in the various sectors to ensure that small- and medium-sized enterprises have an equitable opportunity to participate in the economy.

5. The Commission continues with its commendable outreach plans to schools and universities in efforts to reach the previously disadvantaged, and encourage their entry into the field of competition law.

6. Bursaries and scholarships are made available to deserving students, especially in the previously disadvantaged institutions of higher learning, with the intention to recruit them on successful completion of their studies.

The Committee noted that processes are underway to consult stakeholders on the amendments of the Competition Act. The amendments will be crucial in supporting the challenging work of the Commission, especially in such areas as the abuse of dominance. The Committee will await a timely report from the Minister in this regard.

6. COMPETITION TRIBUNAL

The Competition Tribunal adjudicates competition matters, in accordance with the act and has jurisdiction throughout South Africa. It is independent and subject to the constitution and the law. It must be impartial and perform its functions without fear, favour or prejudice. When a matter is referred to it in terms of the act the tribunal must:

- Adjudicate <u>complaints</u> of prohibited <u>conduct</u> (Restrictive practice, Abuse of dominance)

- Impose a remedy
- Award costs
- Grant an order for interim relief
- Authorize or prohibit a large merger
- Adjudicate appeals from Commission's decisions on:
    1. Intermediate mergers
    2. Exemption.

7.1 STRATEGIC FOCUS

The Competition Tribunal has three broad strategic objectives, namely;

- Ensuring effective and efficient adjudication:

  The Tribunal reports that matters brought before Tribunal were heard within adopted delivery time frames; which saw the expeditious conclusion of hearings, and an improved management of Information. On Large, Intermediate and smaller Merger Targets, 75% was the proportion of large mergers to be set down within 10 business days of filing (Merger Target).

- Building and developing effective stakeholder relationships:

  Includes having 75% of final merger decisions to be issued to the press within two business days of the order date, and 100% of the final prohibited practice decisions to be issued to the press within two business days of the order date. This objective also constituted of revamping the website; publishing an online magazine, and the releasing of an in-house newsletter, all of which required regular commitment.

- Adherence to good corporate governance and sound business practice: translates to the maintenance of an unqualified audit outcome year on year

The Competition Tribunal reported that it would benefit for the amendments to the Competition Act, 1998 (Act No. 89 of 1998) and the Competition

Amendment Act, 2009 (Act No. 1 of 2009), whose review process have been put in place by the Executive Authority.

7.2 Alignment of Tribunal's strategic objectives National Strategic Outcomes (NSO) as follows

NSO 4: Decent employment through inclusive growth
NSO 6: Efficient, competitive and responsive infrastructure network
NSO 12: Efficient, effective and development orientated public service and an empowered, fair and inclusive citizenship.

7.3 FINANCIAL OVERVIEW

The table below present's the Competition Tribunal's financial overview per Strategic Objective:

Category	**Objective**	**Amount**
Timeous hearings and issuing of judgements	Adjudication process	R23 310 151.72
Effective business processes	Adjudication process	R2 346 999.58
Stakeholder awareness	Effective Stakeholder Communication	R1 152 965.92
Effective oversight and governance	Accountable, transparent and sustainable entity	R3 841 871.41
Effective financial management	Accountable, transparent and sustainable entity	R2 159 152.62
Sustainable capacity	Accountable, transparent and sustainable entity	R3 039 301.35
Administration (incl. depreciation)		R10 543 015.66

Administrating the Competition Appeal Court		R628 913.45
Capital expenditure		R1 184 098.32
TOTAL BUDGET		**R48 206 470.03**

Source: Competition Tribunal

7. COMMITTEE OBSERVATIONS

The following observations were made:

1. The Committee acknowledges the filling of key posts, especially those of the two new panel members in the Deputy Chairperson Mr E Daniels, and part-time member Professor H Cheadle. The Committee congratulates the two commissioners and wishes them well in the execution of their duties.

2. There is a need for the creation of new posts in the Tribunal, so as to keep up with the increasing workload of the organisation.

3. The need to ensure transformation in the field of competition law.

8. RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. Review the functioning and/or structure of the Tribunal (which may include the creation of new posts) so as to address capacity constraints, considering especially, the increasing workload of the Tribunal and the provisions of the Competition Act. A progress report must be submitted to the Committee on a six-monthly basis.

2. The Tribunal continues with its commendable outreach plans to schools and universities in efforts to reach the previously

disadvantaged, and encourage their entry into the field of competition law.

3. Bursaries and scholarships are made available to deserving students, especially in the previously disadvantaged institutions of higher learning, with the intention to recruit them on successful completion of their studies.

4. As part of efforts to transform the field, the Tribunal is advised to review its language policy on its external publications.

9. THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION (ITAC)

The International Trade Administration Commission (ITAC) is a schedule 3A Public Entity. It was established in terms of the International Trade Administration (ITA) Act, No 71 of 2002, and came into force on 1 June 2003. ITAC replaced its predecessor, the Board of Tariffs and Trade (BTT) which was established in 1986. The predecessor of the BTT is the Board on Trade and Industries (BTI) which dated back to 1924. The aim of ITAC, as stated in the Act, is to;

- Foster economic growth and development in order to raise incomes;
- Promote investment and employment in South Africa; and
- Promote investment and employment within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade subject to this Act and the Southern African Customs Union (SACU) Agreement.

The core functions of ITAC are:

- Customs tariff investigations;
- Trade remedies; and
- Import and export control.

ITAC used to fall within the purview of the Department of Trade and Industry which is for trade and industrial policy. The administration of the

ITA Act was transferred to the Minister of Economic Development (Policy and Oversight) in 2009, except for decision making powers on individual tariff and trade remedy investigations that have been retained by the Minister of Trade and Industry. ITAC now accounts to EDD on policy matters but the DTI considers recommendations on tariff applications.

The Commission is constituted of 2 Full- time Commissioners (Chief Commissioner and Deputy Chief Commissioner – the latter remains vacant). The Chief Commissioner is supported by ten part-time Commissioners. There are four Senior Managers (Technical Advisory Services, Legal Services, Internal Audit and Policy and Research) one Chief Economist (Trade and Economic Analysis) and one General Manager (Corporate Services) who report directly to the Chief Commissioner.

There are various units within ITAC; the Tariff Investigations Unit, (tariff investigations are divided into two groups: agro-processing, chemicals, textiles, clothing and footwear), and motors, metals and machinery, Trade Remedies Unit and; Import and Export Control Unit.

These three units have managers, senior investigators, investigators, administrators and secretaries. At the end of March 2015 ITAC had a staff compliment: 125 - Core business: 70; Support services: 55 and 11 contract employees.

10.1 STRATEGIC OBJECTIVES

The organisation's Key Strategic Objectives are:

- Ensure contribution to employment creating growth and development through effective delivery of international trade instruments;
- Ensure strategic alignment and continued relevance with the Economic Development Department and national agenda;
- Ensure organisational efficiency and effectiveness of ITAC.

The following are the priority projects for the 2017/18 financial year:

- ITA Amendment Bill;
- Review of AD Regulations;

- Strengthening Reciprocal Commitments;
- Impact Assessments;
- Review of Safeguard Guidelines in line with the EPA and
- Impact study on the Price Preference System

10.2 KEY HIGHLIGHTS OF THE 2017/18 ANNUAL PERFOMANCE PLAN

The following are key highlights of the update reports of Annual Performance Plan for the period:

Trade Remedy Investigations: There are three trade remedy instruments: anti-dumping duties, countervailing duties, and safeguard measures. Of these three, anti-dumping is the most frequently invoked, both globally and in South Africa.

- **Update on Steel Investigations**:

  - In the year 2015 ITAC conducted ten investigations to increase Most Favoured Nation (MFN) tariffs rates from zero to 10% based on applications by AMSA and one additional investigation by Evraz Highveld Steel and Vanadium.

  - The ten tariff investigations in respect of AMSA covered:

  - galvanised/coated and painted steel; tin plate; wire rod; rebar; semi-finished products of iron or non-alloy steel; steel plate; cold rolled; sections; other bars and rods; and hot rolled.

  - The one tariff investigation with regards to Evraz was on structural steel.

  - Two safeguard investigations were initiated on Hot Rolled & Cold Rolled steel.

- On 22 August 2016 an investigation was self-initiated by ITAC to look at a possible increase in tariffs on a number of downstream products.

- These investigations take place in the context of tough global and domestic economic conditions that have seen ITAC having to exercise flexibility and pragmatism in response to real economic needs.

- The guiding principle in these investigations has been to ensure economic viability, sustainability of production, investment and jobs in the whole steel industry value chain. In other words SA needs both the upstream and the downstream.

- **Steel Committee**

The Minister of Economic Development established the Committee of the Commission on Steel in terms of section 14 of the ITA Act, 2002, on 10 June 2016. The purpose is to monitor the impact of changes in import tariffs; reciprocal commitments made by the applicants; jobs in the whole value chain; and import and export trends. The Committee makes recommendations to the Commission. The Committee's membership constitutes the commissioners and industry representatives**.** The Department of Trade and Industry and EDD officials attend and participate in the Committee. It is only the component of Commissioners that has decision-making powers. The Committee has been established for a period of five years.

The Committee shall report to the Commission at least by-annually and its first report to the Commission was made in December 2016.Its first meeting was held on 20th June 2016 in which among others presentations were made by the primary industry (and downstream and the second meeting was held on 28th July in which presentations were made by NUMSA and Solidarity and continues to meet and engage all the relevant stakeholders.

- **Poultry Tariff Regime**: Import Tariffs on poultry meat were increased towards the end of 2013.The increases were based on an application brought by SAPA on behalf of: Rainbow Farms Ltd; Astral Operations Ltd;

Sovereign Food Investments Ltd; AFGRI Poultry Ltd; and Supreme Poultry Ltd (Country Bird Holdings).

- **Import and Export Control**: Minerals beneficiation has been identified as one of the areas where jobs will be created and this has meant an alignment of ITAC's export control measures to give support to beneficiation.

- **Impact Assessments**: To ensure continued relevance and alignment to both the dti and EDD, the Commission has begun to gauge the performance of the beneficiaries of its instruments against the policy objectives set out in the National Growth Path, Industrial Policy Action Plan as well as the Trade Policy Strategic Framework.

- **Judicial Reviews**: In respect of court cases, ITAC appeared in domestic courts 28 times (High, Supreme and Constitutional courts) since its establishment in 2003.Out of the 28 cases, 20 were ruled in favour and 8 against ITAC (the eight were mostly in the early days of ITAC).

10.3 BUDGET

Over the past years ITAC's total expenditure has been steadily rising against the total revenue. During the 2014 MTEF allocations, ITAC's baseline budget for 2015/16 and 2016/17 financial years was reduced by R4.8 million and R7.3 million respectively, a total reduction amounting to R12.3 million. The shortfall caused by that reduction was financed from ITAC's accumulated surpluses, which as at the end of the 15/16 financial year was R19.9 million. The remaining accumulated surplus amount is expected be fully utilised by the end of the 2017/18 financial year.

10. COMMITTEE OBSERVATIONS

The following observations were made:

1. The filling of key posts, especially that of Deputy Chief Commissioner,

2. The further acquisition of the necessary expertise to support the increasing workload of the organisation.

3. The need for further engagement on the impact of the Price Preference System (PPS).

11. RECOMMENDATIONS

Following the deliberations, Portfolio Committee on Economic Development recommends that the Executive Authority and Accounting Officer (s) ensure that:

1. Reasonable progress is made with regards to the review of the organisation's human resource structure, so as to cater for the increasing demands of the organisation's work.

2. The review of the Safeguard Guidelines in line with the relevant Economic Partnership Agreements (EPAs) and the impact study on the Price Preference System is prioritised so as to ensure certainty in the sector. Progress reports must be sent to the Committee on a quarterly basis.

3. Begin the process of designing mechanisms for the monitoring of all reciprocal commitments made in the steel and other industries.

12. CONCLUSION

The Portfolio Committee would like to thank Minister Patel and Deputy Minister Masuku; former Directors-General, the current Acting Director-General Mr. Malcolm Simpson and the staff at the Department; the collective leadership of the entities in particular the board and Chief Executive Officer of the IDC for their sterling work, the Chairpersons, Chief Commissioners (their deputies and commissioners) of the competition authorities and ITAC, for their efforts in accelerating economic transformation for the betterment of the lives of our people.

The Committee thus recommends, that the National Assembly approves the following:

1. The implementation of the Strategic Plan and APP (2015/16 – 2019/20) of both the Economic Development Department and the entities
2. The budget as allocated and;
3. The observations and recommendations of the Committee.

Report to be considered.

5. Report of the Portfolio Committee on Women in the Presidency on Annual Performance Plan (Budget Vote 13) of the Department of Women in the Presidency and the Commission for Gender Equality (CGE) for financial year 2017/18, dated 23 May 2017

The Portfolio Committee on Women in the Presidency, having considered the Annual Performance Plan and Budget of the Department of Women in the Presidency for 2017/18 as well as the Commission for Gender Equality's Annual Performance Plan for 2017/18 on the 09 and 16 May 2017 respectively, reports as follows:

1. Introduction

The Department of Women in the Presidency (hereafter 'the Department') was established in 2014 following the national elections. In 2015, the Department received its first standalone budget allocation, Vote 13. In the 5th Parliament, oversight over the Department was assigned to the Portfolio Committee on Women in the Presidency. To this end, the Committee in performing its constitutional mandate engaged with the Department of Women in the Presidency's the Annual Performance Plan and budget for 2017/18 on 09 May 2017 and on 16 May 2017 with the Commission for Gender Equality (CGE).

2. Mandate and purpose of the Department of Women in the Presidency

The purpose of the Department of Women is to lead, coordinate and oversee the transformation agenda on women's socio-economic empowerment, rights and equality. It derives its mandate from the Constitution and the presidential proclamation following the 2014 national elections. The mandate of the Department is to champion gender equality and the achievement of women's socioeconomic empowerment and rights. The vision of the Department is to realise the socio-economic empowerment of women and the advancement of gender equality. The mission is to accelerate socio-economic transformation for women empowerment and the advancement of gender equality.

3. Policy Priorities for 2017/18

The Department indicates in its 2017/18 Annual Performance Plan that there is sufficient policy and legislation to address gender equality, and has resolved to focus on policy and legislative implementation, as well as conducting reviews and gap analyses. The overarching outcome for the Department is the achievement of an informed society that upholds the socio-economic empowerment of women and gender equality and which implements gender-sensitive policies.

The Department has prioritised the following Strategic Objectives from its 2015-2020 Strategic Plan:

- Promotion of strategic leadership; good governance; and the effective, efficient and economical use of public resources for the socio-economic empowerment of women and the promotion of gender equality;
- Promotion of gender mainstreaming of socio-economic and governance programmes such that they accelerate a just and equitable society for women;
- Promotion of gender knowledge and analysis of policy and policy implementation for the socio-economic empowerment of women;
- Promotion of monitoring, evaluation and reporting systems as a mechanism for ensuring timely interventions aimed at the socio-economic empowerment of women and gender equality; and
- Promotion of public participation in the work of the Department through outreach and advocacy work.

In support of these Strategic Objectives, the Department indicates in the 2017 Estimates of National Expenditure that its focus over the medium-term will be directed at three core areas as highlighted below.

- **Analysing, evaluating and monitoring policy and programme implementation**

This will be achieved by:

i. Utilising the newly developed 'Women's Empowerment and Gender Equality Monitoring and Evaluation Framework' to provide guidance to Government departments to ensure that their plans, programmes and projects consider women's socio-economic empowerment and gender equality.
ii. Assessing the contribution of Government incentive schemes to the empowerment of women in terms of employment, socio-economic empowerment and development.

- **Mainstreaming women's socioeconomic empowerment**

The Department states that it works with Government clusters, in particular those in the Economic Cluster, to assess and make recommendations for gender sensitive service delivery models. In this regard, it aims to:

i. Develop a gender-responsive planning and budgeting framework to guide Government on its priorities and allocation of resources; and
ii. Lead a multi-departmental task team to develop a policy framework for the provision of free sanitary towels to indigent girls and women.

- **Raising awareness and public participation**

The Department indicates that over the medium term it will hold 6 public dialogues hosted by the Minister, for the 365 Days of Activism for No Violence Against Women and Children campaign in six provinces. In addition, one report on the outcome of these dialogues will be produced annually over the medium term. However, the 2017/18 APP makes reference to 4 community mobilisation initiatives that will be conducted and the quarterly targets relate to dialogues on p.35 but on p 31. of the APP 9 national dialogues are listed as MTEF targets for 2017/18.

4. Budget Analysis for the Department for 2017/18

The 2017 Estimates of National Expenditure (ENE) indicates that the Department receives a budgetary allocation of R206.2 million for the 2017/18 financial year. Of this, R78.3 million constitutes the transfer payment to the Commission for Gender Equality, leaving the Department with an operating budget of R 127.8 million. This is only an R800 000 increase in the Department's operating budget as compared to the previous financial year.

Table 4: Appropriated budget 2017/18 (including the CGE transfer)

Programme	**Budget**				**Nominal Rand change**	**Real Rand change**	**Nominal % change**	**Real % change**
R million	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2016/17-2017/18**		**2016/17-2017/18**	
Programme 1: Administration	89.4	83,0	86.3	92.2	- 6.4	- 11.3	-7.16 per cent	-12.66 per cent
Programme 2: Social, Political and Economic Participation and Empowerment	84.4	94.9	107.7	114.0	10.5	4.9	12.44 per cent	5.78 per cent
Programme 3: Policy, Stakeholder and Knowledge Management	23.1	28.2	40.0	42.3	5.1	3.4	22.08 per cent	14.84 per cent
TOTAL	**196.9**	**206.1**	234,0	248.5	**9.2**	**- 3.0**	**4.67 per cent**	**-1.53 per cent**

Table 4 indicates that despite a nominal increase of R9.2 million in the allocation between 2016/17 and 2017/18, there has in fact been a real decrease of R3 million, i.e. when inflation is taken into account, the Department has 1.53% less to spend than it did in the previous financial year.

An examination of the key cost drivers reveals that, 56.2% (R71.9 million) of the Department's operating budget (R127.8 million) is allocated for Compensation of Employees (CoE) and 40.8% (R52.1 million) is allocated for Goods and Services. In the 2016/17 financial year, the Department allocated 57% and 39.9% of its operational budget to CoE and Goods and Services respectively. In terms of spending under Goods and Services, the main cost drivers are travel and subsistence (R16.2 million), property payments (R15.8 million) and expenditure for external audit costs (R3.5 million). These 3 line items consume 68.1% of the goods and services budget.

In terms of human resources, the Estimates of National Expenditure indicates that the Department has a staff complement of 105 persons for the 2017/18 financial year. The greatest proportion of personnel is in the Administration programme, which has 72 staff members or 68.5% of the overall staff complement. In terms of expenditure on CoE, the greatest proportion of staff (35) fall within the level 13-16 salary band (senior management), at a combined cost of R41.3 million or a unit cost of R1.2 million per person.

4.1 Programme 1: Administration

The purpose of the Administration programme is to provide strategic leadership, management and support services to the Department. The total allocation for this programme is R83 million. This allocation is R6.4 million less than in the 2016/17 financial year, however it still consumes the highest proportion of the Department's budget. This remains a concern as the Department's core mandate is carried out in Programmes 2 and 3. There are no listed objectives for the programme in the 2017/18 ENE, however the 2017/18 Annual Performance Plan (APP) indicates that the strategic goal for the programme is the promotion of strategic leadership, good governance, effective, efficient and economical use of public resources for the socio-economic empowerment of women and the promotion of gender equality.

Table 5: Comparative Expenditure under Programme 1 2017/18 and 2016/17

Sub-Programme	**2017/18**	**2016/17**
Ministry	R17.8	R19.6
Departmental Management	R17.3	R20.1
Corporate Services	R19.1	R20.2
Financial Management	R13.1	R14
Office Accommodation	R15.7	R15.2
TOTAL	**R83.0 million**	**R89.4 million**

Sub-programme objectives are:

- Strengthened good governance that ensure the Department delivers on its mandate
- Improved strategic financial management system in Department, enabling delivery on the mandate
- Effective and appropriate Human and Information Communication and Technology (ICT) and Physical Resource management, enabling delivery on its mandate

Approximately 60% of the budget allocation for the programme is spent on CoE. This is a higher percentage than in the 2016/17 financial year when 57% of the allocated budget was for the CoE. The ENE indicates that for the 2017/18 financial year, the programme will have 72 staff members. Thirteen targets have been planned for programme 1 for 2017/18. These include amongst others:

- A reduction of risks in the Departmental risk profile alongside the implementation of risk mitigation plans
- Quarterly performance reviews
- Improved Departmental MPAT (Management Performance Assessment Tool) scores
- 100% payment of invoices paid within 30 days
- Maintaining a less than 2% under-spending in expenditure
- Maintaining a vacancy rate of less than 10% annually
- 100% of disciplinary cases resolved within 90 days
- Implementation of Departmental Business Systems Plan

4.2 Programme 2: Social Transformation and Economic Empowerment

The purpose of the programme is to facilitate and promote the attainment of women's socioeconomic empowerment and gender equality.

The programme objective is to promote gender mainstreaming and governance programmes such that they accelerate a just and equitable society for women.

The programme consists of 4 sub-programmes which are tabulated below and the allocations compared between the current financial year 2017/18 and the previous financial year:

Table 6: Programme 2 Allocations – 2017/18 and 2017/18

Sub-Programme	2017/18	2016/17
Management: Social Transformation and Economic Empowerment provides overall strategic leadership and management to the programme	R5.1	R3.4
Social Empowerment and Transformation: the purpose of the sub-programme is to provide intervention mechanisms on policies and programme implementation for mainstreaming the social empowerment and participation of women towards social transformation.	R4.5	R3.2
Governance Transformation, Justice and Security provides guidance for enhancing existing systems and procedures and addresses gaps that create barriers to the equal participation of women in the private and public sectors. This sub-programme also contributes to the elimination of gender based violence.	R3.9	R4.1
Economic Empowerment and Participation: the purpose of the sub-programme is to provide intervention mechanisms on policies and programme implementation for mainstreaming the economic empowerment and participation of women towards economic transformation and development.	R3.0	R4.3
TOTAL	**R16.1 million**	**R14.5 million**

Sub-programme Objectives:

- Intervention mechanisms on policies and programme implementation for mainstreaming the economic empowerment and participation of women towards economic transformation and development.
- Intervention mechanisms for gender mainstreaming for women's social empowerment and participation developed.
- Mechanisms for engendered transformation through advancing measures for the empowerment of women towards a just society developed.

Although the total programme allocation as per the ENE is R94.9 million, R78.3 million constitutes the transfer payment to the CGE, leaving the programme with an operating budget of R16.6 million. Of this, R8 million (48%) is for CoE and R8.3 million is earmarked for Goods and Services –

R3.4 million of the goods and services budget is allocated for travel and subsistence. The ENE indicates that for the 2017/18 period, the programme will have a staff complement of 12.

The Department's revised strategic focus on policy and legislative implementation review and gap analysis is most noticeable in Programme 2 as many of the programme objectives have either been amended/revised while new objectives have also been introduced. Six annual targets have been identified for 2017/18 including the development of a gender responsive budgeting framework and a framework for women's financial inclusion. Given that the Department's core mandate which is to champion gender equality and achieve women's socioeconomic empowerment and rights, it is concerning that since its inception/restructuring in 2014 it has not developed and implemented these frameworks. In addition, the Department indicates that in 2017/18 it will provide/develop recommendations for a new accountability mechanism for heads of departments in relation to the competencies and location of gender focal points. Again, given the Department's focus on gender mainstreaming, it is also cause for concern that consultations in this regard are only being held in 2017/18. The Department has also identified the development of a policy framework for sanitary dignity as a target for 2017/18. The aforementioned target is new and was introduced in the revised APP of 2016/17 which was tabled in the last month of the financial year.

4.3 Programme 3: Policy, Stakeholder Coordination and Knowledge Management

The purpose of programme 3 in 2017, as per the Annual Performance Plan, is to undertake:

- research
- policy analysis
- knowledge management
- monitoring and evaluation
- outreach and stakeholder coordination for women's socio-economic empowerment and gender equality

The programme consists of 5 sub-programmes, the allocations have been compared between the current financial year 2017/18 and the previous financial year 2016/17, namely:

Table 7: Programme 3 Allocations – 2017/18 and 2016/17

Sub-Programme	2017/18	2016/17
Management: Policy, Stakeholder Coordination and Knowledge Management provides overall strategic leadership and management to the programme.	R2.6	R4.0
Research and Policy Analysis promotes the development of gender-sensitive research and conducts policy analysis to intervene in transformation for women's socio-economic empowerment and gender equality.	R4.4	R4.4
Information and Knowledge Management positions the department as the knowledge hub on the socioeconomic empowerment of women and gender equality.	R1.1	R2.2
Stakeholder Coordination and Outreach: the purpose of the sub-programme is stakeholder management, international relations and to conduct outreach activities which promote women's socio-economic empowerment and gender equality coordinates stakeholder participation in women's empowerment and the promotion of women's rights initiatives at the national, regional and international levels. This sub-programme also ensures compliance with international treaty obligations, and conducts outreach initiatives which promote women's socioeconomic empowerment and gender equality.	R16.2	R8.1
Monitoring and Evaluation monitors and evaluates progress on the empowerment of women in line with national laws, regional, continental and international treaties and commitments.	R3.9	R4.4
TOTAL	**R28.2 million**	**R23.1 million**

A total of 7 targets have been planned for Programme 3 for 2017/18. The programme has a total allocation of R28.2 million, of which R13.9 million (48.5%) is allocated for CoE and R13.8 million (49%) is allocated for goods and services. Of the goods and services budget, R10.4 million (75.3%) is allocated for travel and subsistence. The ENE indicates that for the 2017/18 period, the programme will have a staff complement of 21. The Department identifies 7 targets for this programme for the 2017/18 period. These include a report on the socio-economic empowerment of women through government incentive schemes, as well as 4 country reports for multilateral forums. It will also be hosting a number of outreach initiatives focussing on women's empowerment. It is hoped that the Department will monitor the outcomes of these engagements and develop implementable recommendations to further women's empowerment and gender equality through these initiatives.

5. Commission for Gender Equality (CGE)

5.1 Background

The background and context of CGE's work emanates from Section 181 of the Constitution (1996) and it is one of the Chapter 9 institutions which are independent entities for strengthening democracy. The CGE is therefore required to report to the National Assembly at least once a year regarding the progress of carrying out its strategic objectives. Section 187 of the Constitution stipulates that the Commission should promote respect for gender equality, and protect and develop its attainment, as well as monitor, educate, lobby, advise and report on issues related to gender equality.

5.2 Powers Assigned to the CGE

In line with the CGE's obligation to strengthen constitutional democracy with a focus on the attainment of gender equality, the CGE has a legislative mandate and functions which include the following:-

a) To monitor and evaluate policies and practices of organs of state, statutory bodies, public bodies, private businesses and institutions;
b) To cultivate an understanding of gender equality and the role and activities of the Commission through developing, conducting and managing information and education programmes;
c) To evaluate whether Acts of Parliament (existing or proposed), systems of personal and family law or custom, systems of indigenous law, custom or practices or any other law, will affect the status of women, and to make recommendations to Parliament in this regard;
d) To recommend to the national and provincial legislatures, any new legislation that would promote gender equality;
e) To investigate on its own initiative or due to a complaint, any gender related issue;
f) To maintain close relations with institutions that undertake similar work, and to facilitate cooperation in handling complaints;
g) To interact with civil society to further the work of the Commission;
h) To monitor compliance to international conventions, covenants and charters related to gender issues, and to submit reports to Parliament in this regard;
i) To conduct research on gender related issues;
j) To consider recommendations, suggestions and requests made with regards to gender equality as received from any source.

The Commission is publicly funded and is thus subject to the reporting requirements of the Public Finance Management Act (Act No 1, 1999). The obligations of the PFMA include an audit by the Auditor General. In line with its Constitutional mandate, the vision of the Commission for Gender Equality remains to strive for "a society free from all forms of gender oppression and inequality", while its mission includes to "advance, promote, protect, monitor and evaluate gender equality through undertaking research, public education, policy development, legislative initiatives, effective monitoring and litigation".

5.3 Strategic Focus of the CGE and budget for 2017/18

The Commission for Gender Equality aims to ensure that gender equality is promoted and unfair discrimination is eradicated within the policies and practices of Government, other state institutions, and private organisations, in line with outcome 3 (all people in South Africa are and feel safe) and outcome 11 (create a better South Africa, a better Africa and a better world) of Government's 2014-2019 Medium Term Strategic Framework. The CGE's focus over the medium term will be on ensuring that gender equality is promoted and unfair discrimination is eradicated within the policies and practices of Government. This will be achieved through, amongst others:

a) Hosting quarterly gender transformation hearings on a selection of organisations across economic sectors and,
b) Assessing the performance of the country in implementing policies and programmes geared towards ending the marginalisation of women.

For the year 2017/18 period, the Commission for Gender Equality receives a budgetary allocation of R78.3 million and received an increase of R8.4 million from 2016/17 financial year. The greatest portion of the Commission's budget is allocated to the CoE.

The mandate of the CGE will be realised through the following 4 strategic objectives and sub-strategies:

5.3.1 Strategic Objective 1

The purpose of Strategic Objective 1 is to ensure the creation and implementation of enabling legislative framework that promotes the attainment of gender equality. This programme has been allocated R10 554 687 million for 2017/18. This objective has four sub-strategies as follows:

a) To monitor equality and evaluate the promotion of gender equality and relevant policies and practices of the public and private sector and report to Parliament. This sub-programme has been allocated R4 207 502 million.
b) To initiate and participate in the review of the legislative framework in all spheres of Government that impact on gender equality. The allocation is R640 455.
c) To conduct periodic performance assessment of priority Ministries, State institutions, Government departments, political parties and private sectors on the effective implementation of gender equality legislation policies and practices. The allocation for 2017/18 is R1 254 728 million.
d) To evaluate the implementation and effectiveness of national justice facilities in addressing gender discrimination. This sub-programme has been allocated R3 751 547 million.
e) To convene direct dialogues with relevant policy makers at national and provincial level on recommendation to promote gender equality contained in research reports and research activities. This sub-programme has been allocated R700 455.

5.3.2 Strategic Objective 2

The purpose of this Strategic Objective is to protect and promote gender equality by engaging with relevant stakeholders to educate and raise awareness on issues of gender equality, challenge patriarchal perceptions and stereotypes and take action against infringements of gender rights through the implementation of appropriate redress. This Strategic Objective has been allocated R20 968 645 million for 2017/18.

It has the following sub-strategies:

a) To timeously investigate complaints of violations of gender rights and identify appropriate redress. This sub-strategy has been allocated R10 920 757 million.
b) To initiate an investigation into systematic violations of gender rights and identify remedial action. The allocation for 2017/18 is R 1 686 521 million.
c) To develop a co-ordinated programme to promote gender equality. This sub-strategy has been allocated R5 604 563 million.
d) To initiate interventions for the sustainable development and promotion of gender equality by addressing violations in the social, cultural, political and economic security and human rights dimensions. This sub-strategy has been allocated R1 733 543 million.
e) To collaborate with organs of state civil society and other institutions for the effective development, protection, promotion and attainment of gender equality. The allocation for 2017/18 is R1 023 261 million.

5.3.3 Strategic Objective 3

The purpose of Strategic Objective 3 is to monitor state compliance with regional and international conventions, covenants and charters which have been acceded to or ratified by the Republic relating to the object of the Commission for Gender Equality. The Strategic Objective has been allocated R11 258 333 million for financial year 2017/18. This objective has the following sub-strategies:

a) To conduct annual reviews and audits of state compliance with obligations under the conventions, covenants and charters and to report to Parliaments and the Office of the Speaker. This sub-strategy has been allocated R950 930.
b) To interact with and to present reports to national, regional and international bodies on state compliance with conventions, covenants and charters acceded to or ratified and to make recommendations for the improvements and monitor implementation. This sub-strategy has been allocated R10 307 402 million.

5.3.4 Strategic Objective 4

The purpose of this Strategic Objective is to build an effective and sustainable institution that will fulfil its constitutional mandate on gender equality. This Strategic Objective has been allocated R35 484 336 million for 2017/18. It has the following sub-strategies:

a) To maintain optimal governance and oversight structures and policies between Commissioners and the Secretariat. This sub-strategy has been allocated R14 357 617 million.
b) To maintain the financial management strategy so that it promotes effective, efficient and economic utilisation of resources as well as accountability. This sub-strategy has been allocated R9 711 833 million.
c) To develop and maintain an IT infrastructure that supports and promote the organisational objectives of the Commission. The allocation for this sub-strategy is R3 375 919 million.
d) To develop comprehensive HR policies procedures and practices. The allocation for this sub-strategy is R7 388 967.
e) To develop a coherent communication strategy that promotes a positive public image of the CGE. This sub-strategy has been allocated R700 000.

6. Observations

Having met with the Department to scrutinise the Strategic Plan, Annual Performance Plan and budget for 2017/18 and the Commission for Gender Equality on its APP for 2017/18, the Committee made the following observations:

6.1 Department of Women in the Presidency

The intent of the programme and sub-programmes are commended, however the translation into tangible outcomes and outputs was of concern to the Committee which is hereby expanded on below.

General matters

6.1.1 Alignment of Strategic Plan and Annual Performance Plan (APP)

a) The Committee welcomes the tabling of the APP within the required timeframe. Having examined the requisite documents, the Committee notes that the links are not coherent between the 2017/18 APP, the Strategic Plan 2015-2020 and the respective ENE 2017 chapter.
b) The Committee noted as a concern its lack of involvement in the Department's strategic planning process - this despite repeated requests to the Department to be timeously informed and invited. This issue has been brought to the attention of the Department on numerous occasions before.
c) The Committee was concerned with the slow pace of progress in delivering on the objectives as outlined in the Strategic Plan mid-year through the MTEF cycle.

6.1.2 SMART Targets

a) The targets within the APP are not Specific, Measurable, Attainable, Relevant and Timely (SMART) and lack the requisite detail. The Technical descriptors are also not specific enough.

6.1.3 Management and accountability

a) The Committee observed that of the 10 Strategic Objectives and 27 Key Performance Indicators, Deputy Director Generals (DDGs) are only assigned to 1 Strategic Objective which deals specifically with governance and audit action plans and the CFO was assigned 4 KPIs. The CFO is responsible for "Improved strategic financial management system, Ensure that payments are affected within 30 days from receipt of a valid invoice, Effective utilisation of financial resources in delivering the mandate and Percentage of external audit recommendations implemented". The rest of the KPIs are assigned to Chief Directors and Directors as the key persons responsible which the Committee questioned. The Committee requested clarity on the lines of responsibility in terms of holding the Deputy Director Generals and the Director General accountable for responsibilities linked to Programme 2 and 3. The Committee was concerned that without a clear indication of the lines of accountability being stipulated in the APP that are linked to targets and indicators, holding the budget holders and key decision makers to account would be challenging.

6.1.4 Attendance at Oversight Visits

a) The Committee noted with concern that despite numerous requests for the Department to accompany it on oversight, to date the Department has not attended any. The absence of the Department on oversight is concerning for the Committee as other departments are present to not only note issues for follow up but also respond to matters during oversight. Furthermore, the Committee noted that Department had a large delegation of 9 officials that attended the 2017 United Nations Commission on the Status of Women - this despite complaints of fiscal constraints and limited capacity.

6.1.5 Policy Review and Law Reform

a) The Committed noted with concern the Department's position on the Framework on Women's Empowerment and Gender Equality of 2000 even though it is outdated and refers to government structures such as the Office on the Status of Women in the Presidency which is no longer in existence.
b) The Committee notes that the Department indicated that it will be assessing policy and law, however these have not been specified in the APP.

6.1.6 Finances

a) The Committee's overall concern was the slow pace of progress and lack of deliverables by the Department but with consistent expenditure.

b) The Committee notes with concern that the Administration programme continues to receive the greatest proportion of the budget (R83 million) and has the highest proportion of staff (72). This was concerning as the core mandate activities for the Department resides within Programmes 2 and 3. The latter Programmes 2 and 3 received R16.6 million and R28.2 million respectively.
c) The Committee noted with concern that Programme 2, Social Transformation and Economic Empowerment, which aims to champion gender equality and the achievement of women's socioeconomic empowerment and rights, the core aspect of giving effect to the Department's mandate once again received the smallest operating budget at R16.6 million.

6.1.7 Human Resources

a) The Committee noted with concern that the CFO position has yet to be finalised.
b) The Committee noted the Department's response to its staff compliment whereby the Committee was informed that the Department inherited a large staff compliment that lacked the requisite skills leading to an under-utilisation of certain officials which was the main reason for the Department being under-capacitated. The Committee was concerned about how that then impacts on the effectiveness and productivity of the Department.

Programme specific matters
Programme 1
6.1.8 Goods and services

a) The Committee noted with concern the exorbitant costs for property payment and audit fees (R3 556 million) as compared to other departments with relatively small budgets and bigger staff compliments but spend less on renting property and paying auditors fees for the current financial year 2017/18. For example, the Department of Public Enterprises with a total budget of R266.7 million allocates R3 400 million on Audit Costs which is approximately 3% of its budget. Similarly, the Department of Economic Development which has a budget of R141 million after taken into consideration the transfer to Investment, Competition and Trade of R656.2 million it allocates R3 477 million to Audit Costs which amounts to 2% of its budget. In terms of Property payments, the Department of Public Enterprises allocates only R10 259 million which is approximately only 4% of its budget as compared to the Department of Women that allocates R 15 804 million which is 12% of its total budget.

6.1.9 Risk Management

a) Even though the Department identifies targets for undertaking a risk assessment annually and developing quarterly risk mitigation reports and has done this since its inception, a revised APP was submitted for the past 2 consecutive years a month before the end of the financial year. This brings into question whether the issues that arise within the risk reports are dealt with and if the recommendations made are implemented.

b) The Committee is concerned about whether the audit and risk committee is functional given the review of the APP's for 2015/16 and 2016/17 at the end of each of the respective financial years.

Programme 2

6.1.10 Sanitary Dignity

a) The Committee commends the Department for heeding the call by the President in making sure that the country develops the framework for the distribution of sanitary towels in order for the country to have uniformity in distribution. The Committee acknowledges the lack of access to sanitary towels for many impoverished young girls and women as an issue for which the Department intends looking at.
b) The Committee noted that having recently engaged with the Department of Basic Education, it was informed that the Department of Basic Education did not know the scale of the problem as to how many girls at school do not have access to sanitary towels and what the impact on school attendance is. In addition, the Department of Basic Education informed the Committee that it had not budgeted for the provision of free sanitary towels to school girls who require it.
c) The Committee requires more clarity from the Department on how it was developing a policy if it is not the budget holder for dispensing the sanitary towels.
d) In addition, the Committee also queried how the Department was defining indigent women and girls within the policy.
e) The Committee reiterated to the Department the importance of zero rate VAT on sanitary products as an issue to pursue as this would enable a broader reach.
f) The Committee noted the Department's efforts on sanitary dignity but urged the Department not lose sight of priorities such as gender-based violence and sexual reproductive health care which are broader and more cross cutting issues in the context of poverty. Hence, these could be part of a more inclusive approach to deal with the lack of access to sanitary towels.

6.1.11 Assessment of Nine Point Plan

a) The Committee welcomes the focus on assessing the implementation of the Nine Point Plan from a gendered perspective.
b) The Committee was not satisfied that the Department had not specified which departments within the Economic Cluster it would be assessing.
c) Furthermore, given the Department's limited resources and capacity and in the absence of a Monitoring and Evaluation Framework, along with a list of clearly identified indicators and any another assessment tools, the Committee was concerned as to how precisely the Department would deliver on this objective.

6.1.12 Gender Focal Point (GFP)

a) The Committee affirms the importance of strengthening the role of Gender Focal Points (GFPs) within Government and the Department's effort for wanting to address the matter.
b) The Committee was concerned that the Department was focussing on the framework for GFPs but that deliverables on the broader Gender

Mainstreaming Framework was not forthcoming as this was not tabled before the Committee for consideration.

c) The Committee was concerned with the slow pace of progress on targets related to GFPs as this has been a deliverable since the inception of the Department. It appeared as a KPI in the revised APP of 2014/15, *Review institutionalisation of gender focal points* and in subsequent APPs but no deliverables in this regard have been tabled with the Committee for consideration. This was a cause of major concern.
d) The Committee also noted that the previous Department of Women, Children and People with Disabilities, in addition to the Department of Public Services and Administration and the Commission for Gender Equality, had produced extensive work on GFPs. To this end, the Committee was concerned that the Department was not drawing sufficiently on the body of evidence that exists within Government on GFPs which could aid its work.
e) The Committee noted with concern the lack of collaboration between the Department and GFP's in the Office of the Premiers based on a recent oversight visits in Mpumalanga and the Eastern Cape.

6.1.13 Gender Responsive Budgeting (GRB)

a) The Committee welcomes the development of a GRB framework by the Department. However, the Committee was not satisfied with the slow pace of progress in developing the GRB framework as this target has been planned for since the inception of the Department as it appeared in the revised APP of 2014/15 under the Economic Empowerment sub-programme with targets related to consultations with DPME and National Treasury. GRB has appeared subsequently in all other APPs since then but no tangible deliverables in terms of an actual framework or tool has been reported in any of the Annual Reports of the Department nor has a draft framework been presented to the Committee. This is concerning mid-year through the MTEF cycle and the Department continues with its consultations during 2017/18 and only intends finalising a framework by the end of this financial year.
b) The Committee was unclear as to what the link was between the targets related to the Nine Point Plan and the Women's financial inclusion framework and the GRB framework.

6.1.14 National Dialogues

a) The Committee queried how national dialogues will be effective in terms of eliminating gender-based violence.
b) The Committee was unclear as to how many dialogues would actually be held in 2017/18 as there were discrepancies in the amounts that appeared in the ENE and in the APP.
c) The Committee was not satisfied with the lack of detail provided in the APP and queried what the cost of national dialogues were, where these will be held in the 2017/18 financial year and what expected outcomes were envisaged.
d) The Committee questioned the nature of the collaboration with the Department of Social Development as a lead department for implementing the policy related to addressing Violence Against Women

and Children (VAWC) as well that of other stakeholders such as the Commission for Gender Equality, SAPS, Department of Justice etc.

Programme 3

6.1.15 Community mobilisation, outreach and participation

a) The Committee noted that the Department will hold community mobilisation/outreach and community participation initiatives and questioned the difference between the two activities as these were not clearly defined.
b) The Committee was also not clear as to how the Department determined the costing for these initiatives.

6.1.16 Country reports and compliance

a) The Committee noted the country reports for compliance but reiterated the importance of the monitoring and evaluation of what emerges as recommendations from these reports.
b) The Committee noted with concern that country reports are not submitted to Parliament for consideration before it is taken to Cabinet in order for the Committee to engage on it.

Gaps identified

The Committee identified the following gaps/areas that were not addressed by the Department in the 2017/18 APP namely;

a) The Committee noted with concern that the following deliverables were not planned for in the 2017/18 APP namely;
    i. Gender Mainstreaming Framework/Strategy,
    ii. Monitoring and Evaluation Framework with indicators,
    iii. Revival of National Gender Machinery and
    iv. Development of a National Prevention Strategy on Integrated Programme of Action for Violence Against Women and Children
b) The Committee was concerned that the Department was not following-up on the implementation of recommendations as outlined in the Status of Women in the South African Economy report as this was not reflected as a target in the 2017/18 APP.
c) The Committee noted with concern the absence of strengthening legislation to address compliance in terms of gender equality given the lapse of the Women's Empowerment and Gender Equality Bill.
d) The Committee notes with concern the absence of legislative input by the Department in terms of Bills before Parliament for e.g. Traditional Courts Bill by the Department in its APP for 2017/18.

6.2 Commission for Gender Equality

6.2.1. SMART Targets

a) The Committee noted with concern that the targets in the APP were not SMART as more detail was required to hold the CGE to account on deliverables for the said financial year.
b) The Committee noted the omission of key persons responsible for each strategic objective and KPIs in the APP and raised this as a concern.

6.2.2 Finances

a) The Committee noted with concern the funding challenges of the CGE and the impact this would have on giving effect to its mandate and to extending its reach.
b) The Committee noted the significant budget increases in the allocation of particular sub-strategies from the previous financial year and requested more detail in this regard.

6.2.3 Human Resources

a) The Committee was concerned that provincial offices were not capacitated enough to deal with the workload and therefore questioned whether the current workforce would suffice.
b) The Committee noted with concern the significant allocation (R7 338 967) for the review of HR policies and required more detail in this regard.

6.2.4. Programme specific matters

a) The Committee noted with concern that the Commissioners were not clearly linked to the SOs and KPIs as outlined in the APP thus holding them to account would be challenging for the Committee.
b) The Committee also noted that during its recent oversight visits it would appear that the Commissioners assume more of an overseeing role and that the bulk of the responsibility falls on the officials such as the legal officer and education officer as was observed at a legal clinic. It was thus important the Committee indicated, that the deliverables for all Commissioners are clearly outlined as per the priorities identified in the APP.
c) The Committee questioned the nature of collaboration between the CGE and the Department of Women on matters related to gender-based violence, specifically the national dialogues, gender mainstreaming and gender focal points.
d) The Committee questioned the links between the CGE legal clinics that are conducted very successfully and the national dialogue initiatives of the Department of Women as the Committee was concerned that there may be duplications. To this end, the Committee questioned whether the CGE was called on by the Department to follow-up cases that arise at a dialogue.
e) The Committee questioned whether the legal clinics are being planned for in areas where service delivery protests have taken place.
f) The CGE was commended on its use of the Gender Barometer and reports produced.

6.3 Gender-based violence

a) The Committee reaffirms its commitment to addressing scourge of gender-based violence in the country. The Committee acknowledges the initiatives identified by the Department and the CGE to assess the root causes of the problem and identify solutions.

6.4 Responses by the Department and the CGE

During the Committee meetings on the APPs for 2017/18, the Department and the CGE responded to issues raised by the Committee as indicated below.

6.4.1 Department's Responses

- **Policy and Frameworks:** The Department indicated that it will not develop a Monitoring and Evaluation Framework and Gender Mainstreaming Framework as it has already been identified broadly by Government Departments. The Department is currently reviewing the Gender Focal Point Policy Framework. The Department will brief the Committee on the Monitoring and Evaluation assessment, M&E systems and impact assessments. The Department is also working on the Gender Responsive Budgeting Framework with National Treasury to develop a mechanism for ensuring women's access funding from different departments.
- **International obligations**: The Department will forward to the Committee a list of all the international obligations and how regularly the country is expected required to report to the respective international committees e.g. United Nations or African Union.
- **National dialogues**: The Department indicated that it conducts research and develops a social profile of an area before conducting the dialogues.
- **Rental and audit fees**: The Department indicated that it was as concerned about the high audit fees and was working on improving this by providing the requisite information to the Auditors to avoid additional time spent by Auditors on auditing. Furthermore, the Department indicated that the rental fees for accommodation included the outstanding amount owed from 2016/17 (R7 million) and municipal services (R3 million).
- **Difference between on community mobilisation and community participation initiatives:** The Department indicated that community mobilisation focuses on initiatives such as techno-girl and young girls programme and community participation is a continuation of the community mobilisation initiatives.
- **Nine Point Plan:** The Department indicated that it will be undertaking a retreat to workshop and decide which areas within Nine Point Plan it would focus on and which areas to support other Departments. Hereafter, the Department will report to the Committee 14 days after the workshop/retreat.
- **Sanitary dignity:** The Sanitary dignity policy is being developed in consultation with the Department of Planning Monitoring and Evaluation, Department of Basic Education, Department of Higher Education and Training and Department of Health. The policy will be tabled for public commentary in June 2017. Rural girls and women have been identified as indigent.
- **Oversight visits:** The Minister indicated that due to the limited number of core staff (20) and budgetary constraints, the Department is unable to send officials with the Committee to attend oversight.

6.4.2 CGE's Response

- **Employment Equity Commission's report:** The Commission indicated that the report concentrated on the private sector and that the country is doing poorly with regards to gender equality in the workplace i.e. 22% women at SMS level. Furthermore, the Commission indicated that the public sector is doing much better as compared to the private sector and the Committee should engage with the Department of Labour and the Public Services Commission on the issue.
- **Role of Commissioners**: The Committee was informed that the Commissioners have partnerships with the Department of Correctional Services and Justice and the Foundation for Human Rights as well as other organisations on issues pertaining to women. Furthermore, the CGE was working with Women on Farms on issues and held engagements with Public Protector on its provincial visits. The CGE have various thematic areas which is covered by each Commissioner.
- **Electronic management system of handling case**: The Commission indicated that it has an electronic system for handling cases.
- **Participation on national dialogue of the Department of Women:** The Commission indicated that it has been invited by the Department of Women and had legal officers deal with matters that arose at the dialogue held in Limpopo Province.
- **Vacancies:** The Commission indicated that the post of the Legal Officer in Mpumalanga has been filled in Q3 for 2016/17. The Commission is in the process of reviewing its organogram of the CGE in order to deal with issue of vacancies and limited resources.
- **Legal clinics in hotspots:** The Commission indicated that it gathers information in a particular area before conducting legal clinics and uses that as a basis for deciding where a legal clinic should be held.
- **Tertiary institutions:** The Commission indicated that it has invited institutions together with Legal Officers of the Provinces and relevant stakeholder to a meeting at the CGE's offices.

The CGE agreed that it would submit additional information in writing to the Committee.

7. Recommendations

Having considered the Strategic Plan, Annual Performance Plans and budget for the Department of Women in the Presidency and the Commission for Gender Equality, the Committee recommends as follows:

A more astute and stringent oversight measure was required to hold the Department to account when receiving funding but not delivering as this was an indictment on the women in the country.

7.1 Department of Women in the Presidency:

The Committee recommends that the Minister of Women in the Presidency ensures the following are implemented.

7.1.1. SMART Targets

a) The Department should reformulate the targets in the APP and ensure these are SMART and desist from changing the APP during the course of the year.
b) The Department should provide in writing to the Committee as an addendum to the APP before the submission of Q1 of 2017/18 the following:
   i. Clearly indicate how the DG and DDGs are held to account for the targets identified in Programme 2 and 3.
   ii. Clearly define what intervention mechanisms are;
   ii. Indicate how these interventions would be implemented;
   iii. Stipulate who would implement these interventions;
   iv. Identify the cost implications and who would be responsible for bearing the cost;
   v. Provide more detail on outreach/advocacy initiatives such as the number of intended beneficiaries that would be targeted, the location and how the impact and proposed outcome would be measured as well as the cost implications. Clearly indicate how these initiatives give effect to the Department's mandate;
   vi. Clearly stipulate which policies and laws will be assessed in relation to which specific Departments; and
   vii. Clearly indicate which country reports will be submitted for consideration during this financial year.

7.1.2 Policy

a) The Department should prioritise the review of the Framework for Women's Empowerment and Gender Equality as a matter of urgency. This must be made available throughout Government and civil society as mechanism for enhancing gender equality.
b) The Department should report back to the Committee on its Monitoring and Evaluation Framework, system and indicators at the Quarter 1 report of 2017/18.
c) The Department should expedite the completion and implementation of the Gender Mainstreaming Framework and the Gender Responsive Budgeting Framework and report on progress every quarter.
d) The Department to present the Status of Women in the South African Economy Report to the Committee.

7.1.3 Collaboration

a) The Committee reiterated that the Department should collaborate with key stakeholders. To this end, in order to avoid duplication and waste of resources, the Department should look at existing baseline information like that of the Commission for Gender Equality and Department of Public Services and Administration in relation to gender based violence and gender mainstreaming as well as the programmes of other Departments to avoid duplication.
b) The Department should ensure that the National Gender Machinery at national and provincial level is revived and report back to the Committee on a quarterly basis in this regard.

7.1.4 Finance

a) The Department should make concerted attempts to reduce the audit fees and property payment and report to the Committee on a quarterly basis on progress in this regard.

7.1.5 Human Resources

a) The Department to provide a comprehensive report which details number of resignations, suspensions, cases before the CCMA, names and reasons for the aforementioned.
b) The Department to present to the Committee the outcome of its skills audit and the detailed organogram.
c) The Department should expedite the appointment of the CFO.

7.1.6 Property Payment

a) The Minister should engage with the Department of Public Works to reassess its lease and the exorbitant rental as a means of cost containment.
b) The Department to provide the Committee with more detail on the allocation for municipal services.

7.1.7 Oversight visits

a) The Department was urged to accompany the Committee on oversight in order to follow up on issues identified.

7.1.8 Addressing gender equality in workforce

a) The Department should examine the Annual Reports of departments to assess gender parity within the workforce.

7.1.9 Gender Responsive Budgeting

a) The Department should request that each department within Economic Cluster indicates what percentage of its budget is allocated to services and programmes for women and how gender responsive budgeting is currently implemented.
b) The Department should request that each department in the Economic cluster reports on questions related to gender focal points.
c) The Department should assess the targets of each department in the Economic Cluster as outlined in the Annual Performance Plans to determine if these hinder or aid gender mainstreaming and gender equality.
d) The Department should identify at least 2 priorities within each programme.

7.1.10 Nine Point Plan

a) The Department should refine its targets relating to the assessment of the Departments within the Economic Cluster that are implementing the Nine Point Plan from a gendered perspective and focus specifically on the Economic Cluster.
b) The Committee requested an action plan that expands on the following:

i. The list of departments/entities that will be examined;
ii. Provide a clear indication of how gender mainstreaming will be assessed within each department/entity identified,

iii. Indicate how each of the departments/entities mainstreams gender and identify the envisaged outcomes;
iv. Provide a clear indication of how gender responsive budgeting will be assessed within each department/entity and determine how much each of the identified departments/entities is currently allocating towards women's economic empowerment;
v. Identify the number of women that each department/entity intends targeting per province; and
vi. Indicate how the Department will be working with the respective Gender Focal Points (GFPs) within various departments/entities identified in this regard and note challenges experienced as well as best practice.
vii. The Department to submit quarterly progress reports on the implementation of the aforementioned and brief the Committee accordingly.

7.1.11 Sanitary Dignity Campaign

a) The Department to provide an outline of its role as well as a plan relating to the formulation of the Sanitary Dignity Policy Framework.
b) The Department should pursue the issue of zero rate VAT on sanitary products.

7.1.12 Gender Based Violence & National Dialogues

a) The Department should provide the Committee with a detailed programme for the planned dialogues to be held in 2017/18 and the forecasted costs per dialogue.
b) The Department should prioritise efforts towards contributing to the prevention strategy on VAWC as spearheaded by the Department of Social Development.
c) The Department to submit more detailed information on the national dialogues to the Committee by providing the plan for the year clearly indicating the number of intended dialogues it will host, where these dialogues will be conducted, the cost and a programme outlining the procedure at a dialogue.
d) The Committee will arrange a stakeholder engagement on gender-based violence with the view of convening in co-operation with other relevant Parliamentary Committees, a gender-based violence summit to address the scourge of violence perpetrated against women and children in the country.

7.1.13 Visibility of Department

a) The Department should ensure that more is done to raise awareness on its mandate within Government and civil society at large.

7.2 Commission for Gender Equality

a) The CGE should ensure that the targets in the APP are SMART and that key persons responsible should be clearly indicated. A report should be submitted to the Committee at Q1 2017/18 presentation in this regard.

b) The CGE should provide the Committee with more detail as to which HR policies will be reviewed in 2017/18 and what the allocation would be spent on.
c) The CGE should consider focusing on the services delivery industry to assess the rate of transformation in terms of gender equality.
d) The Committee urged the CGE to share and discuss its Gender Barometer and tools with the Department of Women who have yet to produce a M&E framework on gender mainstreaming.
e) The Committee agreed that the issue of 1 Woman 1 Hectare should be pushed within Government, notwithstanding the Department of Rural Development and Land Reform's policy on 1 household 1 hectare.

Unless, otherwise stated the Committee hereby requests a response to the aforementioned recommendations within 3 months after the adoption by the National Assembly.

8. Conclusion

The Committee thanked the Department and the Commission for Gender Equality for the presentations and emphasised the importance of submitting the additional information as requested.

Report for consideration.

National Council of Provinces

1 Report of the Select Committee on Social Services on the Budget Vote and Annual Performance Plan 2017/2018 of the Department of Social Development – Budget Vote No 17, dated 23 May 2017.

The Select Committee on Social Services having considered Budget Vote: 17 and Annual Performance Plan 2017/2018 of the Department of Social Development, reports that the Committee has concluded its deliberations thereon.

Report to be considered

2. Report of the Select Committee on Economic and Business Development on Budget Vote 26: Energy and Annual Performance Plan 2017/2018 of the Department of Energy, dated 23 May 2017.

The Select Committee on Economic and Business Development, having considered Budget Vote 26: Energy and the Annual Performance Plan 2017/2018 of the Department of Energy, reports that it has concluded its deliberations thereon.

Report to be considered.